

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, BUT HAS NOT YET BECOME EFFECTIVE. THESE SECURITIES MAY NEITHER BE SOLD NOR MAY OFFERS TO BUY THE SAME BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT IS RENDERED EFFECTIVE. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.



**Aboitiz Power Corporation
Shelf Registration of
₱30,000,000,000.00
Debt Securities Program
to be Offered in One or Several Tranches**

**First Tranche:
Up to ₱4,000,000,000.00 Fixed Rate Bonds Due 2026
with an Oversubscription Option
of up to ₱4,000,000,000.00
[●]% p.a.**

Offer Price: 100% of Face Value

*Intended to be
listed and traded on the
Philippine Dealing & Exchange Corp.*

Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the First Tranche:



Selling Agent
[●]

The date of this Preliminary Prospectus is 16 December 2020

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

Preliminary Prospectus



(A corporation duly organized and existing under Philippine laws)

ABOITIZ POWER CORPORATION
32nd STREET, BONIFACIO GLOBAL CITY
1634 TAGUIG CITY, METRO MANILA, PHILIPPINES
TELEPHONE NUMBER: (632) 8886-2800

This Preliminary Prospectus (this “Prospectus”) relates to the shelf registration (the “Shelf Registration”) and continuous offer of Aboitiz Power Corporation (“AboitizPower”, the “Issuer”, or the “Company”) through a sale in the Philippines of fixed rate bonds (the “Bonds”) in the aggregate principal amount of ₱30,000,000,000.00 (the “Debt Securities Program”).

For the first tranche of the Bonds to be issued out of the Shelf Registration, AboitizPower is offering a principal amount of up to ₱4,000,000,000.00 (the “Base Offer”), with an oversubscription option of up to ₱4,000,000,000.00 (the “Oversubscription Option”, together with the Base Offer, the “Offer”, and the Bonds subject of the Offer, the “First Tranche Bonds”) to be issued on [●] (the “Issue Date”). The First Tranche Bonds shall have a term of five (5) years from the Issue Date, or on [●], with a fixed interest rate of [●] per annum and an optional redemption on the third and fourth anniversary of such First Tranche Bonds, and in each case, / or] the immediately succeeding Banking Day if such date is not a Banking Day. Interest on the First Tranche Bonds shall be payable quarterly in arrear on [●], [●], [●], and [●] of each year while such 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 of the First Tranche Bonds (see “Description of the Offer” – “Interest” on page [●] of this Prospectus).

The First Tranche Bonds shall be repaid at maturity at par (or 100% of face value) on the Maturity Date, unless the Company exercises its Early Redemption Option in accordance with the conditions therefor (see “Description of the Offer” – “Redemption and Purchase” on page [●] of this Prospectus).

Upon issuance, 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 law, (ii) any obligation incurred by the Issuer pursuant to [Section 4.1(k)] 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 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 (see “Description of the Offer” – “Ranking” on page [●] of this Prospectus).

Each tranche of the Bonds will be rated by Philippine Rating Services Corporation (“PhilRatings”). [The First Tranche Bonds have been rated [●] by PhilRatings on [●].

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.

The First Tranche Bonds are offered to the public at face value through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners named below with the Philippine Depository & Trust Corp. (“PDTC”) as the Registrar of the First Tranche Bonds. The First Tranche Bonds shall be issued in minimum

denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter. The First Tranche Bonds shall be traded in denominations of ₱10,000.00 in the secondary market.

AboitizPower intends to list the First Tranche Bonds on a securities exchange licensed with the Securities and Exchange Commission (“SEC”) and has initiated discussions with the Philippine Dealing & Exchange Corporation (“PDEX”) for this purpose. However, there is no assurance that such a listing will actually be achieved either before or after the Issue Date or whether such a listing will materially affect the liquidity of the First Tranche Bonds on the secondary market. Such listing would be subject to the Company’s execution of a listing agreement with PDEX that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

AboitizPower expects to raise gross proceeds of ₱4,000,000,000.00 from the Base Offer and ₱8,000,000,000.00 assuming the full exercise of the Oversubscription Option. The net proceeds from the Base Offer is estimated to be ₱3,942,812,675, or ₱7,895,302,675 assuming the full exercise of the Oversubscription Option, after deducting fees, commissions, and expenses relating to the issuance. Proceeds of the Offer shall be used to fund the payment of the (a) 5.2050% Series A Bonds, with a term of seven (7) years from issue date and in the aggregate amount of ₱6,600,000,000.00, and (b) 6.10% Series B Bonds, with a term of twelve (12) years from issue date in the aggregate amount of ₱3,400,000,000.00 issued by AboitizPower on 10 September 2014 (the “2014 Bonds”), which are discussed further in the section entitled “Use of Proceeds” on page [●] of this Prospectus. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall receive an aggregate fee of up to 0.39% inclusive of gross receipts tax (“GRT”) on the final aggregate nominal principal amount of the First Tranche Bonds issued, which is inclusive of underwriting fees and selling commissions to be paid.

On [●], AboitizPower filed a Registration Statement with the SEC, in connection with the offer and sale to the public of the Bonds under the Debt Securities Program, inclusive of the Offer and any amount remaining if the Oversubscription Option is not or is not fully exercised. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer.

After the close of the Offer and within three (3) years following the date on which the Shelf Registration is rendered effective, the Company may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of Bonds covered by the Shelf Registration, in one or more subsequent tranches under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code.

However, there can be no assurance in respect of: (i) whether AboitizPower would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by AboitizPower to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within AboitizPower’s control, including but not limited to: prevailing interest rates, the financing requirements of AboitizPower’s business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

AboitizPower confirms that this Prospectus contains all material information relating to the Company, its Subsidiaries and Affiliates, as well as all material information on the issue and offering of and the First Tranche Bonds as may be required by the applicable laws of the Republic of the Philippines. No facts have been omitted that would make any statement in this Prospectus misleading in any material respect. AboitizPower confirms that it has made all reasonable inquiries with respect to any information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. AboitizPower, however, has not independently verified any or all such publicly available information, data or analysis.

The prices of securities can and do fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the First Tranche Bonds described in this Prospectus involves a certain degree of risk.

In deciding whether to invest in the First Tranche Bonds, a prospective purchaser of the First Tranche Bonds (a "Prospective Bondholder") should, therefore, carefully consider all the information contained in this Prospectus, including but not limited to, several factors inherent to the Company, which includes significant competition, exposure to risks relating to the performance of the economies of other countries, and other risks relating to customer default (detailed in "Risk Factors and Other Considerations" section on page [●] of this Prospectus), and those risks relevant to the Philippines vis-à-vis risks inherent to the First Tranche Bonds.

Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstances, constitute a representation or create any implication that the information contained or referred to in this Prospectus is accurate, complete or correct as of any time subsequent to the date hereof or that there has been no change in the affairs of AboitizPower since the date of this Prospectus.

The contents of this Prospectus are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of this Prospectus acknowledges that he has not relied on the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners or any person affiliated therewith in his investigation of the accuracy of any information found in this Prospectus or in his investment decision. Prospective Bondholders should consult their own counsel, accountants, or other advisors as to legal, tax, business, financial, and related aspects of the purchase of the First Tranche Bonds, among others. It bears emphasis that investing in the First Tranche Bonds involves certain risks. It is best to refer again to the section on "Risk Factors and Other Considerations" on page [●] of this Prospectus for a discussion of certain considerations with respect to an investment in the First Tranche Bonds.

No person nor group of persons has been authorized by AboitizPower or the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners to give any information or to make any representation concerning AboitizPower or the First Tranche Bonds other than as contained in this Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorized by AboitizPower or the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

AboitizPower is organized under the laws of the Philippines. Its principal office is at 32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines with telephone number (+632) 8886-2800.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

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

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

ABOITIZ POWER CORPORATION

By:

EMMANUEL V. RUBIO

President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this _____ affiant exhibiting to me his Philippine
Passport No. P3162364B issued in DFA Manila on 13 September 2019.

Doc. No. _____;

Page No. _____;

Book No. _____;

Series of 2020.

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FORWARD LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements” that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements can generally be identified by use of statements that include words or phrases such as AboitizPower or its management “believes”, “expects”, “anticipates”, “intends”, “plans”, “foresees”, or other words or phrases of similar import. Similarly, statements that describe AboitizPower’s objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations of AboitizPower include, among others:

- General economic and business conditions in the Philippines;
- The Company’s management’s expectations and estimates concerning its future financial performance;
- The Company’s capital expenditure program and other liquidity and capital resources requirements;
- The Company’s level of indebtedness;
- Increasing competition in the industry in which the Company, its Subsidiaries and its Affiliates operate;
- Industry risk, including price and regulatory risk in the areas in which the Company, its Subsidiaries, and its Affiliates operate;
- Changes in laws and regulations that apply to the segments or industry in which the Company, its Subsidiaries, and its Affiliates operate;
- Changes in political conditions in the Philippines;
- Inflation in the Philippines and any devaluation of the Philippine Peso; and
- The risk factors discussed in this Prospectus as well as other factors beyond the Company’s control.

For further discussion of such risks, uncertainties and assumptions, see “*Risk Factors and Other Considerations*” on page [●] of this Prospectus. Prospective Bondholders are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Prospectus, and AboitizPower undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

None of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners take any responsibility for, or gives any representation, warranty or undertaking in relation to, any such forward-looking statement.

DEFINITION OF TERMS

2014 Bonds	Fixed-rate bonds issued by AboitizPower on 10 September 2014 in two series: (a) 5.2050% Series A Bonds, with a term of seven (7) years from issue date and in the aggregate amount of ₱6,600,000,000.00, and (b) 6.10% Series B Bonds, with a term of twelve (12) years from issue date in the aggregate amount of ₱3,400,000,000.00
AA Thermal	AA Thermal, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has a beneficial interest and, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, and their respective Subsidiaries and Affiliates
AboitizLand	Aboitiz Land, Inc.
AboitizPower	Aboitiz Power Corporation also referred to as “AP”, the “Company”, the “Parent Company” or the “Issuer”
AboitizPower Group or the Group	AboitizPower and its Subsidiaries
Abovant	Abovant Holdings, Inc.
AC Energy	AC Energy and Infrastructure Corporation
ACI	Aboitiz Construction, Inc. (Formerly: Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV	Aboitiz Equity Ventures Inc.
AEV Group	AEV and its Subsidiaries
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled, or is under common Control by such Person
Aggregator	Refers to a person or entity, engaged in consolidating electric power demand of end-users in the contestable market, for the purpose of purchasing and reselling electricity on a group basis
AFS	Available-for-Sale
Ambuklao-Binga Hydroelectric Power Plant Complex or the Ambuklao Plant	Refers to SNAP-Benguet’s 105- MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet

Applicable Law	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	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	the form actually accomplished and submitted by the Applicant for the purchase of the First Tranche Bonds
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables Inc.
APRI	AP Renewables, Inc.
ARI	Aboitiz Renewables, Inc.
Articles of Incorporation and By-Laws	Document filed with the SEC by all Corporations organized under the laws of the Philippines which contains the name of the Corporation, its specific purpose, its principal place of business, its corporate term, details of incorporators and directors and the amounts of its authorized capital stock, amount of subscribed capital and paid-up capital stock
AS	Ancillary Services
Aseagas	Aseagas, Inc.
ASEAN	Association of Southeast Asian Nations
ASPA	Ancillary Services Purchase Agreement
Associate	Refers to 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 does not have control or joint control over those policies
Bakun Plant	The 70-MW Bakun run-of-river Hydroelectric Plant of LHC located in Ilocos Sur
Banking Day	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 otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each
Base Offer	Principal amount of up to ₱4,000,000,000.00

BCM	Business Continuity Management
BCQ	Bilateral Contract Quantity
BDO	BDO Unibank, Inc.
BDO Capital	BDO Capital & Investment Corporation
BEZ	Balamban Enerzone Corporation
Binga Plant	The 140-MW Binga Hydroelectric Power Plant of SNAP-Benguet located in Itogon, Benguet
BIR	Bureau of Internal Revenue
bn	Billion
Board	The Board of Directors of AboitizPower, unless context clearly provides otherwise
Bondholder	A Person whose name appears, at any time, as a holder of the First Tranche Bonds in the Register of Bondholders
Bonds	The unsecured fixed-rate Peso-denominated retail bonds up to an aggregate principal amount of ₱30,000,000,000.00 to be issued in several tranches under the Debt Securities Program
BOT	Build-Operate-Transfer
BPI	Bank of the Philippine Islands
BPI Capital	BPI Capital Corporation
Brownfield	Power generation projects undertaken to expand, rehabilitate, and/or maintain existing assets
BSP	Bangko Sentral ng Pilipinas
Bunker C	A term used to designate the thickest of the residual fuels that is produced by blending oil remaining at the end of the oil-refining process with lighter oil
Business Continuity Plans	Refers to plans formulated in order to address newly identified scenarios triggered by changing risks and issues that the Company faces
Business Unit	A Subsidiary or an Affiliate of AboitizPower
CA	Court of Appeals
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals

CEDC or Cebu Energy	Cebu Energy Development Corporation
CFB	Circulating-Fluidized-Bed
China Bank Capital	China Bank Capital Corporation
CIPDI	Cebu Industrial Park Developers, Inc.
Cleanergy	Cleanergy, Inc., formerly the Northern Mini Hydro Corporation
COC	Certificate of Compliance
Consolidated Equity	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
Contestable Customer	An electricity end-user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with RA No. 9136 or the EPIRA
Control	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 (50.0%) 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
COVID-19	Novel coronavirus disease 2019
Corporation	As defined in the Revised Corporation Code, an artificial being created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence
CORTT	Certificate of Tax Residence for Tax Treaty Relief
Cotabato Light	Cotabato Light and Power Company
CPCN	Certificate of Public Convenience and Necessity
CPPC	Cebu Private Power Corporation
CSA	Corporate Sustainability Assessment
CSEE	Contract for the Supply of Electric Energy
CSP	Competitive Selection Process
CSR	Corporate Social Responsibility
Current Ratio	The ratio of total current assets over total current liabilities of the Issuer

Davao Light	Davao Light & Power Company, Inc.
Debt Securities Program	The Shelf Registration of AboitizPower in the aggregate principal amount of up to ₱30,000,000,000.00, also referred to as the “Program”
DENR	Department of Environment and Natural Resources
Distribution Companies or Distribution Utilities	BEZ, Cotabato Light, Davao Light, LEZ, Malvez, MEZ, SEZ, SFELAPCO, and Visayan Electric
DOE	Department of Energy
DSOAR	Distribution Services and Open Access Rules
DST	Documentary Stamp Tax
DTL	Deferred Income Tax Liabilities
EAUC	East Asia Utilities Corporation
EBITDA	Represents net income after adding provisions for income tax, depreciation, amortization, and net financial expense, and netting out extra-ordinary items such as foreign exchange differential and one-off gains or losses on disposal of major assets. EBITDA is not required by, and is not a measure of performance under, PFRS. Because there are various EBITDA calculation methods, the Group’s presentation of these measures may not be comparable to similarly titled measures used by other companies
ECC	Environmental Compliance Certificate
El Paso Philippines	El Paso Philippines Energy Company, Inc.
EMB	Environmental Management Bureau
Enerzone Companies	A term collectively referring to BEZ, LEZ, Malvez, MEZ, and SEZ, the Distribution Utilities operating within special economic zones
EO	Executive Order
EPC	Engineering, Procurement, and Construction
EPIRA	RA No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, as may be amended from time to time, and including the rules and regulations issued thereunder
EPPA	Energy Power Purchase Agreement
ERB	Energy Resolution Board
ERC	Energy Regulatory Commission

ERC-IU or IU	Investigation Unit of the Energy Regulatory Commission
ESA	Energy Supply Agreement
ESG	Environment, social, and governance
Events of Default	Those events defined as such under the Trust Agreement
Evonik Steag	Evonik Steag GmbH
Forex	Foreign exchange
First Metro	First Metro Investment Corporation
FIT	Feed-in-Tariff
FIT-All	FIT-Allowance
First Tranche Bonds	Consists of a principal amount of up to ₱4,000,000,000.00, with an Oversubscription Option of up to ₱4,000,000,000.00
Garcia Group	Refers to VEC and VIGC
GCGI	Green Core Geothermal Incorporated
GDP	Gross Domestic Product
Generation Companies or Generation Group	APRI, CEDC, CPPC, EAUC, GMEC, Hedcor, Hedcor Sibulan, Hedcor Sabangan, Hedcor Tudaya, Hedcor Bukidnon, LHC, PEC, SNAP-Benguet, SNAP-Magat, SPPC, STEAG Power, TSI, TVI, and WMPC
Global Formosa	Global Formosa Power Holdings, Inc.
Global Power	Global Business Power Corporation
GMEC	GNPower Mariveles Energy Center Ltd. Co. (formerly GMCP)
GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPD or GNPower Dinginin	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Government Authority	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 Government, and any national agency or body vested with jurisdiction or authority over any Person
GOCC	Government-owned-or-controlled corporations

Greenfield	Power generation projects that are developed from inception on previously undeveloped sites
Grid	As defined in the Implementing Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas, and Mindanao or as may be otherwise determined by ERC in accordance with Section 45 of the EPIRA
GWh	Gigawatt-hour, or one mn kilowatt-hours
HEDC	Hydro Electric Development Corporation
Hedcor	Hedcor, Inc.
Hedcor Bukidnon or HBI	Hedcor Bukidnon, Inc.
Hedcor Group	Hedcor, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, and Hedcor Tudaya
Hedcor Sabangan	Hedcor Sabangan, Inc.
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
HEPP	Hydroelectric Power Plant
IAR	Industrial All Risks insurance
IEMOP	Independent Electricity Market Operation of the Philippines, Inc.
IMEM	Interim Mindanao Electricity Market
Indebtedness	<p>(1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements;</p> <p>(2) 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</p> <p>(3) Capitalized lease obligations of the Issuer</p>
IPO	Initial Public Offering
IPP	Independent Power Producer
IPPA	Independent Power Producer Administrator

IRR	Implementing Rules and Regulations
ISMS	Information Security Management System
ISO	International Organization for Standardization
Issue Management and Underwriting Agreement	Issue Management and Underwriting Agreement dated [●] entered into between the Company and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners in relation to First Tranche Bonds
Issue Date	[●], or the immediately succeeding Banking Day if such Issue Date is not a Banking Day, or such later date as may be mutually determined by the Issuer 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	At par, which is equal to the face value of the First Tranche Bonds
ITH	Income tax holiday
Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners	BDO Capital, BPI Capital, China Bank Capital, and First Metro
Joint Venture	Refers to a type of joint agreement 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 exist only when decisions about the relevant activities require unanimous consent of the parties sharing control
kV	Kilovolt, or one thousand volts
kW	Kilowatt, or one thousand watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
LBAA	Local Board of Assessment Appeals
LEZ	Lima Enerzone Corporation
LISP	Light & Industry Science Park
LGC	RA No. 7160, otherwise known as the Local Government Code, as may be amended from time to time, and including the rules and regulations issued thereunder
LGU	Local Government Unit

LHC	Luzon Hydro Corporation
Lien	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
Lima Land	Lima Land, Inc.
LTC	Lima Technology Center
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Magat Plant	The Magat Hydroelectric Power Plant of SNAP-Magat located at the border of Isabela and Ifugao provinces
Majority Bondholders	At any time, the relevant Bondholders of the First 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 thereof
Malvez	Malvar Enerzone Corporation
Material Adverse Effect	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 the Trust Agreement, the Issue Management and Underwriting Agreement or the First Tranche Bonds
Master Certificate of Indebtedness	Refers to the certificates representing the First Tranche Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
MEZ	Mactan Enerzone Corporation
MCIAA	Mactan Cebu International Airport Authority
MERALCO	Manila Electric Company
MGen	Meralco PowerGen Corporation
mn	Million
MOA	Memorandum of Agreement
MORE	Manila-Oslo Renewable Enterprise, Inc.
MSK	Matuwid na Singil sa Kuryente Consumer Alliance, Inc.
MW	Megawatt, or one mn watts

MWh or MW-h	Megawatt-hour
MWp	Megawatt-peak
MVA	Megavolt Ampere
NCR	National Capital Region of the Philippines
NEA	National Electrification Administration
Net Debt	The interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer
Net Debt to Consolidated Equity Ratio	The ratio of Net Debt to Consolidated Equity
NGCP	National Grid Corporation of the Philippines
NPC	National Power Corporation
NPPC	Naga Power Plant Complex
NREB	National Renewable Energy Board
NWRB	National Water Resources Board
Offer Period	Shall refer to the period commencing at 9:00 a.m. on [●] and ending at 5:00 p.m. on [●] or on such other dates as the Issuer and the Joint Lead Underwriters may agree upon
Open Access or RCOA	Retail Competition and Open Access and as defined in EPIRA, refers to the provision of allowing any qualified user the use of transmission, and/or distribution system and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the ERC
OT	Operational Technology
Oversubscription Option	Means the oversubscription option exercisable by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners with the consent of the Issuer to increase the Base Offer by up to ₱4,000,000,000.00
Pagbilao Plant or Pag1 and Pag2	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
Pag 3	Refers to a third generating unit with a net capacity of 400 MW within the Pagbilao Plant facilities
PANC	Pilmico Animal Nutrition Corporation
PAO	Provisional Authority to Operate

PB 117	Power Barge Mobile 2 owned and operated by Therma Marine, Inc., which have a total generating capacity of 200 MW
PB 118	Power Barge Mobile 1 owned and operated by Therma Marine, Inc., which have a total generating capacity of 200 MW
PBR	Performance-based rate-setting regulation
PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEx	Philippine Dealing & Exchange Corp.
PDEx Rules	PDEx 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 PDEx
PDS	Power Distribution System
PDTC	Philippine Depository & Trust Corp.
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
PEMC Board	PEMC Board of Directors
PEMC-ECO	Enforcement and Compliance Office of the Philippines Electricity Market Corporation
PERA	Personal Equity and Retirement Account
Person	An Individual, corporation, partnership, association, joint stock Company, trust, any unincorporated organization, or a government or political subdivision thereof
PEZA	Philippine Economic Zone Authority
PFRS	Philippine Financial Reporting Standards
PGC	Philippine Grid Code; promulgated by the ERC under the EPIRA, it establishes basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the high-voltage backbone Transmission System in the Philippines
PGPC	Philippine Geothermal Production Company
Philippine Pesos or ₱	The lawful currency of the Philippines
PhilRatings	Philippine Ratings Services Corporation

PIPPA	Philippine Independent Power Producers Association, Inc.
PIS	Performance Incentive Scheme
Pmax	Maximum power point
Power Partners	Power Partners Ltd. Co.
PPA	Power Purchase Agreement
PPE	Property, Plant, Equipment
Prepayment Penalty	The additional amount the Issuer will pay if it prepays the First Tranche Bonds and computed as the following amount multiplied by the outstanding amount of the relevant series of the First Tranche Bonds being redeemed:

Optional Redemption Dates	Prepayment Penalty
3 years from Issue Date and every Interest Payment Date thereafter before the 4 th anniversary of the Issue Date	1.00%
4 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	0.25%

Prospectus	This Prospectus relating to the takedown of the First Tranche Bonds and the public offer for sale, distribution, and issuance by AboitizPower
PRISM	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	Power Supply Contract
PSE	The Philippine Stock Exchange, Inc.
Public Offering	Refers to the random or indiscriminate offering of securities in general to anyone who will buy, whether solicited or unsolicited as per the SRC IRR
RA	Republic Act
RAFI	Ramon Aboitiz Foundation, Inc.
RDWR	Rules for Setting Distribution Wheeling Rates
RE	Renewable Energy
Revised Corporation Code or RCC	RA No. 11232, otherwise known as the Revised Corporation Code of the Philippines, amending Batas Pambansa Blg. 68 (or the Corporation Code of the

Philippines), and as may be further amended from time to time, and including the rules and regulations issued thereunder

Record Date	The cut-off date in determining Bondholders entitled to receive interest or principal amount due, 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 Banking Day immediately preceding said date
Register of Bondholders	The electronic register which shows the legal title to the First Tranche Bonds, maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement
Registrar and Paying Agent	Philippine Depository & Trust Corp., also referred to as the “Registrar”
Registration Statement	The application for the registration of securities filed with the SEC as required under the Securities Regulation Code
Registry and Paying Agency Agreement	Agreement dated [•] entered into between the Company and the Registrar and Paying Agent in relation to the First Tranche Bonds
Registry Book	The electronic record of the issuances, sales and transfers of the First Tranche Bonds to be maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement
Relevant Period	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
Renewable Energy Act or RE Law	RA No. 9513, otherwise known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Retail Electricity Supply Agreement
RORB	Rate on Return Base
RP Energy	Redondo Peninsula Energy, Inc.
RPS	Renewable Portfolio Standard
RPT	Real Property Tax
RTC	Regional Trial Court
RTT	Right-to-Top
Run-of-river hydroelectric plant	Hydroelectric power plant that generates electricity from the natural flow and elevation drop of a river

Sacasun	San Carlos Sun Power, Inc.
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SAIFI	System Average Interruption Duration Index
SAIDI	System Average Interruption Frequency Index
SBU	Strategic Business Unit of the Aboitiz Group
SC	Supreme Court
SEC	The Securities and Exchange Commission of the Philippines
Selling Agents	[•]
SEZ	Subic Enerzone Corporation
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
SHAPES	Safety and Health Association of the Philippines Energy Sector Inc.
Shelf Registration	The shelf registration and continuous offer of AboitizPower of the Bonds
Shelf Period	A period of three years from the date of effectivity of the Registration Statement, subject to any extension as may be granted by the SEC, within which securities under the Shelf Registration may be offered
SHES	Safety, Health, Environment and Security
Sibulan Project	Two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SLA	Service Level Agreements
SN Power	SN Power Philippines, Inc.
SNAP – Benguet	SN Aboitiz Power – Benguet, Inc. (formerly, SN Aboitiz Power Hydro, Inc.)
SNAP – Magat	SN Aboitiz Power – Magat, Inc.
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power; particularly, MORE and its Subsidiaries, including, SNAP-Benguet, SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SNAP-Magat
SPC	SPC Power Corporation

Spot Market Price	Price of electricity in the WESM, determined per hourly trading interval
SPPC	Southern Philippines Power Corporation
SPPC Plant	A 55- MW Bunker C-fired power plant owned and operated by SPPC
SRC	RA No. 8799, otherwise known as the Securities Regulation Code of the Philippines, as amended and may be amended from time to time, including the rules and regulations issued thereunder
SRC IRR	2015 Implementing Rules and Regulations of the SRC
STEAG Power	STEAG State Power, Inc.
Stranded Costs	As defined in the EPIRA, the excess of the contracted costs of electricity under eligible contracts over the actual selling price of the contracted energy output under such contracts. Eligible contracts are those approved by the ERB from 31 December 2000 onwards
Stranded Debt	As defined in the EPIRA, refers to any unpaid financial obligations of the National Power Corporation that have not been liquidated by the proceeds from the sale and privatization of its assets.
Subsidiary	In respect of any Person, any entity (i) over fifty percent (50.0%) 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
Tax Code	Presidential Decree No. 1158, otherwise known as the National Internal Revenue Code, as amended and may be further amended from time to time, including the rules and regulations issued thereunder
TCIC	Taiwan Cogeneration International Corporation
TeaM Energy	TeaM Energy Corporation
TeaM Philippines	TeaM Philippines Industrial Power II Corporation (formerly Mirant (Phils.) Industrial Power II Corp.)
THC	Tsuneishi Holdings (Cebu), Inc.
Tiwi-MakBan	Tiwi-MakBan Geothermal Complex, composed of twelve (12) geothermal plants and one (1) binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.

TPI	Therma Power, Inc.
TPVI	Therma Power Visayas, Inc.
Transaction Date	with respect the incurrence of any loan obligation with a maturity of more than one (1) year, the date such loan obligation is incurred
Transco	National Transmission Corporation and, as applicable, NGCP, which is the Transco concessionaire
Treasury Transaction	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
Trust Agreement	Trust Agreement dated [•] entered into between the Company and the Trustee in relation to the First Tranche Bonds
Trustee	[BDO Unibank, Inc. – Trust and Investments Group]
TRO	Temporary Restraining Order
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc.
TWh	Terawatt-hour
ULGPP	Unified Leyte Geothermal Power Plant
UnionBank	Union Bank of the Philippines
US\$ or USD or U.S. dollar	The lawful currency of the United States of America
VAT	Value Added Tax
VEC	Vivant Energy Corporation
VIGC	Vivant Integrated Generation Corporation
Visayan Electric	Visayan Electric Company, Inc.
Vivant	Vivant Energy Corporation
Vivant Group	Vivant and its Subsidiaries
WCIP – SEZ	West Cebu Industrial Park – Special Economic Zone
WESM	Philippine Wholesale Electricity Spot Market
WESM Rules	Basic rules, requirements, and procedures that govern the operation of the Philippine electricity market that are promulgated by the DOE

WMPC	Western Mindanao Power Corporation
WMPC Plant	A 100-MW Bunker C-fired power station in Zamboanga City owned and operated by WMPC
YoY	Year-on-Year

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a Prospective Bondholder should consider before investing. Prospective Bondholders should read the entire Prospectus carefully, including the section entitled “Risk Factors and Other Considerations”, and the financial statements and the related notes to those statements included in this Prospectus, and disclosures made available to the general public in accordance with the relevant rules of the SEC and The Philippine Stock Exchange, Inc. (the “PSE”).

The Offering

AboitizPower is offering the First Tranche Bonds in a principal amount of up to ₱4,000,000,000.00, with an Oversubscription Option of up to ₱4,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the First 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 the Shelf Period. The Oversubscription Option is exercisable by the [Joint Lead Underwriters], with the consent of the Issuer.

Investment Thesis

AboitizPower is a diversified, and experienced industry leader, with a strong financial position. These competitive strengths allow it to pursue its robust growth initiatives to meet the country’s energy needs. Its mission is to provide reliable power, at a reasonable price, with the least possible adverse effects on its environment and host communities.

The Company

AboitizPower is a publicly listed holding company. Its controlling shareholder, Aboitiz Equity Ventures Inc. (“AEV”), is a diversified conglomerate that is listed on the PSE and has interests in power, banking and financial services, food, infrastructure, and land. This relationship with AEV allows the Company to draw on the extensive business networks, local business knowledge, relationships and expertise of AEV’s and the Aboitiz Group’s senior managers to identify growth opportunities at an early stage and to capitalize on such opportunities more decisively.

The power generation business of AboitizPower is among the leaders in the Philippines in terms of attributable installed capacity.¹ Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales² and the third largest RES company.³ AboitizPower is a pioneer in building and operation of run-of-river hydropower plants in the country. Today, through its renewable energy Subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control.⁴

For a full discussion, please refer to the section on “*The Company*” on page [•] of this Prospectus.

History

Incorporated in 1998, AboitizPower has grown to become a leader in the Philippine power industry with interests in a number of privately-owned generation companies and distribution utilities. AEV owns 77% of the outstanding capital stock of AboitizPower as of 30 September 2020.

¹ Based on ERC Resolution No. 02, dated 12 March 2020

² Based on DOE’s Distribution Development Plan 2016-2025

³ Based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of September 2020

⁴ Based on ERC Resolution No. 02, Series of 2020 dated 12 March 2020

Ownership in AboitizPower was opened to the public through an initial public offering (“IPO”) of its common shares in July 2007. Its common shares were officially listed in the PSE on 16 July 2007. As of 30 September 2020, the Company’s market capitalization was at ₱188.01 bn.

For a full discussion, please refer to the section on “*The Company*” on page [•] of this Prospectus.

Summary of Financial Information

The summary of financial and operating information presented below as at 31 December 2019 and 2018, and for each of the three years in the period ended 31 December 2019 were derived from the consolidated financial statements of AboitizPower, audited by SyCip Gorres Velayo & Co. (“SGV”) and prepared in accordance with Philippine Financial Reporting Standards (“PFRS”). The financial and operating information presented below as of 30 September 2020 and for the nine (9)-month periods ended 30 September 2020 and 2019 were derived from the unaudited interim condensed consolidated financial statements of AboitizPower prepared in compliance with Philippine Accounting Standards (“PAS”) 34, “Interim Financial Reporting”.

Prospective Bondholders should read the summary financial information below together with the AboitizPower’s audited consolidated financial statements and unaudited interim condensed consolidated financial statements, including the Notes thereto, presented as an Annex and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page [•] of this Prospectus. The information is not necessarily indicative of the results of the future operations.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	September 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited; As Restated)
ASSETS					
Current Assets					
Cash and cash equivalents	₱38,039,586	₱37,433,929	₱46,343,041	₱35,699,631	₱47,094,741
Trade and other receivables	22,231,114	21,747,422	21,721,776	17,359,828	15,465,121
Derivative assets	–	–	71,583	228,644	188,417
Inventories	6,549,766	6,632,029	6,690,453	5,643,607	4,452,812
Property held for sale	–	–	675,819	–	–
Other current assets	15,187,130	11,083,405	13,205,935	9,029,886	6,448,096
Total Current Assets	82,007,596	76,896,785	88,708,607	67,961,596	73,649,187
Noncurrent Assets					
Investments and advances	₱63,697,307	₱60,878,541	₱34,334,126	₱31,248,595	₱30,595,989
Property, plant and equipment	204,507,338	209,521,466	207,110,412	204,025,303	192,976,388
Intangible assets	44,754,747	46,712,501	46,165,494	46,344,658	46,718,057
Derivative assets – net of current portion	–	82,327	221,245	113,297	103,444
Available for sale investments	–	–	–	102,999	100,309
Financial assets at fair value through profit or loss (FVTPL)	9,160	3,906	101,441	–	–
Net pension assets	68,209	68,209	126,977	56,400	45,667
Deferred income tax assets	1,727,856	2,786,310	2,233,695	1,406,796	1,802,570
Other noncurrent assets	7,335,385	13,519,312	10,660,179	10,217,355	11,015,283
Total Noncurrent Assets	322,100,002	333,572,572	300,953,569	293,515,403	283,357,707
TOTAL ASSETS	₱404,107,598	₱410,469,357	₱389,662,176	₱361,476,999	₱357,006,894
LIABILITIES AND EQUITY					
Current Liabilities					
Short-term loans	₱13,491,814	₱10,335,420	₱11,546,560	₱4,717,300	₱4,155,600
Current portions of:					
Long-term debts	16,591,674	10,386,311	8,697,404	20,692,751	7,458,363
Lease liabilities	6,540,210	5,486,745	4,131,059	3,316,165	2,968,491
Long-term obligation on power distribution system	40,000	40,000	40,000	40,000	40,000
Derivative liabilities	2,114,547	2,255,736	159,926	47,577	127,442
Trade and other payables	24,033,901	22,376,120	21,801,288	19,852,383	17,398,218
Income tax payable	1,194,953	510,137	438,783	646,115	654,392
Total Current Liabilities	₱64,007,099	₱51,390,469	₱46,815,020	₱49,312,291	₱32,802,506

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)	December 31, 2017 (Audited)	December 31, 2016 (Audited; As Restated)
Noncurrent Liabilities					
Noncurrent portions of:					
Long-term debts	₱162,150,173	₱167,585,311	₱149,360,287	₱131,360,749	₱151,914,172
Lease liabilities	33,973,511	39,302,899	42,763,296	45,909,089	49,371,713
Long-term obligation on power distribution system	177,414	159,350	173,496	186,071	197,248
Derivative liabilities – net of current portion	1,008,948	212,588	–	–	233,435
Customers’ deposits	6,780,255	6,521,469	6,008,364	6,094,690	6,831,242
Decommissioning liability	4,466,892	3,567,492	3,678,810	2,959,060	1,821,577
Deferred income tax liabilities	906,056	848,471	858,290	912,601	1,043,996
Net pension liabilities	426,047	426,047	244,857	361,228	247,387
Other noncurrent liabilities	1,528,599	6,812,250	3,183,089	402,756	334,398
Total Noncurrent Liabilities	₱211,417,895	₱225,435,877	₱206,270,489	₱188,186,244	₱211,995,168
Total Liabilities	₱275,424,994	₱276,826,346	₱253,085,509	₱237,498,535	₱244,797,674
Equity Attributable to Equity Holders of the Parent					
Paid-in capital	₱19,947,498	₱19,947,498	₱19,947,498	₱19,947,498	₱19,947,498
Net unrealized loss on AFS investments	–	–	–	(625)	(3,311)
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate	98,602	101,727	101,727	124,121	114,920
Cumulative translation adjustments	(3,368,137)	(994,253)	525,916	113,637	(78,232)
Share in cumulative translation adjustments of associates and joint ventures	(406,560)	(153,485)	321,139	(144,507)	(128,203)
Actuarial losses on defined benefit plans	(923,833)	(923,833)	(587,267)	(601,461)	(607,913)
Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures	(13,079)	(14,299)	29,729	4,963	(1,878)
Acquisition of non-controlling interests	(6,321,325)	(6,321,325)	(259,147)	(259,147)	(259,147)
Excess of cost of investments over net assets	(421,260)	(421,260)	(421,260)	(421,260)	(526,883)
Loss on dilution	(433,157)	(433,157)	(433,157)	(433,157)	–
Retained earnings					
Appropriated	33,660,000	33,660,000	34,060,000	34,060,000	34,060,000
Unappropriated	79,417,925	81,095,377	74,427,738	63,006,308	52,597,568
	₱121,236,674	₱125,542,990	₱127,712,916	₱115,396,370	₱105,114,419
Non-controlling Interests	7,445,930	8,100,021	8,863,751	8,582,094	7,094,801
Total Equity	128,682,604	133,643,011	136,576,667	123,978,464	112,209,220
TOTAL LIABILITIES AND EQUITY	₱404,107,598	₱410,469,357	₱389,662,176	₱361,476,999	₱357,006,894

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Nine Months Ended September 30 (Unaudited)		Years Ended December 31 (Audited)			
	2020	2019	2019	2018	2017	2016
OPERATING REVENUES	₱80,362,549	₱94,681,034	₱125,635,157	₱131,572,084	₱119,391,303	₱89,163,269
OPERATING EXPENSES	₱62,181,499	₱72,447,796	₱96,779,283	₱95,075,402	₱85,217,574	62,852,969
FINANCIAL INCOME (EXPENSES)						
Interest income	540,235	1,060,451	1,291,703	880,085	927,012	1,083,535
Interest expense and other financing costs	(10,614,840)	(10,247,981)	(14,047,646)	(12,082,158)	(11,247,780)	(7,704,011)
	₱(10,074,605)	₱(9,187,530)	₱(12,755,943)	₱(11,202,073)	₱(10,320,768)	(6,620,476)
OTHER INCOME (EXPENSES)						
Share in net earnings of associates and joint ventures	1,709,968	2,812,358	3,813,962	4,356,825	4,697,864	3,641,210
Other income (expenses) – net	3,613,739	2,303,791	3,483,387	(1,292,311)	(1,704,000)	1,669,212
	₱5,323,707	₱5,116,149	₱7,297,349	₱3,064,514	₱2,993,864	₱5,310,422
INCOME BEFORE INCOME TAX	13,430,152	18,161,857	23,397,280	28,359,123	26,846,825	25,000,246
PROVISION FOR INCOME TAX	4,785,682	2,508,604	3,215,498	2,925,623	3,858,398	3,496,140
NET INCOME	₱8,644,470	₱15,653,253	₱20,181,782	₱25,433,500	₱22,988,427	₱21,504,106
ATTRIBUTABLE TO:						
Equity holders of the parent	₱7,005,701	₱13,454,956	₱17,322,677	₱21,707,603	₱20,416,442	₱20,002,582
Non-controlling interests	1,638,769	2,198,297	2,859,105	3,725,897	2,571,985	1,501,524
	₱8,644,470	₱15,653,253	₱20,181,782	₱25,433,500	₱22,988,427	₱21,504,106
EARNINGS PER COMMON SHARE						
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱0.95	₱1.83	₱2.35	₱2.95	₱2.77	₱2.72

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Nine Months Ended September 30 (Unaudited)		Years Ended December 31 (Audited)			
	2020	2019	2019	2018	2017	2016
NET INCOME ATTRIBUTABLE TO:						
Equity holders of the parent	₱7,005,701	₱13,454,956	₱17,322,677	₱21,707,603	₱20,416,442	₱20,002,582
Non-controlling interests	1,638,769	2,198,297	2,859,105	3,725,897	2,571,985	1,501,524
	₱8,644,470	₱15,653,253	₱20,181,782	₱25,433,500	₱22,988,427	₱21,504,106
OTHER COMPREHENSIVE INCOME (LOSS)	(3,172,294)	(2,692,210)	(2,615,179)	1,060,998	378,492	71,222
TOTAL COMPREHENSIVE INCOME	₱5,472,176	₱12,961,043	₱17,566,603	₱26,494,498	₱23,366,919	₱21,575,328
ATTRIBUTABLE TO:						
Equity holders of the parent	₱4,376,837	₱11,232,966	₱14,947,290	₱22,602,094	₱20,617,187	₱20,124,770
Non-controlling interests	1,095,339	1,728,077	2,619,313	3,892,404	2,749,732	1,450,558
	₱5,472,176	₱12,961,043	₱17,566,603	₱26,494,498	₱23,366,919	₱21,575,328

For a full discussion, please refer to the section on “Financial and Other Information” beginning on page [•] of this Prospectus.

Competitive Strengths

The Company believes that its principal strengths are the following:

- Strong track record in both power generation and distribution
- Ability to take advantage of expected strong power market fundamentals
- Power generation contracts that provide steady and predictable cash flow
- Benefits from renewable energy sources
- Dependable and growing sources of income from its power distribution businesses
- Strong financial position and the ability to obtain limited recourse and corporate level financing
- Established relationships with strategic partners
- Strong and experienced management team

For a full discussion, please refer to the section on “*Competitive Strengths*” on page [•] of this Prospectus.

Business Strategy

The Company’s business strategy is to increase shareholder value by developing new generation projects, selectively acquiring existing generating facilities, expanding its electricity-related services and continuing to improve the operational efficiency of its existing generation and distribution facilities. More specifically, the Company’s strategy includes the following:

- Expand the Company’s generation portfolio
- Contract the bulk of the Company’s attributable net sellable capacity and leverage the generating portfolio mix
- Expand the scope of the Company’s distribution business and continue to improve the operational efficiency of its existing distribution assets
- Maintain a high level of social responsibility in the communities in which the Company operates

For a full discussion, please refer to the section on “*Business Strategy*” beginning on page [•] of this Prospectus.

Risks of Investing

An investment in the First Tranche Bonds involves a certain degree of risk. A Prospective Bondholder should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the First Tranche Bonds.

Risks related to the Company’s business:

- Project Risk
- Regulatory Risk
- Reputation Risk
- Information Security Risk
- Business Interruption Due to Force Majeure, Natural Calamities, and Critical Equipment Breakdown
- Financial Risk
- Competition Risk
- Talent Risk
- Pandemic Risk
- Emerging Risk

Risks Related to the Philippines:

- A slowdown in the Philippines’ economic growth could adversely affect the Company
- Any political instability in the Philippines may adversely affect the Company
- Territorial disputes involving the Philippines and its neighboring countries may adversely affect its economy and business development

Risks Related to the Offer:

- Liquidity Risk
- Reinvestment Risk
- Pricing Risk
- Retention of Ratings Risk
- Suitability of Investment
- Bonds have no preference under Article 2244(14) of the Civil Code

For a full discussion, please refer to the section on “*Risk Factors and Other Considerations*” on page [•] of this Prospectus.

This Prospectus contains forward-looking statements that involve risks and uncertainties. AboitizPower adopts what it considers conservative financial and operational controls and policies to manage its business risks. AboitizPower’s actual results may differ significantly from the results discussed in the forward-looking statements. See section “*Forward-Looking Statements*” on page [•] of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of AboitizPower, in particular, and those that pertain to the overall political, economic, and business environment, in general.

CAPITALIZATION

The table below presents a summary of the short-term debts, long-term debts, and capitalization of the Group as of 30 September 2020 and as adjusted to reflect the issue of the First Tranche Bonds. The net proceeds from the Base Offer is estimated to be ₱3,943,270,375, or ₱7,895,635,375 assuming the full exercise of the Oversubscription Option. The proceeds of the Offer will be used to fund the payment of the 2014 Bonds, finance the Company's capital expenditure in 2021 and/or other general corporate purposes.

	As of 30-Sep-20	As adjusted for the Base Offer of ₱4 bn	As adjusted for the Base Offer and the Oversubscription Option in the aggregate amount of ₱8 bn
	(in Php mns)		
Short-term debt			
Short-term loans	13,492	13,492	13,492
Current portions of:			
Long-term debt	16,592	16,592	16,592
Lease liabilities	6,540	6,540	6,540
Total short-term debts	36,624	36,624	36,624
Long-term debts – net of current portion			
Non-current portions of:			
Long-term debt	162,150	162,150	162,150
Lease liabilities	33,974	33,974	33,974
The issue of Bonds	–	3,943	7,896
Total long-term debts	196,124	200,067	204,020
Equity			
Equity attributable to equity holders of the parent	121,237	121,237	121,237
Non-controlling interests	7,446	7,446	7,446
Total Equity	128,683	128,683	128,683
Total Capitalization	361,431	365,374	369,327

(Forward)

	As of 30-Sep-20	As adjusted for the Base Offer of ₱4 bn	As adjusted for the Base Offer and the Oversubscription Option in the aggregate amount of ₱8 bn
	(in Php mns)		
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Long-term debts – net of current portion			
Non-current portions of:			
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Total Capitalization	361,431	365,374	369,327

OVERVIEW OF THE DEBT SECURITIES PROGRAM

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular tranche and their applicable terms and conditions.

AboitizPower is offering a Debt Securities Program comprised of fixed rate bonds (the “Bonds”) in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) to be issued in one or more tranches (the “Debt Securities Program” or the “Program”). The following sections outline the description of the Program.

The Program

Issuer	:	Aboitiz Power Corporation
Facility	:	₱30,000,000,000.00 Debt Securities Program
Purpose	:	The intended use of proceeds for each tranche shall be set in the relevant prospectus and/or offer supplement under the “Use of Proceeds” section
Availability	:	The Program will be continuously available until the expiration of the Shelf Period
Issue Price	:	The Bonds will be issued at 100% of face value
Interest:	:	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid [semi-annually or quarterly] in arrear.
Method of Issue	:	The Bonds will be issued on a continuous basis in tranches (each a “Tranche”) on different issue dates. The specific terms of each Tranche (which, save in respect of the issue date, issue price, interest commencement date, principal amount, and other terms of the Tranche specifically identified in the final prospectus or the relevant offer supplement, will be identical to the terms of other Tranches of the same Bonds) will be set forth in the final prospectus or [corresponding offer supplement].
Form of the Bonds	:	Each Tranche of the Bonds will be represented by a Master Certificate of Indebtedness to be issued and registered in the name of the trustee for the bondholders and by applicable document pursuant to the rules or other relevant regulations as promulgated by the SEC. Legal title to the Bonds shall be shown on and recorded in the Register of bondholders maintained by the Registrar.
Denomination of the Bonds	:	Fixed-rate Bonds: minimum of ₱50,000.00 face value and in increments of ₱10,000.00.
Early Redemption	:	The applicable final terms will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an event of default) or that such Bonds will be redeemable at the option of the Issuer upon giving notice to the bondholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant underwriters.
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 other than the taxes and rates of such taxes prevailing on the relevant 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.

- Final Redemption : Except when a call option on the Bonds is exercised, the securities will be redeemed at par or 100% face value on the relevant maturity date.
- Purchase and Cancellation : The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract at market price without any obligation to purchase (and the bondholders shall not be obliged to sell) Bonds pro-rata from all bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.
- 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 may be provided under the relevant trust agreement.
- Status of the Bonds : The Bonds will 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 law; (ii) any obligation incurred by the Issuer pursuant to the relevant trust agreement or as may be allowed by the trust agreement; and (iii) other Indebtedness or obligations disclosed by the Issuer to the relevant trustee as of the relevant issue date. The 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 Bonds.
- Taxation : Except: (1) tax on a bondholder's interest income on the Bonds which is required to be withheld by the Issuer, and (2) capital gains tax/income tax, documentary stamp tax and other taxes on the transfer of Bonds (whether by assignment or donation), if any and as applicable, which are for the account of the bondholder, all payments of principal and interest will 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 or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar tax or other taxes and duties, including interest and penalties. 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, and will not gross-up the payments of interest on the principal amount of the Bonds so as

to cover any final withholding tax applicable on interest earned on the securities prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations.

Documentary stamp tax on the original issue of the Bonds shall be for the Issuer's account.

A bondholder who is exempt from or is not subject to final withholding tax on interest income may claim such exemption by submitting to the relevant underwriter, together with its Application to Purchase: (i) pertinent documents evidencing its tax-exempt status, as certified by the Corporate Secretary of the Applicant as being a true copy of the original on file with the Applicant, which notarized certification indicates that: (i.a) the exemption certificate is a true copy of the original; (i.b) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (i.c) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting said certification's validity; (ii) a letter addressed to the Issuer and the Registrar, requesting both the Issuer and the Registrar not to make any withholding on said bondholder's interest income; and (iii) an indemnity undertaking wherein the bondholder shall undertake to indemnify the Issuer for any tax or charge that may later on be assessed against the Issuer on account of the non-withholding of tax on the securities held by such bondholder.

The tax treatment of a bondholder may vary depending upon such person's particular situation and certain bondholders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the securities, including the applicability and effect of any state, local or foreign tax laws.

Governing Law	:	Philippine Law
Issue Rating	:	The Bonds will be rated by PhilRatings.
Registrar and Paying Agent	:	Philippine Depository & Trust Corp. ("PDTC")
Listing	:	Philippine Dealing & Exchange Corp. ("PDEX")

SUMMARY OF THE OFFERING

This Prospectus and the Offer relate to the first tranche of the Bonds under the Debt Securities Program with a principal amount of up to ₱4,000,000,000.00 with an Oversubscription Option of up to ₱4,000,000,000.00 (the “First Tranche Bonds”). The following summary offer does not purport to be complete, is taken from, qualified in its entirety by, and should be read in conjunction with the more detailed information appearing elsewhere in the Prospectus to which it relates. The First Tranche Bonds will be issued as the first tranche under the Debt Securities Program of the Issuer.

Issuer	: Aboitiz Power Corporation
Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners	: BDO Capital & Investment Corporation BPI Capital 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 principal amount of up to ₱4,000,000,000.00, with an Oversubscription Option of up to ₱4,000,000,000.00 under the Issuer’s ₱30,000,000,000.00 shelf registration to be registered by the Company with the Securities and Exchange Commission (“SEC”). In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the First Tranche Bonds under the Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under the Shelf Registration and may be issued in tranches within Shelf Period. The Oversubscription Option is exercisable by the Joint Lead Issue Managers, Joint Lead Underwriters and Joint Bookrunners with the consent of the Issuer.
Use of Proceeds	: Proceeds of the Offer will be used by the Issuer to fund the payment of the 2014 Bonds as more specifically described in the section entitled “Use of Proceeds” on page [●] of this Prospectus.
Issue Price	: 100% face value
Manner of Distribution	: Public Offering
Offer Period	: The Offer shall commence at 9:00 a.m. on [●] and end at 5:00 p.m. on [●], or on such other date as the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may agree upon.
Issue Date	: [●], or the immediately succeeding Banking Day if such Issue Date is not a Banking Day, or such later date as may be mutually determined by the Issuer 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.

Maturity Date or Redemption Date : [●], provided that, in the event that 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.

Except when the Early Redemption Option (as defined below) is exercised, the First Tranche Bonds will be redeemed at par (or 100% of face value) on the Maturity Date.

Interest Rate : Fixed interest rate of [●]% per annum

Interest Payment Date : The Interest shall be paid quarterly in arrear on [●], [●], [●], and [●] of each year commencing on [●], 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. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment to the amount due.

Interest on the First Tranche Bonds shall be calculated on a 30/360-day basis.

Form and Denomination : The First 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 First Tranche Bonds (the “Early Redemption Option”), as provided below or the immediately succeeding Banking Day if such date is not a Banking Day (the “Early Redemption Date”), without any adjustment on the amount of principal or interest accruing.

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 (Inclusive of Prepayment Penalty)
3 years from Issue Date and every quarter thereafter before the 4th anniversary of the Issue Date	101.00%

4 years from Issue Date and every quarter thereafter before Maturity Date	100.25%
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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 on the Early Redemption Date stated in such notice.

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 plus accrued interest, subject to the requirements of Applicable Law, if payments under the First 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 First 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 Cancellation : The Issuer may at any time purchase any of the First 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) First Tranche Bonds pro-rata from all Bondholders. The First Tranche Bonds so purchased will be redeemed and cancelled, and may no longer be reissued.

Upon listing of the First Tranche Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Status of the First Tranche Bonds : The First Tranche Bonds shall constitute the 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 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 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.

- Rating : The First Tranche Bonds are rated [●] by PhilRatings.
- Listing : The Issuer intends to list the First 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 First 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 First Tranche Bonds and the regular conduct of the Trustee’s trust business shall be for the account of the Bondholder.
- Contact Details of the Trustee : [BDO Unibank, Inc. – Trust and Investments Group]
Attention: Michael G. Munsayac
Subject: Aboitiz Power Corporation Bonds Due [2026]
Address: 15th Floor, South Tower BDO Corporate Center.
7899 Makati Avenue, Makati City
Facsimile: (632) 8840-7040
E-mail: munsayac.michael@bdo.com.ph

RISK FACTORS AND OTHER CONSIDERATIONS

An investment in the First Tranche Bonds described in this Prospectus involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below before deciding to invest in the First Tranche Bonds.

This section entitled “Risk Factors and Other Considerations” does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study the trading of these securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those high-risk securities. Investors may request publicly available information on the First Tranche Bonds and the Company from the SEC.

The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

RISKS RELATED TO THE COMPANY’S BUSINESS

An integral part of AboitizPower’s Enterprise Risk Management process is to anticipate, understand, and mitigate the risks that the Company may encounter in its generation, distribution, and retail electricity supply businesses.

Project Risk

As AboitizPower continues to grow its generation portfolio, the Company has identified project risks as a top risk. These risks are largely driven by delays in commissioning and testing, commercial operations, as well as late completion and delivery of the transmission assets that will enable full dispatch of the plants in the pipeline. Novel coronavirus 2019 (“COVID-19”)-related travel restrictions, mandatory quarantines, and infections have also significantly affected the project milestones.

Project risk management plans are thoroughly defined and regularly reviewed for each project 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.

To further mitigate project risks, delivery of transmission assets is closely coordinated with the 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.

To address challenges in land procurement, conversion, permitting, right-of-way, and other land-related issues, project stakeholder management plans are also developed to ensure that partners, contractors, regulatory agencies, host communities, LGUs, and other key stakeholders are aligned with project execution timelines.

Regulatory Risk

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. Further, the Company’s inability to predict, influence or respond appropriately to changes in law or regulatory schemes, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits

for any facilities, could adversely impact results of operations and cash flow. Any changes in laws or regulations or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, could adversely affect the Company's business, including, but not limited to:

- adverse changes in tax law;
- changes in the timing of tariff increases or in the calculation of tariff incentives;
- change in existing subsidies and other changes in the regulatory determinations under the relevant concessions;
- other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business; or
- other changes that have retroactive effect and/or take account of revenues previously received and expose power projects to additional compliance costs or interfere with our existing financial and business planning.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect the Group's results of operations.

For renewable assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. To the extent that operating costs rise above the level approved in the tariff, the Business Units that are subject to regulated tariffs would bear the risk. During the life of a project, the relevant Government Authority may unilaterally impose additional restrictions on the project's tariff rates, subject to the regulatory frameworks applicable in each jurisdiction. Future tariffs may not permit the project to maintain current operating margins, which could have a material adverse effect on the Business Unit or the Group, financial condition, results of operations and prospects.

To anticipate and proactively respond to changes in regulations, the Regulatory Affairs and External Relations team of AboitizPower constantly collaborates with the DOE and the ERC to work towards a sound and sustainable regulatory and policy environment. Similarly, the AboitizPower 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 power industry groups such as the PIPPA and Philippine Electric Plant Owners Association. 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 likewise transitioned its Legal team to strategically focus on compliance and to continually improve the Group's 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, an Aboitiz Group-wide initiative that is based on the Governance, Risk and Compliance framework.

Reputation Risk

AboitizPower recognizes that its reputation is its single most valuable asset, 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 located in their localities. 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. However, with the COVID-19 pandemic, DOE Department Circular 2020-04-0008 dated 6 April 2020 rationalized the utilization by host LGUs of ER 1-94 funds for COVID-19 response. As of mid-November 2020, over 80% of the total available ER 1-94 funds have been released by DOE and AboitizPower to around 90% of the Company's host beneficiaries.

For two years now, the Company has been recognized as a constituent company in the FTSE4Good Index Series, which was created by global index provider FTSE Russell and measures the performance of companies demonstrating strong Environmental, Social, and Governance ("ESG") practices. The Company's recent Corporate Sustainability Assessment ("CSA") by the highly regarded RobecoSAM group, now part of S&P Global, has shown marked improvements in its ESG performance. The absolute score of AboitizPower improved by 74% compared to last year's rating, while the percentile ranking in its global peer group improved from 25th to 54th percentile. The Company also showed some improvements in its Sustainalytics ESG Risk Rating at 34.4, a 1.9 decrease of risk exposure from its 2019 rating. Meanwhile, the Company retained its rating of BB from the MSCI ESG Rating.

Moving forward, the Company will continue to focus on addressing gaps in various risk areas of ESG. Furthermore, AboitizPower's growth strategy remains aligned with the energy trilemma of energy security, energy equity, and environmental sustainability, but will be characterized by a strategic shift from ensuring low-cost energy to also providing energy from more sustainable sources in the next decade.

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 to prevent targeted and non-targeted attacks which can adversely disrupt operations and customer services, and result in serious impacts to the Company's bottom line and reputation.

AboitizPower has further strengthened its protection protocols against security threats with the implementation of the ISMS following the ISO 27001:2015 standard in the year 2019. In the year 2020, the Company's Generation and Distribution Business Groups have rolled out a uniform, Company-wide OT Security Minimum Standard.

In alignment with the Aboitiz Group-wide Cyber Security Program, specific governance, standards, training and culture-building, and OT Security projects in generation and distribution facilities are also ongoing for phased implementation until the year 2022. The ISMS discipline will continue to be embedded in all three pillars of Information and Operational Systems Security: People, Process, and Technology.

In efforts to achieve the desired Level 4 in Cyber Security Maturity and build an information security risk-aware culture within the Company, BCP 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 practices to further strengthen prevention, detection, and comprehensive response to security threats.

Business Interruption due to Force Majeure, Natural Calamities, and Critical Equipment Breakdown

The loss of, and/or damage to, facilities caused by natural calamities such as earthquakes, typhoons, and floods may result in significant business interruptions within AboitizPower. Interruptions may also be caused by other factors such as critical equipment breakdown, IT and OT security breaches, fires and explosions, hazardous waste spills, workplace injuries and fatalities, terrorism, and other serious risks.

Planned maintenance and overall outage management of AboitizPower's generation facilities and its critical equipment and OT infrastructure and systems are governed by asset management standards based on global

best practice. All of AboitizPower's generation facilities have 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 bond standards 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, annual in-house training program on Fixed Fire Fighting Systems of the U.S. National Fire Protection Association is conducted for operations, maintenance, and safety personnel.

Group insurance programs 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. 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 BCP 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 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.

Financial Risk

In the course of its operations, AboitizPower and its Subsidiaries are exposed to the following financial risks:

- There are two specific financial risks that are largely driven by the growing climate agenda and/or anti-coal policies which many key lenders and insurers have declared to limit or reduce their exposure to coal, and which are also in line with ESG pronouncements for stricter rules:
 - (a) Financing risk in terms of the Company's inability to borrow money to fund future projects (specifically coal projects) and, while banks are still willing to lend, the cost of project financing tends to be more expensive; and
 - (b) Difficulty in insurance procurement or renewal, where insurers' policy on coal underwriting and investing are also aligned with the same global trends on sustainability and ESG issues and, while insurers are still willing to cover, the impact is significantly higher premium rates for coal insurance year on year. Other risk drivers worth noting are the hardening of the insurance market aggravated by the global economic impact of the COVID-19 pandemic, and any significant losses on damage to critical assets and related business interruptions.

These have been important considerations in the Company's existing portfolio and strategic project pipeline, where coal concentration in particular will significantly be reduced by the year 2030;

- Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;
- Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
- Forex risks in terms of forex fluctuations that may significantly affect its foreign currency-denominated placements, transactions, and borrowings. This risk is currently driven by the global COVID-19 crisis, given the impact it has on: (a) general currency markets; and (b) the amount of natural hedge flows which may decline.

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;
- (d) Exploring alternative risk transfer options and operationalizing self-retention strategies; and
- (e) 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.

Competition Risk

Increasingly competitive market conditions create downward pressure on contract rates and increasing levels of commercial risk: (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 competitive selection process ("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.

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 objectives demand for organic subject matter experts of generation and distribution critical assets and technologies.

The risk on the readiness and availability of talent for these critical posts is inevitably increasing. Thus, talent attraction, optimization, and retention strategies are of utmost importance. The Company has since integrated Strategic and Operational Workforce Planning into its Organizational Planning processes to more effectively enable the identification of current and future talent needs; thus, shaping the people strategy of AboitizPower. Some of the key people initiatives currently being implemented and/or designed to mitigate talent risks are: employer branding, succession management, job rotation, management trainee, and employee engagement programs.

Pandemic Risk

In December 2019, a COVID-19 outbreak occurred in China and spread to other countries, including the Philippines. On 10 March 2020 the World Health Organization characterized COVID-19 as a pandemic. As of [15] December 2020, the Philippine Department of Health ("DOH") reported 434,921 cases of COVID-19 nationwide with 8,765 deaths attributed to COVID-19.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact to the AboitizPower Group's suppliers' ability to deliver, which could delay the construction of certain projects.

In a move to contain the COVID-19 outbreak, on 13 March 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 15 March 2020. On 16 March 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended. On 24 March 2020, Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the “Bayanihan Act”) into law, which confers emergency powers on the President of the Philippines. On 25 June 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement.

On 11 September 2020, the Bayanihan to Recover as One Act (the “Bayanihan 2 Act”) was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country’s COVID-19 response and recovery plan, and to scrutinize the Government’s implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until 19 December 2020. Such powers include the authority to adopt measures to “conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same.”

Since President Duterte’s declaration of the State of Public Health Emergency and, consequently, the various community quarantine guidelines on public transportation, social distancing, international travel bans, health protocols and mandatory quarantines, the Company has been implementing flexible work arrangements, including: (a) maximizing work-from-home set-up for support TMs and selected essential TMs, 14-day-cycle of facility lockdown duty of generation facilities; and (b) special protocols for distribution line gangs and customer centers. This is to primarily ensure the health and safety of its sites and team members while continuing to serve its customers and other stakeholders, as well as to address any constrained mobility of employees brought about by the community quarantines.

To date, all AboitizPower power generation facilities and power distribution utilities have normal operations. BCPs have been successfully implemented to ensure the adequate and reliable supply and distribution of electricity. These BCPs have been continually and promptly updated to adhere to the health and other community quarantine protocols and guidelines issued by the DOE, ERC, DOH, Department of Labor and Employment (“DOLE”), COVID-19 Inter-Agency Task Force (“IATF”), and LGUs.

The curtailed economic activity brought about by the shutdown and/or scaled down operations of energy-intensive industries have resulted in significant drops in electricity demand and consumption, which in turn has affected the revenue targets of our Distribution, Generation and Retail Electricity Supply businesses. The Company has been in constant discussions, and has been likewise working together, with its customers and key stakeholders to minimize the impact of the pandemic to the power supply agreements of all concerned parties. Distribution Utilities have also maximized the use of social media and other electronic platforms to deliver customer services.

The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments. The Company is compliant with DOE circulars and ERC advisories on the grant of extension of payment to electricity consumers for bills falling due in the original and extended community quarantines, and the amortization of the cumulative amount of such electricity bills in four (4) equal installments payable in the four succeeding billing months following the end of the community quarantines. The resulting increase in credit and collection risks have posed a challenge to the Company’s cash flows.

The said circulars also provide that all private and public corporations in the power sector shall be given a similar grace period for their obligations without interest, penalties, fees and charges, as well as the same four-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 flow of AboitizPower Subsidiaries, with respect to payments due to NGCP, PSALM, IEMOP, IPPs, and suppliers of oil and steam.

The Company has also been making sure that the supply chain for its power plants and Distribution Utilities continues to remain stable, and that supply of coal, critical spare parts, and services from outside the country continues through a number of options, including alternative local suppliers and service providers. Close coordination with LGUs and key government agencies by the AboitizPower External Relations and Business Unit

Legal and Compliance teams facilitates the unimpeded delivery of energy-related goods and services.

Several operational areas have been seriously impacted by the COVID-19 pandemic, and may continue to do so until a vaccine reaches the Philippines. The Company continues to enable the organization to anticipate and respond accordingly as the COVID-19 situation will require, including defining what is the New Normal and the change management process around transitioning and adapting to it.

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 the 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 AboitizPower, one such major risk is that of climate change. While the Company has recognized that the availability of insurance and long-term financing for coal plants has become more and more challenging, these are being addressed by an overall sustainability strategy that is manifested by its portfolio mix changing towards sustainable energy sources over the long term.

Such risks are captured and validated in the semi-annual risk assessment process and during the environmental scans of the strategic planning and annual organizational planning process of AboitizPower, and are subjected to further study by subject matter experts. These emerging risks are reported and discussed as part of the Group Risk Management Council and Board Risk and Reputation Management Committee regular agenda.

RISKS RELATED TO THE PHILIPPINES

A slowdown in the Philippines' economic growth could adversely affect the Company

Historically, results of operations have been influenced, and will continue to be influenced, to a significant degree by the general state of the Philippine economy, with demand for power historically being tied to the level of economic activity in the Philippines. As a result, the Company's income and results of operations depend, to a significant extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso, and the imposition of exchange controls.

From mid-1997 to 1999, the economic crisis in Asia adversely affected the Philippine economy, causing a significant depreciation of the Philippine Peso, increases in interest rates, increased volatility and the downgrading of the Philippine local currency rating and the ratings outlook for the Philippine banking sector. These factors had a material adverse impact on the ability of many Philippine companies to meet their debt-servicing obligations. Over the last several years, the Government instituted several reforms in the fiscal and banking sectors, among others, that strengthened the country's economic fundamentals.

In 2018 and 2019, the Philippine gross domestic product ("GDP") grew by 6.2% and 5.9%, respectively. As identified in the Philippine Development Plan 2017-2022, Philippine GDP growth is expected to strengthen at 7% to 8% in the medium term, making the Philippines one of the faster growing economies of the ASEAN region. However, the Philippines is currently experiencing an economic downturn following the Taal volcano eruption in January and the COVID-19 pandemic and the resultant quarantine restrictions. The country's GDP contracted 0.2% in the first quarter of 2020 and dropped by 11.5% in the third quarter when quarantine restrictions continued in many areas and economic activities were constrained. A global recession is also predicted for the year 2020 as the economic effects of COVID-19 pandemic are felt in other countries, which also adversely affect the Philippine economy.

Any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

The sovereign credit ratings of the Philippines also directly affect companies that are residents in the Philippines, including AboitizPower. The Philippines enjoys investment grade credit ratings from the following major agencies:

- Fitch Ratings - BBB (stable), which was affirmed last May 2020
- Standard & Poor's - BBB (positive) which was granted April 2018 and affirmed last May 2020
- Moody's Investors Service - Baa2 (stable), which was affirmed last July 2020

There is no assurance that Fitch Ratings, Standard & Poor's, or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including AboitizPower, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Historically, the demand for power for the past 10 years, has shown an increasing trend. This has been the case despite the volatility in the economic, financial, and political conditions of the country. It may be attributable to the inelasticity of electricity at certain levels wherein essential appliances and industries need to operate. The rising population and remittances from overseas workers will likewise contribute to the growth in the demand for power.

The foregoing notwithstanding, and as mentioned in the previous section on Pandemic Risk, a series of quarantine measures have been implemented throughout the Philippines to contain the spread of COVID-19. While the outbreak has had a negative impact on the Philippine economy, the Government has implemented certain monetary and fiscal tools to counter potential adverse economic fallout.

Any political instability in the Philippines may adversely affect the Company

The Philippines has from time to time experienced political, social, and military instability. In the past decade, there has been political instability in the Philippines, including alleged extrajudicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, the removal of two chief justices of the Supreme Court of the Philippines, hearings on graft and corruption issues against various officials of the Government, and public and military protests arising from alleged misconduct by previous administrations. An unstable political environment may also arise from the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. Likewise, no assurance can be given that the future political or social environment in the Philippines will be stable.

In May 2016, the Philippines elected Rodrigo M. Duterte as its new president, winning 38.5% of the votes cast. Mr. Duterte's term of office is until June 2022. The Duterte administration unveiled its "10-point plan" where it committed, among others, to "continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies." The Government continues to advocate for its reform agenda, including the shift to a federal form of government. As of January 2020, the House of Representatives, the committee on constitutional amendments of the House of Representatives had included in its proposed amendments to the 1987 Constitution of the Philippines the shift to a federal form of government.

On 27 July 2018, President Rodrigo Duterte signed RA No. 11054, approving the Bangsamoro Basic Law which was renamed to Bangsamoro Organic Law. The Bangsamoro Organic Law established an autonomous political entity known as the Bangsamoro Autonomous Region in Muslim Mindanao ("Bangsamoro Autonomous Region"), replacing the Autonomous Region in Muslim Mindanao ("ARMM") created under RA No. 6734. A plebiscite was held on 21 January 2019 and 6 February 2019, with majority of the residents in ARMM and Cotabato City voting

in favor of the Bangsamoro Organic Law. As such, the law was deemed ratified and the Bangsamoro Autonomous Region was formally created.

There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

In May 2019, the Philippine legislative and local elections were held. Majority of the senatorial candidates endorsed by the administration won the 2019 elections. The senators elected in the 2019 elections joined the senators elected in the 2016 elections. There were allegations of fraud and voter disenfranchisement in the conduct of the 2019 elections.

In July 2020, the application for franchise renewal of ABS-CBN was denied by the House Committee on Legislative Franchises. ABS-CBN repeatedly applied for the renewal of their congressional franchise since 2014 but these remained pending in the House of Representatives until its congressional franchise expired in May 2020 and the network was ordered to cease and desist from operating all of its free TV and radio broadcasting. Various advocacy groups and the international press have labeled the franchise denial as a direct attack to press freedom and Philippine democracy. The franchise denial has resulted in the closure of some of ABS-CBN's business operations and the retrenchment of thousands of workers. There is no assurance that any political instability will affect any governmental and regulatory processes and that opposition from public officials will not affect the Company and its operations.

In general, political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Company. The Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or Government policies in the Philippines. In addition, perceptions over human rights and geopolitical issues may affect the overall sentiment on the Philippines and the business environment.

Territorial disputes involving the Philippines and its neighboring countries may adversely affect its economy and business environment

Competing and overlapping territorial claims by the Philippines, China, and several Southeast Asian nations (such as Vietnam, Brunei, Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. The West Philippine Sea covers more than three million square kilometers in terms of area and is home to some of the biggest coral reefs of the world. It is also believed that under the seabed lies vast unexploited oil and natural gas deposits. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at The Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("UNCLOS"). In July 2016, the tribunal rendered a decision stating that "as between the Philippines and China, Mischief Reef and Second Thomas Shoal (in the West Philippine Sea/South China Sea) form part of the exclusive economic zone and continental shelf of the Philippines" and that the "nine-dash line" claim of China is invalid. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. China was reported to conduct land reclamation activities in the disputed territories, which was completed in 2016. News reports indicate increased Chinese activity in the contested waters, including the installation of missile systems and the deployment of bomber planes. Several countries have conducted Freedom of Navigation operations in the contested waters to challenge China's militarization of artificial features in the West Philippine Sea. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company's business, financial position and results of operations.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has repeatedly announced that it will not honor said ruling. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

RISKS RELATED TO THE OFFER

Liquidity Risk

The Philippine securities markets are substantially smaller, less liquid, and more concentrated than major global securities markets. As such, the Company cannot guarantee that the market for the First Tranche Bonds will always be active or liquid. Even if the First Tranche Bonds are listed on the PDEX, trading in securities such as the First Tranche Bonds, may sometimes be subject to extreme volatility in response to interest rates, developments in local and international capital markets and the overall market for debt securities and other factors. There is no assurance that the First Tranche Bonds may be disposed at prices, volumes, or at times deemed appropriate by the Bondholders.

Reinvestment Risk

Prior to the Maturity Date, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding First Tranche Bonds on the relevant Early Redemption Dates (see “*Description of The Offer – Early Redemption*” on page [●] of this Prospectus). In the event that the Company exercises this early redemption option, the First Tranche Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed First Tranche Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

Pricing Risk

The market value of bonds moves (either up or down) depending on the change in interest rates. The First Tranche Bonds when sold in the secondary market are worth more if interest rates decrease since the First Tranche Bonds have a higher interest rate relative to the market. Conversely, if the prevailing interest rate increases, the First Tranche Bonds are worth less when sold in the secondary market. Therefore, an investor faces possible loss if he decides to sell when the prevailing interest rate has increased.

Retention of Ratings Risk

There is no assurance that the rating of the First Tranche Bonds will be retained throughout the life of the First Tranche Bonds. The 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.

Suitability of Investment

Each potential investor in the First Tranche Bonds must determine the suitability of that investment in the context of its own distinct circumstances. In particular, each prospective Bondholder should: (i) have sufficient knowledge and experience to make a satisfactory evaluation of the First Tranche Bonds, the merits and risks of investing in the First Tranche Bonds, and the information contained in this Prospectus; (ii) have access to, and knowledge of, relevant analytical tools to evaluate, in the context of its particular financial situation, an investment in the First Tranche Bonds and the impact the First Tranche Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the First Tranche Bonds, including where the currency for principal or interest payments is different from the potential investor’s currency; (iv) understand thoroughly the terms of the First Tranche Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, forex rate, and other factors that may affect its investment and its ability to bear the applicable risks.

The First Tranche Bonds have no preference under Article 2244 (14) of the Civil Code

The Master Certificate of Indebtedness, which represents the First Tranche Bonds, shall not be notarized and, thus, will not be deemed a public instrument under Article 2244 (14) of the Civil Code. As such, the First Tranche Bonds shall not enjoy preference under Article 2244 (14) of the Civil Code, unless the Issuer procures a waiver of

the preference created by such notarization or equally and ratably extends such preference to the First Tranche Bonds. This is consistent with the status of the First Tranche Bonds as being direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations of the Issuer.

USE OF PROCEEDS

The Issue Price shall be at par, which is equal to the face value of the First Tranche Bonds. AboitizPower expects that the net proceeds of the First Tranche Bonds shall amount to approximately ₱3,942,812,675.00 for a ₱4,000,000,000.00 Issue Size or ₱7,895,302,675.00 for an Issue Size of ₱8,000,000,000.00, assuming full exercise of the Oversubscription Option, and after deducting fees, commissions and expenses.

Based on an Issue Size of ₱4,000,000,000.00

Documentary Stamp Tax	₱30,000,000.00
Issue Management and Underwriting Fees ⁵	15,600,000
Other Professional Fees	8,719,200
SEC Registration Fee	1,578,125
Credit Rating Fees	900,000
Other Expenses (e.g. Trustee Fee, Listing Fee, , etc.)	390,000
Estimated net proceeds of the Issue	₱ 3,942,812,675

Based on an Issue Size of ₱8,000,000,000.00 (assuming the full exercise of the Oversubscription Option)

Documentary Stamp Tax	₱60,000,000.00
Issue Management and Underwriting Fees ⁶	31,200,000.00
Other Professional Fees	8,719,200
SEC Registration Fee	2,588,125
Credit Rating Fees	1,800,000.00
Other Expenses (e.g. Trustee Fee, Rating Fee, Printing Cost, etc.)	390,000.00
Estimated net proceeds of the Issue	₱7,895,302,675

Aside from the foregoing one-time costs, AboitizPower expects the following annual expenses related to the First Tranche Bonds:

1. Aside from the Listing Application Fee, the Issuer will be charged by PDEX with an annual maintenance fee of ₱150,000.00, with the first payment to be paid in advance upon the approval of the Listing;
2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱180,000.00 per annum;
3. After the Issue, a Paying Agency fee equivalent to 5 basis points of the amount to be paid with a maximum of ₱100,000.00 is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the First Tranche Bonds and the number of Bondholders; and
4. The Issuer will pay an annual monitoring fee to Philratings amounting to ₱280,000.00 (VAT inclusive). Philratings charges the annual monitoring fee to the Company in relation to all of its outstanding bonds.

⁵ Inclusive of GRT

⁶ Inclusive of GRT

The allocation of the proceeds of the Offer, in the order of priority, and the schedule of disbursements shall be as follows:

Oversubscription Option is Not Exercised

	No Oversubscription	Timing of Disbursement
Payment of the 5.2050% Series A 2014 Bonds Maturing in 2021	₱ 3.9 bn	September 2021

Oversubscription Option is Fully Exercised

	With Oversubscription	Timing of Disbursement
Payment of the 5.2050% Series A 2014 Bonds Maturing in 2021	₱ 6.6 bn	September 2021
Partial Funding for the Prepayment of the 6.10% Series B 2014 Bonds Originally Maturing in 2026	₱ 1.3 bn	September 2021
Total	₱7.9 bn bn	

* Sum figures will differ due to rounding effect

Payment of the Series A 2014 Bonds Maturing in 2021

The Company plans to use approximately ₱3,942,812,675.00, in case the Oversubscription Option is not exercised, or ₱6,600,000,000.00, in case the Oversubscription Option is fully exercised, of the net proceeds from the Offer to partially fund the payment of the 5.2050% 2014 Series A Bonds maturing in September 2021. On 10 September 2014, the Company issued fixed-rate Series A bonds amounting to ₱6,600,000,000.00 with a term of seven (7) years from issue date and a fixed interest rate of 5.2050% per annum (the “2014 Series A Bonds”). The net proceeds of the 2014 Series A Bonds was used by the Issuer to replenish working capital, other general corporate requirements, and to partially fund certain projects.

Partial Funding for the Prepayment of the Series B 2014 Bonds Originally Maturing in 2026

Further, the Company plans to use approximately ₱1,295,302,675 in case the Oversubscription Option is fully exercised, of the net proceeds from the Offer to partially fund the prepayment of the 2014 Series B Bonds maturing in September 2021. On September 10, 2014, AboitizPower issued the fixed-rate Series B bonds amounting to ₱3,400,000,000.00 with a term of twelve (12) years from issue date and a fixed interest rate of 6.1000% per annum (the “2014 Series B Bonds”). The net proceeds of the 2014 Series A Bonds was used by the Issuer to replenish working capital, other general corporate requirements, and to partially fund certain projects.

The 2014 Series B Bonds are only prepayable in full with Early Redemption Option Dates and Early Redemption Prices as described below:

	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 foregoing notwithstanding, this shall not be considered as a notice to the bondholders of the Series B 2014 Bonds of the prepayment thereof. Prior written notice shall be provided to the bondholders in accordance with the terms and conditions of the 2014 Bonds.

The Company plans to use existing cash balances to fund the remaining amount needed to complete the prepayment outflows for the ₱3,400,000,000.00 2014 Series B Bonds.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's current plans, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds at the discretion of Management. In the event of any material deviation or adjustment in the planned use of proceeds, the Company shall inform the Bondholders, file an amended prospectus and seek approval of the SEC before its implementation.

Pending the above use of proceeds, the Company shall invest the net proceeds from the Offer in short-term liquid investments including but not limited to short-term government securities, bank deposits, and money market placements which are expected to earn at prevailing market rates.

In the event that the Oversubscription Option is partly exercised or not exercised at all, or in case the Company is not able to raise the full amount of the Offer, the Company shall use internally generated funds and/or available bank lines to the extent the proceeds of the Offer are insufficient to fund the aforementioned use of proceeds.

No amount of proceeds shall be used to reimburse any officer, director, employee, or stockholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise. Except for the underwriting fees, issue management fees and expenses related to the First Tranche Bonds, no amount of the proceeds will be utilized to pay any outstanding financial obligation to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

DETERMINATION OF THE OFFERING PRICE

The First Tranche Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

The Offer

The First Tranche Bonds is offered by the Company as the first tranche of the Bonds under the Company's ₱30,000,000,000.00 Debt Securities Program. The Company shall issue the First Tranche Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. The Offer does not include an international offering.

Pursuant to the order rendering the registration statement effective and the corresponding certificate of permit to offer securities for sale to be issued by the SEC, the Offer will consist of the primary offer of a principal amount of up to ₱4,000,000,000.00 with an Oversubscription Option of up to ₱4,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the First 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 the Shelf Period. The Oversubscription Option is exercisable by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer.

Shelf Registration of Securities Not Covered By The Offer

After the close of the Offer and within the Shelf Period, AboitizPower may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of the Bonds in subsequent tranches, including any amount remaining if the Oversubscription Option is partly exercised or not exercised at all. Any such subsequent offering requires the submission by AboitizPower of the relevant updates and amendments to the registration statement and the issuance of the corresponding permit to sell by the SEC. As a listed company, AboitizPower regularly disseminates such updates and information in its disclosures to the SEC, PDEX, and PSE.

However, there can be no assurance in respect of: (i) whether AboitizPower would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of such issuance. Any decision by AboitizPower to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within AboitizPower's control, including but not limited to: prevailing interest rates, the financing requirements of AboitizPower's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

Underwriting Obligations of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

BDO Capital, BPI Capital, China Bank Capital, and First Metro, pursuant to the Issue Management and Underwriting Agreement with AboitizPower dated [●], have agreed to act as Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the Offer and as such, distribute and sell the First Tranche Bonds at the Issue Price. Subject to the satisfaction of certain conditions provided in the Issue Management and Underwriting Agreement and in consideration for certain fees and expenses. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners have committed jointly and not solidarily, to underwrite the following amounts on a firm basis, and if the Oversubscription Option is exercised, including the amount so exercised:

Joint Issue Managers and Joint Lead Underwriters	Commitment
BDO Capital	₱1,000,000,000.00
BPI Capital	₱1,000,000,000.00
China Bank Capital	₱1,000,000,000.00
First Metro	₱1,000,000,000.00
Total	₱4,000,000,000.00

The Issue Management and Underwriting Agreement may be terminated in certain circumstances prior to payment being made to AboitizPower of the net proceeds of the Offer. In case the Issue Management and Underwriting Agreement is terminated, the Company shall notify SEC of the termination and its subsequent course of action.

BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation and First Metro Investment Corporation are the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the Offer.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall receive an aggregate fee of up to 0.39% inclusive of GRT on the final aggregate nominal principal amount of the First Tranche Bonds issued, which is inclusive of underwriting fees, issue management fees and selling commissions to be paid to selling agents. There are no other discounts and commissions to be paid to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners in connection with the Offer.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners are duly licensed by the SEC to engage in underwriting or distribution of securities. The Joint Issue Managers and Joint Lead Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for AboitizPower.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners have no direct relations with AboitizPower in terms of ownership by either of their respective majority shareholder/s and have no right to designate or nominate any member of the Board.

BDO Capital, one of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners is a subsidiary of BDO Unibank, Inc. which serves as the Trustee.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners have no contract or other arrangement with the Company by which it may return to the Company any unsold Bonds.

BDO Capital is a leading investment bank in the Philippines and was incorporated in the Philippines on 8 September 1998 as a wholly owned subsidiary of BDO Unibank, Inc. BDO Capital presently conducts business as a full-service investment house with the following functions, among others: securities underwriting and trading; loan syndication; financial advisory; and private placement of debt and equity. As of 31 December 2019, it had total assets of ₱3.89 bn, total liabilities of ₱0.29 bn and total equity of ₱3.60 bn.

BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placements, project finance and loan syndication. Founded in December of 1994, BPI Capital is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. As of 30 September 2020, BPI Capital had total assets of ₱[3.8 bn] in consolidated resources and capital, respectively. It has an authorized capital stock of [₱1.0 bn], of which approximately [₱506.4 million] represents its paid-up capital.

China Bank Capital, a subsidiary of China Banking Corporation, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Banking Corporation's investment banking group, which was organized in 2012.

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths in origination, structuring,

and execution. As of 30 September 2019, it had total consolidated assets of ₱37.68 bn, and its capital base amounted to ₱15.91 bn.

Sale and Distribution

The distribution and sale of the First Tranche Bonds shall be undertaken by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners who shall sell and distribute the First Tranche Bonds to third party buyers/investors. The Joint Issue Managers and Joint Lead Underwriters are authorized to organize a syndicate of co-lead managers, soliciting dealers and/or selling agents for the purpose of the Offer; provided, however, that the Joint Issue Managers and Joint Lead Underwriters shall remain severally, but not jointly responsible to the Issuer in respect of its obligations under the Issue Management and Underwriting Agreement entered into by them with the Issuer and the Issuer shall not be bound by any of the terms and conditions of any agreement entered into by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners with such other parties. Nothing herein shall limit the rights of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners from purchasing the First Tranche Bonds for its respective accounts.

There are no persons to whom the First Tranche Bonds are allocated or designated. The First Tranche Bonds shall be offered to the public at large and without preference.

Depending on the actual or expected demand for the First Tranche Bonds during the Offer Period, the Joint Issue Managers and Joint Lead Underwriters may opt to exercise the Oversubscription Option which shall be distributed to investors. Consistent with customary underwriting agreements, upon the exercise of the Oversubscription Option, the portion exercised will be underwritten by the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners that have clients with excess demand.

Term of Appointment

The engagement of the Joint Issue Managers and Joint Lead Underwriters shall subsist so long as the SEC permit to sell remains valid, unless otherwise terminated pursuant to the Issue Management and Underwriting Agreement.

Manner of Distribution

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall, at its discretion but with written notice to AboitizPower, determine the manner by which proposals for applications for purchase and issuances of the First Tranche Bonds shall be solicited, with the primary sale of the First Tranche Bonds to be effected only through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of 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, each of 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.

Offer Period

The Offer Period shall commence on [●] and end on [●] or such other date as may be mutually agreed by the Company and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

All applications for the purchase of the First Tranche Bonds shall be evidenced by a duly completed and signed Application to Purchase, together with two (2) fully executed specimen 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 First Tranche Bonds applied for, by check or by

appropriate payment instruction, and the required documents which must be submitted to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

Corporate and institutional purchasers must also submit a certified true copy of its SEC Certificate of Registration, its latest Articles of Incorporation and By-laws, or such other relevant organizational or charter documents, and the duly notarized certificate of the Corporate Secretary attesting to the resolution of the board of directors and/or committees or bodies authorizing the purchase of the First Tranche Bonds and designating the authorized signatory/ies therefore, including his or her specimen signature. Individual Applicants must also submit a photocopy of any one of the following identification cards (ID): passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank, which must be valid as of the date of the Application.

An Applicant who is exempt from or is not subject to withholding tax, or who claims preferential tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Selling Agent (together with their applications) who shall then forward the same 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; (BIR Form 2336);
- iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) GOCC; 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. For qualified non-stock, non-profit educational institutions, however, Tax Exemption Rulings or Certificates of Exemption issued prior to June 30, 2012 are required to apply for new Tax Exemption Rulings; 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 relevant Joint Issue Managers, Joint Lead Underwriter, and Joint Bookrunners, 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 relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

- 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.

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 regular income tax rate provided under the Tax Code.

Completed Applications to Purchase and corresponding payments must reach the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners prior to the end of the Offer Period, or such earlier date as may be specified by the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. Acceptance by each Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners of the completed Application to Purchase shall be subject to the availability of the First Tranche Bonds and the approval by AboitizPower and the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase is deemed revoked.

Minimum Purchase

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

Allotment of the First Tranche Bonds

If the First Tranche Bonds are insufficient to satisfy all Applications to Purchase, the available First Tranche Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice subject to AboitizPower's exercise of its right of rejection.

Acceptance of Applications

AboitizPower and the Selling Agents reserve the right to accept or reject applications to subscribe in the First Tranche Bonds, and in case of oversubscription, allocate the First Tranche Bonds available to the applicants in a manner they deem appropriate. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Selling Agent.

Refunds

In the event an Application is rejected or the amount of the First Tranche Bonds applied for is scaled down, the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, 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 First Tranche 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 Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners; in which case, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

Secondary Market

AboitizPower intends to list the First Tranche Bonds at the PDEX. AboitizPower may purchase the First Tranche Bonds at any time, in the open market or by tender or by contract, in accordance with PDEX Rules, which may be amended from time to time, without any obligation to make pro rata purchases of Bonds from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the First Tranche Bonds on the PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Registry of Bondholders

The First Tranche Bonds shall be issued in scripless form and will be eligible for trading under the scripless book-entry system of PDTC. Master Certificate of Indebtedness representing the First Tranche Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the First Tranche Bonds shall be shown in the Registry Book (the "Registry Book") to be maintained by the Registrar. AboitizPower will cause the Registry Book to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the First Tranche Bonds held by them and of all transfers of Bonds shall be entered into the Registry Book.

Initial placement of the First Tranche Bonds and subsequent transfers of interests in the First Tranche Bonds shall be subject to applicable prevailing Philippine selling restrictions.

DESCRIPTION OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the First 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 Issue Management and Underwriting Agreement, the Registry and Paying Agency Agreement and other agreements relevant to the Offer.

The corresponding issue of the First Tranche Bonds in an aggregate principal amount of up to ₱4,000,000,000.00, with an Oversubscription Option of up to an aggregate principal amount of up to ₱4,000,000,000.00, were authorized by a resolution of the Board dated 14 December 2020.

The First Tranche Bonds shall be constituted by a Trust Agreement executed on [●] (the “Trust Agreement”) entered into between the Issuer and [●] (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 First 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 [●] (the “Registry and Paying Agency Agreement”) in relation to the First Tranche Bonds among the Issuer, Philippine Depository & Trust Corporation as paying agent (the “Paying Agent”) and as registrar (the “Registrar”).

The First 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 First Tranche Bonds shall mature in [2026], 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 First 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 First 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 First Tranche Bonds shall be shown in the Registry Book maintained by the Registrar. A notice confirming the principal amount of the First 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 First 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 First 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 First Tranche Bonds have been rated PRS [●] by Philratings.

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 First Tranche Bonds held by them and of all transfers of First Tranche Bonds shall be entered into the Registry Book. As required by Circular No. 428-04 issued by the BSP, 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 First 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 First Tranche Bonds may be made during the period intervening between and commencing on the 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 First Tranche Bonds, including the settlement of any documentary stamp 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 Banking 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 rate 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 First 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 First Tranche Bonds

The Issuer intends to list the First 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 First 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.

Market Information on Other Debt Securities

While there are already listed debt securities of AboitizPower on PDEX, these securities have maturities that may be different from the First Tranche Bonds, and were priced at a time when benchmark rates were likely different. As such, the listed price of the said securities may not necessarily be directly comparable with the First Tranche Bonds.

Ranking

The First Tranche Bonds shall constitute the 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 5.2 (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 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.

Interest

Interest Payment Dates

The First Tranche Bonds bear interest on its principal amount from and including Issue Date at the rate of [●]% per annum, payable quarterly in arrear starting on [●]2021 for the first interest payment date, and [●], [●], [●], and [●] of each year while the First Tranche Bonds are outstanding (each an “Interest Payment Date”), or the immediately succeeding 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, or the immediately succeeding Banking Day if such day is not a Banking Day, without any adjustment to the amount due.

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 First Tranche Bonds; provided, that if such day falls on a non-Banking Day, the Record Date shall be the Banking Day immediately preceding said date. No transfers of the First Tranche Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

The First Tranche Bonds 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 First Tranche Bonds shall be redeemed at par or 100% of face value on the Maturity Date. 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.

Early Redemption

Prior to the Maturity Date, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding First Tranche Bonds on the Early Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day (the "Early Redemption Date"), without any adjustment on the principal or interest accruing.

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 (inclusive of Prepayment Penalty)
3 years from Issue Date and every quarter thereafter before the 4th anniversary of the Issue Date	101.00%
4 years from Issue Date and quarter thereafter before the 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 on the Early Redemption Date stated in such notice.

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 plus accrued interest, subject to the requirements of Applicable Law, if payments under the First 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, 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 optional redemption, anything in the Trust Agreement or in the First Tranche 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 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 the Trust Agreement or the First 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 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.

Purchase

The Issuer may at any time purchase any of the First Tranche Bonds at any price in the open market or by tender or by contract in accordance with PDEX Rules, which may be amended from time to time, without any obligation to purchase First 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 First 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 First Tranche Bonds shall be paid to the Bondholders by crediting the settlement accounts designated by each of the Bondholders. The principal of, and

interest on, the First 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 First Tranche Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the First 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 First 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 First Tranche 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 First Tranche Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as may be in effect from time to time. Without prejudice to any new or additional requirements as may be required under new or amendatory regulations, 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 three (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) GOCC; 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 Joint Issue Managers, Joint Lead Underwriter, and Joint Bookrunner, 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 Issue Managers, Joint Lead Underwriter, and Joint Bookrunner.

- 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.

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 First Tranche 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 First 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.

There are no other regulatory ratios that the Issuer is required to comply with.

For the schedule of the Issuer’s relevant consolidated financial ratios as of 30 September 2020, December 2019, December 2018, December 2017, and December 2016, please refer to the table below as well as the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section beginning on page [●] of this Prospectus.

	30 September 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Interest Coverage Ratio ⁷	Not measured on an interim basis	2.83	3.53	3.60	4.78

⁷ Earnings Before Interest and Taxes divided by Interest Expense

	30 September 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Return on Common Equity ⁸	Not measured on an interim basis	14.50%	20.20%	21.00%	22.60%
Current Ratio ⁹	1.28	1.53	1.89	1.38	2.25
Debt to Equity Ratio ¹⁰	2.14	2.07	1.85	1.92	2.18

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 First Tranche Bonds, and such failure to pay is not remedied within seven 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 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 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 in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of 90 days for financial covenants and 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 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 $\frac{2}{3}$ 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 5% of the Fair Market Value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer.

⁸ Net Income after Tax divided by Total equity adjusted for cash dividends

⁹ Current Assets divided by Current Liabilities

¹⁰ Total liabilities divided by total stockholders' equity

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; 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 90 days from issuance thereof.
6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of 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, and any extension thereof, shall have expired without being satisfied, discharged, or stayed within 30 calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement.
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 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 by the Trustee or the Bondholders

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 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 the Trust Agreement or in the First 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 First Tranche Bonds, or of 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.
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 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 Registrar and Paying Agent shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust 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
 - ii. 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 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 First 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 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 the Trust 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.

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 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 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 the Trust 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 the Trust 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.

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, Registrar, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by the Trustee, 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 First Tranche 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 Registrar in relation to the First Tranche Bonds shall require the conformity of the Trustee. The Registrar shall render a monthly account of such funds under its control.

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 the Trust 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 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 the Trust 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 the Trust 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, written notice of which shall be given to 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.

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 First 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 First Tranche Bonds may direct in writing 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 issued by the Trustee and sent by the Trustee to the Issuer and to each of the registered Bondholders through the Registrar 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, 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, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or the holders of the 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, 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 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

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 (₱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, with 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.

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 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.

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 First 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 First 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 First Tranche Bonds and the Trust Agreement.

The request shall be reasonable, made not less than seventy-hours (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, 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 relevant First Tranche Bonds, or
 - b. reduce the principal amount of the relevant First Tranche 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 the Trust 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 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 First 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 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 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 Registry Book; or (vii) disclosure through the online disclosure system of the PDEX. 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 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 the date of publication; (vi) on the date of delivery, for personal delivery; or (vii) on the date of posting through the online disclosure system of PDEx, as applicable.

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

THE COMPANY

The Aboitiz Group's power generation, distribution and retail electricity supply business is operated through AboitizPower and its Subsidiaries (collectively, the "AboitizPower Group"). AboitizPower's Generation Group is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA") and for trading in the WESM. The Distribution Utilities are engaged in the distribution and sale of electricity to end-users through its various distribution utilities, while 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.

Based on Energy Regulatory Commission ("ERC") Resolution No. 02-2020 dated 12 March 2020, the power generation business of AboitizPower is among the leaders in the Philippines in terms of attributable installed capacity. Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales (based on the DOE's Distribution Development Plan 2016-2025). AboitizPower's Subsidiaries engaged in the supply of retail electricity account for the third largest share in the open access market (based on share in total retail market demand presented in the ERC Competitive Retail Electricity Market Monthly Statistical Data as of September 2020). AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Today, through its renewable energy Subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control¹¹. AboitizPower is listed on the PSE and as of 30 September 2020, AboitizPower had a market capitalization of ₱188.01 billion, with a common share price of ₱25.55 per share.

As of 30 September 2020, its generation companies have an installed capacity which is equivalent to a 16.45% market share of the national grid's installed generating capacity.¹² AboitizPower also owns interests in nine distribution utilities in Luzon, Visayas, and Mindanao, including Visayan Electric Company, Inc. ("Visayan Electric") and Davao Light & Power Company, Inc. ("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 3,994 GWh for the nine months ended 30 September 2020. Combined, AboitizPower's Subsidiaries engaged in the supply of retail electricity have a total market share of 21% as of 30 September 2020.

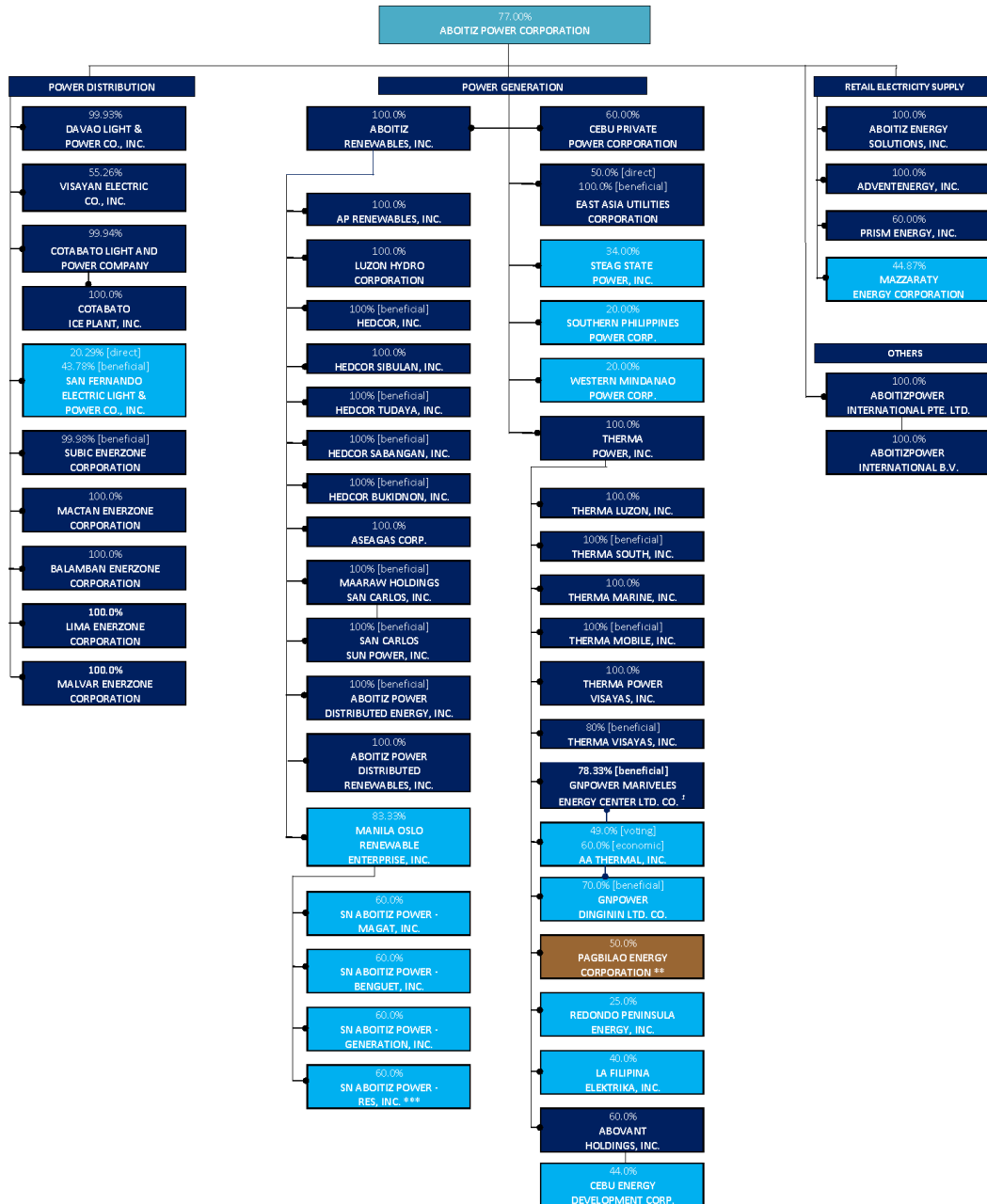
¹¹ Based on ERC Resolution No. 02-2020 dated 12 March 2020.

¹² Based on ERC Resolution No. 02-2020 dated 12 March 2020.

Brief History of AboitizPower and its Significant Subsidiaries

ABOITIZ POWER CORPORATION
CONGLOMERATE MAPPING (as of 30 September 2020)

Legend:
■ Subsidiary
■ Associate or Joint Venture
■ Other Related Parties



** Joint Operations

*** Engages in retail electricity supply business

1 Formerly, GNPpower Mariveles Coal Plant Ltd. Co.

Business Development

AboitizPower is a publicly-listed holding company incorporated on, and has been in business since, 13 February 1998. AboitizPower was incorporated as a holding company for the Aboitiz Group’s investments in power generation and distribution. Ownership in AboitizPower was opened to the public through an initial public offering of its common shares and its common shares were officially listed in the PSE on 16 July 2007. Through its Subsidiaries and Affiliates, AboitizPower is a well-positioned leader in the Philippine power industry being one of the leading companies in power generation, distribution, and retail electricity supply.

The Company’s controlling shareholder, AEV, is a diversified conglomerate that is listed in the PSE, and has interests in power, banking and financial services, food, infrastructure, and land. This relationship with AEV allows the Company to draw on AEV’s strong foundation for sustained growth by being the Philippines’ second oldest family-led business group, with an experienced management team, right partners and robust talent management, strong financial position, proactive risk and insurance management, and Global Reporting Initiative-certified sustainability reporting system to support the Company’s robust growth initiatives. As of 30 September 2020, AEV owns 77% of the outstanding capital stock of AboitizPower.

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 strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light, now one of the largest privately-owned electric utilities in the Philippines in terms of customers and annual GWh sales.

In December 1978, ACO divested its ownership interests in Ormoc Electric Light Company and Jolo Power Company to focus on the more lucrative franchises held by Cotabato Light, Davao Light, and Visayan Electric.

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”). HEDC 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 26 June 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 the NPC to develop and operate the 70-MW Bakun AC hydroelectric 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.
2007	Entered into a share swap agreement with AEV in exchange for AEV’s ownership interest in the following distribution utilities: <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 SEZ; and (iv) An effective 44% ownership interest in SFELAPCO.
	As part of the reorganization of the power-related assets of the Aboitiz Group, the Company: <ul style="list-style-type: none"> (i) Acquired 100% interest in MEZ and 60% interest in BEZ from AboitizLand; and

Year	Milestones
	<p>(ii) Consolidated its ownership interests in SEZ by acquiring the combined 25% interest in SEZ held by AEV, SFELAPCO, Okeelanta Corporation, and Pampanga Sugar Development Corporation.</p> <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 MEZ, BEZ, and SEZ.</p> <p>Together with its partner, Statkraft Norfund Power Invest AS of Norway, through SNAP-Magat, acquired possession and control of the Magat Plant following its successful bid in an auction by PSALM.</p> <p>Formed Abovont with the Vivant Group as the investment vehicle for the construction and operation of a coal-fired power plant in Toledo City, Cebu (the "Cebu Coal Project"). Abovont entered into a MOA with Global Power of the Metrobank group for the acquisition of a 44% equity interest in Cebu Energy.</p> <p>TPI, its wholly-owned Subsidiary, entered into a MOA with TCIC for the Subic Coal Project, an independent coal-fired power plant in the Subic Bay Freeport Zone. RP Energy was incorporated as the project company.</p> <p>Acquired 50% of EAUC from El Paso Philippines Energy Company, Inc and 60% of CPPC.</p> <p>Purchased 34% equity ownership in 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 SEZ, bringing AboitizPower's total equity in SEZ to 100%.</p>
2008	<p>SNAP-Benguet submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex.</p> <p>Acquired Tsuneishi Holdings (Cebu), Inc.'s 40% equity ownership in BEZ, bringing AboitizPower's total equity in BEZ to 100%.</p>
2009	<p>APRI acquires and takes over the ownership and operations of 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").</p> <p>TLI becomes the IPPA for the 700-MW contracted capacity of the Pagbilao Plant, becoming the first IPPA of the country.</p>
2010	<p>TMI acquired ownership over Mobile 1 (Power Barge 118) and Mobile 2 (Power Barge 117) from PSALM.</p>
2011	<p>MGen, TCIC, and TPI entered into a Shareholders' Agreement to formalize their participation in RP Energy. MGen took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.</p> <p>TMO acquired four barge-mounted floating power plants from Duracom Mobile Power Corporation and EAUC, including their respective operating facilities. In the same year, the barges underwent rehabilitation and started commercial operations in 2013.</p>
2013	<p>AESI won 40 strips of energy corresponding to 40 MW capacity of ULGPP. The contract between AESI with PSALM with respect to the ULGPP capacity was terminated on 26 October 2019.</p>
2014	<p>TPI entered into a joint venture agreement with TPEC Holdings Corporation to form PEC to develop, construct, and operate the 400 MW coal-fired Pag 3.</p> <p>TPVI was declared the highest bidder for the privatization of the NPPC. 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 16 July 2018.</p> <p>Acquired 100% of LEZ, from Lima Land, a wholly-owned Subsidiary of AboitizLand.</p> <p>TPI entered into a Shareholders' Agreement with Vivant Group, for the latter's acquisition of 20% issued and outstanding shares in TVI.</p>
2015	<p>Aboitiz Renewables formed a joint venture company, San Carlos Sun Power, Inc. (SacaSun), with SunEdison Philippines to explore solar energy projects.</p>

Year	Milestones
	TSI commences full commercial operations of its Unit 1.
2016	TSI commences full commercial operations of its Unit 2.
	TPI acquired 66% ultimate beneficial ownership interest in GMEC (formerly GMCP) and 50% ultimate beneficial ownership interest in GNPD.
	Through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.
2017	AboitizPower International completes its acquisition of SunEdison Philippines, and consolidates ownership of Sacasun.
2018	Pag 3 began commercial operations.
	TPVI accepted the turnover of the Naga Power Plant Complex from PSALM.
2019	TMO signed a PSA with Meralco, after the facility went into preservation mode on 05 February 2019.
	TMO re-registered with IEMOP on 22 April 2019 and commenced delivery of power to Meralco on 26 April 2019.
	AboitizPower acquired 49% voting stake and a 60% economic stake in AA Thermal.

AboitizPower plans to expand 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. AboitizPower first ventured into the solar market in 2016 with Sacasun. 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.

Developments in the Past Three (3) Years

Maris Main Canal 1

This project, undertaken by SNAP-Magat, was inaugurated in January 2018. The 8.5MW Maris plant has been operating under the Feed-In Tariff (“FIT”) System at a rate of ₱5.8705 kwh/hour starting from its commercial operations date on 20 November 2017.

Naga Power Plant Complex

On 16 July 2018, the Naga Power Plant Complex (“NPPC”) was physically turned over and accepted by Therma Power-Visayas, Inc. (“TPVI”) from PSALM. TPVI is currently working on the rehabilitation of the 44-MW diesel plant, which DOE has endorsed as a committed power project. The plant started commercial operations on 07 August 2020 and was first dispatched based on an offer into the WESM on 26 August 2020.

Pagbilao Unit III

In March 2018, the 400-MW Pagbilao Unit III commenced commercial operations. Pagbilao Unit III is owned by PEC, the joint venture company with TPEC Holdings Corporation. Pagbilao Unit III (Pag 3) is located in the same site as the existing 700-MW Pagbilao Units I (Pag 1) and II (Pag 2) coal-fired thermal power plant in Pagbilao, Quezon.

Issuance of Fixed-Rate Corporate Retail Bonds

On 23 March 2017, the Board of Directors approved the issuance of fixed-rate corporate retail bonds in the aggregate amount of up to ₱30 bn (the “2017 Bonds”), registered under the shelf registration program of the SEC to be issued in tranches. The 2017 Bonds were issued as follows:

Series and Date of Issuance	Amount of Subscription (Including Oversubscription)	Interest Rate	Maturity Date	Credit Rating
19 June 2017 - Series "A"	₱3.00 bn	5.3367%	2027	"PRS Aaa" with Stable Outlook
11 October 2018 - Series "B"	₱10.20 bn	7.5095%	2024	"PRS Aaa" with Stable Outlook
11 October 2018 - Series "C"		8.5091%	2028	"PRS Aaa" with Stable Outlook
27 Sep 2019 - Series "D"	₱7.25 bn	5.2757%	2026	"PRS Aaa" with Stable Outlook
18 June 2020 - Series "E"	₱9.55 bn	3.125%	2022	"PRS Aaa" with Stable Outlook
18 June 2020 - Series "F"		3.9350%	2025	"PRS Aaa" with Stable Outlook

These bonds are listed and traded with PDEX.

Solar Photovoltaic Power Generation Projects

In December 2017, AboitizPower, through its wholly-owned Subsidiary, AboitizPower International, consolidated its ownership of San Carlos Sun Power, Inc. (Sacasun) when the former acquired SunE Solar equity interest in Sunedison Philippines.

Sacasun is the project company that owns and operates the 59-Megawatt peak (MWp) solar photovoltaic power generation project in San Carlos City, Negros Occidental.

Ownership Interests in GMEC and GNPD

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

Through the acquisition of AA Thermal, which holds interests in GMEC (formerly 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, AboitizPower's economic interests in GMEC and GNPD have been increased to 78.3% and 70% respectively.

On 2 May 2019, with the satisfaction of all conditions precedent (including the PCC approval) under the share purchase agreement with Arlington Mariveles Netherlands Holding BV, the Company completed its acquisition of interests in AA Thermal.

SNAP-Magat Floating Solar Project

In June 2019, SNAP-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 the SN Aboitiz Power Group, which was looking at

other renewables and complementary technologies to expand its portfolio. The SNAP-Magat floating solar project has proven its viability, both technical and commercial. On 21 October 2020, the Board of SNAP-Magat approved for the project to proceed to engineering design for 67 MW.

TMI and SNAP-Magat BESS Projects

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 SNAP-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 addition of BESS complements the rise of variable renewable energy in the country, increasing frequency variability to the grid which requires more balancing power supply in the system.

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following:

Strong track record in both power generation and distribution.

Power generation. AboitizPower’s generation group has developed some of the largest private power producers in the Philippines, having a well-balanced portfolio of renewable (hydro, geothermal and solar) and non-renewable (coal and oil) energy sources across 48 generation facilities since 1978. AboitizPower’s hydro group, Hedcor, has played an integral role in the power generation business by emerging as a pioneer in the development of small-to medium-sized hydroelectric plants in the Philippines. The Company ensures that its operations at existing power plants remain at par with globally recognized standards and best practices. AboitizPower’s Business Units continue to earn multiple certifications for quality, safety, environmental, asset management, business continuity, and information security management from the ISO. Furthermore, the RES group of AboitizPower is the third largest RES player (based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of September 2020) in the Philippines.

Power distribution. The Aboitiz Group entered the power distribution business in 1918 when the Aboitiz family bought a 20% equity stake in Visayan Electric, which at that time was an integrated power business (i.e., had both generation and distribution assets). AboitizPower’s power distribution business is currently composed of nine distribution utilities, two of which serve the second- and third-largest markets in the Philippines: Cebu City and Davao City, and their surrounding areas. These two are Visayan Electric and Davao Light, which are among the first few in the country to be certified with an ISO 14000:2015 and ISO 45000:2018 for Occupational Health and Safety, and Environmental Management. AboitizPower continues to invest to improve reliability and increase efficiency by instituting standardised operating systems and processes. AboitizPower’s ownership interests in the Distribution Companies are expected to continue providing stable sources of revenue. The Company believes it is well-positioned to benefit from the stable electricity demand growth rate in the country, as economic activity in two of the largest electricity markets, Cebu City and Davao City, increases.

Ability to take advantage of expected strong power market fundamentals.

According to the DOE, for the period from 2016 to 2040, growth in demand for electricity in the Luzon, Visayas, and Mindanao grids is expected to increase at an average annual growth rate of 4.78%, 6.83% and 7.58% respectively. As an established and reputable operator of IPPs, the Company believes that its portfolio of generation facilities located in strategic points across the three grids will allow it to benefit from the continued economic development of the Philippines. The Company is well-positioned to provide a number of energy-related services, such as baseload, peaking, and reserve power requirements.

Power generation contracts that provide steady and predictable cash flow.

In 2020, over 90% of the Company's power generation business is covered by bilateral contracts. These bilateral contracts provide steady cash flows from a variety of offtakers, including distribution utilities and contestable customers under the Retail Competition and Open Access ("RCOA") regime. In particular, the Generation Companies have existing bilateral contracts that require offtakers to either pay for available capacity (in the case of the majority of the Company's baseload and oil plants), or pay for all the electricity generated by the relevant plant (in the case of the bulk of the Company's run-of-river hydropower plants). A number of plants also have contracts that do not assume fuel risk because of direct pass-through mechanisms in their respective PPAs or fuel is supplied by their offtakers. For contracts with no direct pass-through mechanisms, the fuel risk is hedged.

Benefits from renewable energy sources.

Operating leverage. Since the Company's run-of-river hydroelectric power generation facilities rely on natural water flow to generate electricity, they are not exposed to market fluctuations in the price of hydrocarbon fuels. Further, hydroelectric plants, such as the 388 MW Magat plant and 245 MW Ambuklao-Binga plants, have relatively quick ramp-up and ramp-down capabilities. The Company's Magat and Ambuklao-Binga plants can provide multiple ancillary services to the Luzon Grid, such as frequency regulation, acting as a spinning reserve and providing back-up power.

Other benefits from renewable energy. Sales from generating facilities using renewable energy sources, such as the Company's hydroelectric, geothermal and solar-powered facilities, are "zero-rated" for purposes of VAT. This means that such Generation Companies are not required to include the VAT as part of the rates they charge off-takers. While the RE Generation Companies are allowed to claim as tax credit the amount of VAT charged or passed on to their suppliers, the process has allowed the Company to claim, albeit with a lot of effort and is continuously being challenged by the BIR.

Further, because the Company has a number of run-of-river hydroelectric facilities located in different regions of the Philippines, the Company believes it has a natural hedge against the risk of hydrological conditions in one area of the Philippines affecting all of the Company run-of-river facilities.

RA No. 9513, or the Renewable Energy Act, is intended to give additional incentives to the RE Generation Companies, which will in turn translate to lower operating costs. The law provides fiscal and non-fiscal incentives, including income tax holiday ("ITH") for a period of seven (7) years, ten percent (10%) corporate income tax after the lapse of the ITH, duty-free importation, and special rates on real property taxes among others. See the section entitled "*The Renewable Energy Act of 2008*" on page [•] of this Prospectus.

Dependable and growing sources of income from its power distribution businesses.

The Company's ownership interests in the Distribution Companies are expected to continue providing stable sources of revenues. With Visayan Electric and Davao Light, the second and third largest privately-owned distribution utilities in the Philippines in terms of both customers and annual GWh sales, forming part of the Company's distribution utilities portfolio, the Company is well-positioned to benefit from a stable electricity demand growth rate in the country, as economic activity in two of the largest electricity markets increases.

Strong financial position and the ability to obtain limited recourse and corporate level financing.

The Company believes that its strong financial position enables it to implement its strategy of expanding its generation portfolio through selective acquisitions and Greenfield projects, while at the same time improving the operation performance and efficiency of the Distribution Companies. The Company's strong balance sheet supports its growth plans. The Company has also consistently been able to secure bank financing from leading Philippine and multinational banks.

Established relationships with strategic partners.

The Company has established a strategic partnership to own and operate the Magat, Maris, and Ambuklao-Binga hydroelectric plants with SN Power¹³. Aside from this, AboitizPower has also established partnerships with the likes of STEAG GmbH, AC Energy, Global Power, Meralco, and TeM Energy, which are reputable names in their respective industries. The Company remains open to strategic partnerships in the pursuit of exploratory projects.

The Company believes that it can build on its relationships with these partners to enhance its ability to compete for, develop, finance and operate future power generation projects.

Strong and experienced management team.

The Company is led by a seasoned management team with a track record of hands-on management in the complex power generation and distribution business. The management team is not only tenured but has in depth technical and financial expertise to meet the challenges of this fast-growing business. In line with this, further domain expertise has been integrated in trading, energy economics, assets and contracts management, business development, environmental and construction management, among others. As a result, AboitizPower posts sustained positive growth and an equally strong financial performance.

As a leader of this industry, the Company's management team is in constant collaboration and communication with regulatory bodies such as the DOE and ERC. Hand in hand with various energy stakeholders on a national and local level, the management team works to promote good business practices and the interests of the public. With over 100 years in business, the Aboitiz Group knows that the strength of the business not only rests in operational expertise but in its reputation as it meets its obligations to its various stakeholders.

AboitizPower is committed to becoming a critical enabler in the country's development.

BUSINESS STRATEGY

The Company's business strategy is to increase shareholder value by developing new generation projects, selectively acquiring existing power plants, leveraging the generating portfolio mix in energy sales and trading, and expanding its distribution business.

1. Expand the Company's generation portfolio

Despite the anticipated economic impact to GDP of the COVID-19 pandemic in the Philippines, the economy is expected to recover and continue its positive growth momentum in the coming years, according to the International Monetary Fund. To sustain this growth, the Philippines will require a sufficient amount of competitively priced power to meet the country's increasing energy needs. AboitizPower is strategically constructed to meet this increasing demand. The Company seeks to provide the country with reliable power at a reasonable cost and in a responsible manner. Furthermore, AboitizPower has a strong pipeline which features a generation portfolio of multi-fuel technologies. The Company has been increasing its generation portfolio since 2007 and expects to continue to develop a strong and sustainable pipeline for the future while also protecting and optimising the Company's current business to drive cost-efficient growth. AboitizPower remains committed to growing its attributable capacity, which the Company expects to come from a portfolio of renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities coming from the implementation of the RPS by DOE. The Company will pursue its international aspirations with focus on renewable energy projects in wind, hydro, solar and gas in the ASEAN region. From a 73% thermal and 27% renewable mix as of 30 September 2020, the Company's portfolio ratio will be close to a 50:50 Cleanenergy (renewable energy) and thermal capacity mix at the end of the current decade.

¹³ On 16 October 2020, Scatec Solar ASA signed a binding agreement with Norfund to acquire 100% of SN Power AS. The transaction is conditional upon customary regulatory approvals and local competition approvals and is likely to be completed in the first half of 2021. Until then, the two companies will continue to operate as separate entities.

Supporting its developmental efforts, acquisitions like GNPD are expected to play a critical role in the Company's pursuit of growth. Baseload power has a critical role in the country's energy mix, so the Company is on the constant lookout for the most competitively priced baseload fuel at every stage, employing best in class technologies to manage environmental impact.

AboitizPower seeks to leverage on its renewable expertise to ensure it has sufficient assets to comply with the RPS and give customers the power of choice under the Green Energy Option Program. AboitizPower has also recently rolled out its rooftop solar venture, which also gives customers the option to generate their own renewable energy.

As previously mentioned, the Company is exploring renewable energy opportunities overseas as part of its expansion strategy.

2. Contract the bulk of the Company's attributable net sellable capacity and leverage the generating portfolio mix

In view of changing market dynamics, the goal of the Company is to contract the bulk of its attributable net sellable capacity into an optimal mix of bilateral contracts, spot market sales, and ancillary services, based on a portfolio optimization strategy. The bilateral contract mix of capacity and energy-based contracts comprise more than 85% of the Company's net sellable capacity, and provides steady and predictable cash flows. At the same time, this allows the Company to capitalize on opportunities in the spot and ancillary markets.

3. Expand the scope of the Company's distribution business and continue to improve the operational efficiency of its existing distribution assets

To protect AboitizPower's core business and ensure stable growth, the Company's major plans include expanding the Power Distribution business and improving the performance of Distribution Utilities by aligning its operations to world-class standards. AboitizPower intends to explore opportunities to expand its portfolio of distribution companies by either acquiring additional distribution utilities or electric cooperatives, or by entering into agreements to manage distribution utilities or systems. AboitizPower also expects to focus on improving the Distribution Utilities' level of service and lowering their operating costs by maximising synergies with the Generation Companies and across the Distribution Utilities and by investing in new systems that will allow the distribution utilities to be more efficiently managed. AboitizPower believes that a strong distribution business of sufficient scale will continue to provide a springboard for AboitizPower's strategies in electricity generation and electricity-related services.

4. Maintain a high level of social responsibility in the communities in which the Company operates.

The Company aims to conduct its business operations consistent with the highest standards of social responsibility and sustainable development, particularly in terms of environmental responsibility. The Company has actively participated in the development of the communities where its projects are located, which contribute to social and political stability in the areas where the Company operates. The Company also contributes a portion of its revenues to LGUs to fund community development activities in the areas of education, health care, rural electrification and environmental protection. By continuing to strengthen its relationships with the local communities where it does business and build support and goodwill among the residents, non-governmental organizations, LGUs and other stakeholders, the Company believes that it increases the likelihood that it will benefit from political and social stability in the areas where it operates, and get the continued support and patronage of its key stakeholders.

PRINCIPAL PRODUCTS

Generation of Electricity

The Company has accumulated interests in a portfolio of power generating plants, using renewable and non-renewable sources.

The table below summarizes the Company's power generation companies and key information as of 30 September 2020:

Plant Name	Installed Capacity ¹⁴	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Management Company	Off-takers
Ambuklao	105	105	53	SNAP-Benguet	WESM
Bakun	74.8	74.8	74.8	Luzon Hydro Corporation	NPC (2026)
Benguet 1-11	32	52.5	52.5	Hedcor, Inc	FIT / Bilaterals
Binga	140	140	70	SNAP-Benguet	WESM / ASPA
Davao 1-5	4	5	5	Hedcor, Inc.	Distribution Utility
Magat	380	388	194	SNAP-Magat	WESM / Coops / ASPA
Manolo Fortich	72.8	69	69	Hedcor, Inc.	FIT
Sibulan (A, B and Tudaya A)	52	49	49	Hedcor Sibulan	Distribution Utility
Sabangan	15	14	14	Hedcor Sabangan	FIT
Maris Main Canal 1	9	9	4	SNAP-Magat	FIT*
Tudaya (B)	8	7	7	Hedcor Tudaya	FIT
Tiwi - Makban	628	290	290	APRI	Bilaterals/WESM
Sacasun (San Carlos)	23	46	46	San Carlos Sun Power, Inc.	WESM
STEAG Power Plant (Mindanao)	210	210	71	STEAG Power	NPC (2031)
Mariveles Project	632	632	495	GMEC	Bilaterals/WESM
TSI Plant (Davao)	301	260	260	TSI	Bilaterals
Pagbilao	700	700	700	TLI	Bilaterals / WESM
Pag3	420	400	200	PEC	TLI
Cebu Energy (Toledo)	246	216	57	CEDC	Bilaterals
TVI Plant (Cebu Coal)	354	300	240	TVI	Bilaterals/WESM
CPPC Plant (Cebu Oil)	64	66	40	CPPC	Visayan Electric
Bunker Cotabato	4	4	4	Cotabato Light	Cotabato Light
SPPC Plant (General Santos)	0	55	11	SPPC	N/A
EAUC Plant (Mactan)	44	44	44	EAUC	MEPZ I / Bilaterals
Power Barge Mobile 1	96	96	96	TMI	Bilaterals
Power Barge Mobile 2	96	96	96	TMI	Bilaterals
Power Barge Mobile 3-6	202	200	200	TMO	Distribution utility
WMPC (Zamboanga)	107	100	20	WMPC	Bilaterals

¹⁴ Based on ERC Resolution No. 02, Series of 2020, A Resolution Setting the Installed Generating Capacity and Market Share Limitation Per Grid and the National Grid for 2020.

Plant Name	Installed Capacity ¹⁴	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Management Company	Off-takers
Total	5,020.8**	4,627.3**	3,461.3**		

*FIT application pending approval

**Sum figures will differ due to rounding effect

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. 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 30 September 2020 and full year 2019 compared to the same period in 2018 and 2017:

Generation Companies	Energy Sold				Revenue			
	9M 2020	FY 2019	FY 2018	FY 2017	9M 2020	FY 2019	FY 2018	FY 2017
	(in GWh)				(in million Pesos)			
APRI	2,309	2,968	2,857	2,747	8,483	12,545	12,518	11,645
Sacasun	35	49	41	41	197	269	197	189
Hedcor	107	226	172	162	376	881	694	822
LHC	204	262	291	272	588	787	970	774
Hedcor Sibulan	145	191	213	259	1,004	1,282	1,385	1,591
Hedcor Tudaya	23	29	32	41	136	172	191	240
Hedcor Sabangan	24	51	53	55	143	300	315	325
Hedcor Bukidnon	196	284	115	-	1,085	1,605	573	-
SN Aboitiz Power-Magat	1,151	2,054	2,379	1,324	3,817	6,608	7,182	8,298
SN AboitizPower-Benguet	1,401	1,975	2,085	989	4,644	6,065	6,070	6,996
TLI	4,869	6,812	6,808	5,126	15,348	25,410	26,603	22,939
TSI	1,052	1,393	1,959	1,647	5,964	9,099	11,141	10,535
TVI	1,661	1,710	269	-	6,268	6,254	702	-
Cebu Energy	1,523	1,900	1,978	1,724	5,812	8,578	9,728	8,752
STEAG Power	1,228	1,840	1,840	1,212	3,188	4,791	4,373	4,255
GMEC	3,690	3,909	5,498	5,482	12,946	19,373	23,492	21,644
WMPC	621	638	438	221	1,057	1,158	1,393	1,439
SPPC	0	0	161	50	0	0	161	524
CPPC	405	550	551	141	749	1,685	1,253	1,484
EAUC	179	383	368	63	422	1,013	819	844
TMI	577	1,200	1,432	182	774	1,865	2,016	2,076
TMO	379	938	814	286	650	1,970	1,694	3,111
Davao Light*	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light*	0	0	0	0	Revenue Neutral	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.

Renewable Energy

Aboitiz Renewables, Inc. ("ARI")

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998. As of 30 September 2020, AboitizPower's renewable energy portfolio comprises attributable net sellable capacity of approximately 928.3 MW in operation, divided into 46 MW of solar, 592.3 MW of hydro, and 290 MW of geothermal.

AboitizPower’s renewable investments are held primarily through its wholly-owned subsidiary, Aboitiz Renewables, Inc. and its Subsidiaries and Joint Ventures (collectively, “Aboitiz Renewables”). AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Today, through Aboitiz Renewables, AboitizPower is the largest renewable energy group in terms of installed capacity under its market control.¹⁵

The table below summarizes the Company’s renewable power generation companies and key information:

Generation Company	Percentage of Ownership	Plant Name (Location)	Plant Name (Location)	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, Lon-oy, Irisan 1 and 3, and Salangan	Run-of-river hydro	52.5	52.5	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	5	5	Distributi on 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	Distributi on 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	74.8	74.8	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46	46	Bilateral
SN Aboitiz Power-Benguet	60%	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	53	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/AS PA
SN Aboitiz Power-Magat	60%	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	9	4	FIT*
Total				1,249.3*	928.3* MW	

Notes:

* Sum figures will differ due to rounding effect.

¹⁵ Based on ERC Resolution No. 02-2020, dated 12 March 2020.

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 14 September 1994.

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 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.

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 55.77 MW.

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 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 204.78 GWh of Cleanergy.

In 2017, Hedcor broke ground on its 19-MW La Trinidad Hydro project in La Trinidad, Benguet, of which 100% is attributable to the Company. The plant achieved its commercial operations in July 2019. It is a new plant after Hedcor decommissioned Bineng 1, 2, and 2B, which had a combined capacity of 6 MW.

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 10 March 2014, and for the Sibulan Hydro A and B plants on 18 May 2015. The energy produced by the Sibulan Plants is sold to Davao Light through a PSA signed in 2007. The company was incorporated on 02 December 2005.

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 17 January 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 RESA with Davao del Sur Electric Cooperative, and through a REPA with Transco.

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 17 January 2011.

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 17 January 2011.

The Manolo Fortich plant is composed of the 45.94-MW Manolo Fortich 1 and the 27.39-MW Manolo Fortich 2. Both plants produce at least 353.91 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

SNAP-Magat, Inc. (“SNAP-Magat”)

SNAP-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 Brgy. Ambatali in Ramon, Isabela (the “Maris Plant”). The company was incorporated on 29 November 2005.

SNAP-Magat’s COC was issued in December 2015 and is valid for five years or until 28 November 2020. SNAP-Magat is ARI’s joint venture with SN Power. SNAP-Magat is 60% owned by MORE.

The Magat Plant was completed in 1983 and was turned over to SNAP-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 25 April 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 the 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 by NGCP in 2018. The new technical specifications will be reflected in the Magat Plant’s COC upon its renewal in 2020.

SNAP-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. SNAP-Magat’s remaining capacity is sold as electric energy to the spot market through WESM and to load customers through bilateral contracts.

SNAP-Benguet, Inc. (“SNAP-Benguet”)

SNAP-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 Brgy. Tinongdan, Itogon, Benguet Province. SNAP-Benguet is also a joint venture between ARI and SN Power. As of 30 September 2020, 60% equity is owned by MORE and 40% equity interest is owned by SN Power. The company was incorporated on 12 March 2007.

The Ambuklao-Binga hydroelectric power complex was turned over to SNAP-Benguet in July 2008. SNAP-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, SNAP-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 capacity from spot energy generation and ancillary services to the national transmission system and related facilities that conveys power.

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, with a potential capacity of 683.3 MW. These geothermal facilities were formally turned over to APRI on 25 May 2009.

The Tiwi-MakBan Plants 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 was issued Integrated Management System (IMS) certifications by TÜV Rheinland Philippines, which include International Organization for Standardization (ISO) 9001:2015, ISO 14001:2015 (Environment), and OSHAS (Occupational Health and Safety Series) 18001:2007 (Health and Safety).

On 24 August 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 22 October 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 five-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.

APRI has commenced renewal proceedings for certain COCs that have expired and for those that will be expiring by December 2020.

Solar

Maaraw Holdings San Carlos, Inc. ("Maaraw San Carlos") and San Carlos Sun Power Inc. ("Sacasun")

Sacasun owns and operates the 59-MWp solar photovoltaic power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental ("Sacasun Plant"). The project was commissioned on 9 March 2016 and formally inaugurated on 19 April 2016.

Sacasun was incorporated on 25 July 2014 as a joint venture between ARI and SunEdison Philippines, a Dutch company. On 4 December, 2017, AboitizPower acquired 100% effective equity ownership in Sacasun.

As of 31 December 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 24 April 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 PEZA company, which intends to serve customers operating within PEZA zones.

To date, APX has a total of 4.4 MW of 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 SNAP-Magat.

As of the end of 2019, SN Aboitiz Power-Gen’s most significant project was the 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 hydropower complex project completed its feasibility study phase and has secured agreements with its host municipalities, namely Aginaldo, Lagawe, Lamut, and Mayoyao in Ifugao, and has likewise as well completed the Free Prior and Informed Consent process with the indigenous communities in the covered areas pending only the Certificate of Precondition from the National Commission of Indigenous Peoples. The Environmental Compliance Certificate for the complex was issued by the DENR; however, the project is on-hold since ground engagements/activities are restricted by the COVID-19 pandemic.

SN Aboitiz Power-Gen was incorporated on 10 March 2011. The company is a joint venture between ARI and SN Power, with the 60% equity interest owned by MORE and the remaining 40% owned by SN Power.

Non-Renewable Energy

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 26 October 2007. AboitizPower, through and/or with TPI, owns equity interests in the following Generation Companies, among others. The table below summarizes the Company’s non-renewable power generation companies and key information:

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	64	38	Distribution utility/WESM
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired power plant	43	43	Bilaterals/WESM
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/ WESM
TPVI	100%	TPVI Plant ¹⁶ (Visayas)	Bunker-C fired power plant	39	39	WESM
WMPC	20%	WMPC Plant (Mindanao)	Bunker-C fired power plant	100	20	Bilaterals
Cotabato Light	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired power plant	4	4	Distribution Utility
Total				3377*	2533*	

* 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 12 November 2008.

The 192 MW net dependable capacities of TMI are currently contracted to the NGCP as an Ancillary Service Provider of Contingency and Dispatchable Reserves in the Mindanao Grid and to Davao Light. TMI is now registered as a WESM Trading Participant beginning 08 January 2020 in anticipation of WESM in Mindanao.

TMI has commenced renewal proceedings of its COC to operate as a Generation Company with the Energy Regulatory Commission (ERC). The COC is set to expire on 30 March 2021.

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 27 May 2011. The barge-mounted power plants have an installed generating

¹⁶ ASPA will commence in 2021.

capacity of 231 MW. The company was incorporated on 20 October 2008.

On 14 July 2020, TMO and NGCP executed an ASPA, which is now pending with the ERC for approval.

East Asia Utilities Corporation (“EAUC”)

EAUC, a wholly-owned Subsidiary of TPI, is the owner and operator of a 49.6-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 26 December 2010. EAUC was incorporated on 18 February 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 08 October 2007.

Following protracted legal proceedings, on 23 May 2018, PSALM issued a Certificate of Effectivity of the Notice of Award originally issued on 30 April 2014 in favor of TPVI. Thereafter, PSALM and TPVI executed the Asset Purchase Agreement and Land Lease Agreement of the NPPC.

On 16 July 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. The plant started commercial operations on 07 August 2020 and first dispatched based on an offer into the WESM on 26 August 2020.

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 13 July 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 undertaking between AboitizPower and the Vivant Group. As of 30 September 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. 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 15 March 1996.

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 15 March 1996.

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 AboitizPower, 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 (Pagbilao Plant or Pag1 and Pag2). TLI was incorporated on 20 October 2009.

As IPPA, TLI is responsible for procuring the fuel requirements of and selling the electricity generated by the Pagbilao Plant. The Pagbilao Plant is owned and operated by TeaM Energy Corporation (TeaM Energy). Under the IPPA Agreement, TLI has the right to receive the transfer of Pag1 and Pag2 at the end of the ECA. 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%.

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 18 November 2008. Commercial operations for Unit 1 and Unit 2 began in 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 Barangay Bato, 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, together with its wholly owned Subsidiary, TPI, effectively owns 80% equity interest of TVI. The remaining 20% is held by the Vivant Group.

TVI’s units 1 and 2 started operating on 05 April 2019 and 01 August 2019, respectively. TVI has PSAs with Visayan Electric and RES affiliates – AESI, AdventEnergy, and Prism Energy, Inc.

Abovant Holdings, Inc. (“Abovant”) and Cebu Energy Development Corporation (“CEDC”)

Abovant is a joint venture company between AboitizPower and the Vivant Group as the holding company for shares in CEDC. The company was incorporated on 28 November 2007.

CEDC was incorporated on 05 December 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 in the second and fourth quarters of 2010, respectively. Cebu Energy declared commercial operations on 26 February 2011, and is the first commercial clean-coal facility in the country.

To date, CEDC 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.

CEDC provides power to the province of Cebu and its neighboring province, Bohol. Likewise, CEDC has an existing ASPA with NGCP to help maintain a reliable electric Grid system.

Abovant has a 44% equity interest in CEDC, while Global Formosa owns the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in CEDC.

Redondo Peninsula Energy, Inc. (“RP Energy”)

RP Energy was incorporated on 30 May 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. MGen acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on 22 July 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 PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The company was incorporated on 19 December 1995. The STEAG Power Plant was built under a BOT arrangement and started commercial operations on 15 November 2006.

While STEAG Power’s pioneer status expired on 14 November 2012, its COC, on the other hand, has been renewed by ERC and is effective until August 2021.

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 the NPC/PSALM, which is backed by a performance undertaking issued by the Republic of the Philippines. STEAG Power’s COC is effective until August 2021.

AA Thermal, Inc.

On 02 May 2019, AboitizPower completed its acquisition of 49% voting stake and 60% economic stake in AA Thermal, AC Energy and Infrastructure Corporation (formerly, 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 GMEC (formerly GMCP) and GNPD, where AboitizPower, through TPI, already holds direct partnership interests.

GNPower Mariveles Energy Center Coal Plant Ltd. Co. (“GMEC”, formerly GMCP)

GMEC is a private limited partnership organized on 13 May 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 (the “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 29 January 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 GMEC and GNPD on 27 December 2016.

Beginning 13 October 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 GMEC is 66.0749%.

On 07 March 2018, AboitizPower completed the restructuring of its share ownership structure in GMEC by transferring its direct ownership of GMEC from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the interests in GMEC.

Effectively, the partnership interests in GMEC are owned by: (i) TPI, (ii) ACE Mariveles Power Ltd. Co., a joint venture between AC Energy, a wholly-owned Subsidiary of Ayala Corporation, and Power Partners Ltd. Co. (Power Partners), and (iii) Power Partners. AboitizPower owns 78.3% effective partnership interest in GMEC.

On 10 January 2020, GMEC became a duly registered personal information controller with National Privacy Commission (“NPC”).

GNPower Dinginin Ltd. Co. (“GNPD”)

GNPD is a limited partnership organized and established on 21 May 2014 with the primary purpose of: (a) developing, constructing, operating, and owning a 2x668 MW (net) supercritical coal-fired power plant to be located at Mariveles, Province of Bataan.

GNPD started the construction of Unit 1 in September 2016, proceeded with the expansion of the power plant and achieved financial closing for Unit 2 in December 2017. Unit 1 is expected to commence commercial operations by the third quarter of 2021. Unit 2 is expected to commence commercial operations by the fourth quarter of 2021. 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 27 December 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 31 December 2018, TPI directly owns a 45% partnership interest in GNPD. As of 30 September 2020, AboitizPower owns 70% effective partnership interest in GNPD.

GNPD is co-developed by Power Partners, AC Energy, and TPI. With the AA Thermal acquisition in 2019, the Company's economic interests in GNPD was increased to 70%.¹⁷

On 19 December 2019, GNPD became a duly registered personal information controller with the National Privacy Commission.

On 27 December 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 RA No. 9728, the organic law creating the FAB.

Other Generation Assets

Cotabato Light maintains a stand-by 4.4-MW Bunker C-fired power plant capable of supplying approximately 14.16% of its franchise area requirements as of 31 December 2019.

Distribution of Electricity

The Aboitiz Group has more than 85 years of experience in the Philippine power distribution sector.

The Company owns interests in several distribution utilities in Luzon, Visayas and Mindanao, including Visayan Electric and Davao Light, which are respectively the second and third largest privately-owned distribution utilities in the Philippines in terms of both customers and annual GWh sales. 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.

The Company also owns interests in Cotabato Light, SFELAPCO, SEZ, MEZ, BEZ, LEZ, and Malvez. For 2019, the Distribution Companies sold a total attributable energy of 5,851 GWh. As of 30 September 2020, the Distribution Companies are serving approximately 1,039,686 customers.

AboitizPower's interests, direct and indirect, in the Group's Distribution Utilities, as well as their franchise periods as of 30 September 2020, are shown in the table below:

Distribution Utility	AboitizPower % Ownership	Franchise Term	Franchise Expiry
Visayan Electric	55.26%	25 years	2030
Davao Light	99.93%	25 years	2025
SFELAPCO	43.72%	25 years	2035
Cotabato Light	99.94%	25 years	2039

¹⁷ The Company's final economic interests in GNPD will be 70% by end of 2020.

Distribution Utility	AboitizPower % Ownership	Franchise Term	Franchise Expiry
SEZ	99.98%	25 years	2028
MEZ	100%	21 years	Zone Life
BEZ	100%	50 years	Zone life
LEZ	100%	50 years	Zone Life

MEZ, BEZ, LEZ, and Malvez which operate the power distribution utilities in Mactan Economic Processing Zone II, West Cebu Industrial Park, and Lima Technology Center, and Light Industry & Science Park IV (LISP IV) in Malvar, Batangas, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

The power distribution business' earnings contribution to AboitizPower's business segments in 2019 is equivalent to 24%, and 50% for the first quarter of 2020. The Distribution Utilities had a total customer base of 1,039,689 as of 31 March 2020 and 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 year-end 2017, 2018, and 2019, and as of 30 June 2020:

Company	Electricity Sold (MWh)				Peak Demand				No. of Customers			
	1H2020	2019	2018	2017	1H2020	2019	2018	2017	1H2020	2019	2018	2017
Davao Light	1,214,855	2,633,920	2,468,192	2,317,985	452	454	421	404	426,616	420,666	404,574	384,434
Cotabato Light	85,937	173,114	165,409	153,973	32	31	31	29	44,088	43,449	41,681	41,110
Visayan Electric	1,561,998	3,500,781	3,159,032	2,938,532	583	601	547	522	455,054	450,088	437,823	422,814
SFELAPCO	336,054	714,948	665,425	623,607	134	140	134	116	113,408	112,091	107,536	101,942
SEZ	123,808	329,633	423,939	517,558	54	62	100	106	3,479	3,473	3,343	3,267
MEZ	45,757	117,433	123,276	114,272	21	22	22	21	87	87	85	83
BEZ	47,165	101,885	100,554	91,273	27	27	27	27	34	34	31	31
LEZ	102,651	249,394	224,175	197,908	48	44	39	33	854	834	755	619
MALVEZ	41	51	N/A	N/A	0.07	0.06	N/A	N/A	5	4	N/A	N/A
Total	3,518,266	7,821,159	7,330,002	6,955,108	1,350	1,382	1,320	1,258	1,043,625	1,030,726	995,828	954,300

Visayan Electric Company, Inc. ("Visayan Electric")

Incorporated on 22 February 1961, Visayan Electric is the second largest privately-owned distribution utility in the Philippines in terms of customers and annual MWh sales. Visayan Electric supplies electricity to four cities and four municipalities in Metro Cebu covering 674 square kilometers 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 the areas covered by its franchise in the 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 was renewed in September 2005 for a period of 25 years or until September 2030.

As of 30 September 2020, Visayan Electric's systems loss is at 6.44%. This includes a feeder loss of 4.69%.

AboitizPower directly holds a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant Corporation.

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 11 October 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.

In 2019, Davao Light 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.

As of 30 September 2020, Davao Light's systems loss is at 7.66%. This includes a feeder loss of 4.65%, which is below the Government-mandated feeder loss cap of 6.25%.

AboitizPower has a 99.93% equity interest in Davao Light.

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 4.4-MW Bunker C-fired plant capable of supplying approximately 13.75% 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 30 September 2020, Cotabato Light's systems loss is at 8.65%. This includes a feeder loss of 8.03%, which is above the Government-mandated feeder loss cap of 6.25%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

AboitizPower directly owns 99.94% equity interest in Cotabato Light.

San Fernando Electric Light & Power Co., Inc. ("SFELAPCO")

SFELAPCO was incorporated on 17 May 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 City of San Fernando, Pampanga covers an area of 78.514 sq. kms. As of 31 December

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 30 September 2020, SFELAPCO's systems loss is at 5.05%. This includes a feeder loss of 3.67%, which is below the Government-mandated feeder loss cap of 6.25%.

AboitizPower has an effective equity interest of 43.78% in SFELAPCO.

Subic Enerzone Corporation ("SEZ")

On 03 June 2003, SEZ was incorporated to undertake management and operation of the SBFZ power distribution utility.

As of 30 September 2020, SEZ served a total of 3,474 customers, consisting of 82 industrial locators, 1,248 commercial locators, 2021 residential customers, 103 streetlights and 20 industrial locators under RES.

As of 30 September 2020, SEZ's systems loss is at 3.19%. This includes a feeder loss of 2.93%, which is below the Government-mandated feeder loss cap of 6.25%.

AboitizPower owns, directly and indirectly through Davao Light, 99.98% equity interest in SEZ.

Mactan Enerzone Corporation ("MEZ")

MEZ was incorporated in 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).

MEZ sources its power from SNAP-Magat and Green Core Geothermal Incorporated pursuant to a CSEE.

As of 30 September 2020, MEZ served a total of 53 captive industrial locators, 28 captive commercial locators, and 6 industrial locators under RES.

As of 30 September 2020, MEZ's total systems loss is at 0.95%. This includes a feeder loss of 0.42%, which is below the Government-mandated feeder loss cap of 6.25%.

AboitizPower owns 100% equity interest in MEZ.

Balamban Enerzone Corporation ("BEZ")

BEZ 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.

As of 30 September 2020, Balamban Enerzone served a total of 17 captive industrial customers, 12 captive commercial customers, and 6 contestable industrial customers.

As of 30 September 2020, Balamban Enerzone's total systems loss is at 0.44%. This includes a feeder loss of 0.17%, which is below the Government-mandated feeder loss cap of 6.25%.

AboitizPower directly owns 100% equity interest in BEZ.

Lima Enerzone Corporation ("LEZ")

LEZ was incorporated as Lima Utilities Corporation on 05 June 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply.

As of 30 September 2020, LEZ served a total of 91 captive industrial locators, 13 captive commercial locators, 736 captive residential customers, 8 streetlights, and 18 industrial locators under RES.

As of 30 September 2020, LEZ's total systems loss is at 5.19%. This includes a feeder loss of 0.63%, which is below the Government-mandated feeder loss cap of 6.25%.

AboitizPower directly owns 100% equity interest in LEZ.

Malvar Enerzone Corporation ("Malvez")

Malvez was incorporated on 09 June 2017 to serve and provide locators within the Light Industry & Science Park IV (LISP IV) in Malvar, Batangas. Malvez 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 30 September 2020, Malvez served a total of 2 captive industrial locators, 2 captive commercial locators and 1 streetlight.

As of 30 September 2020, Malvez's total systems loss is at 5.62%. This consists of a feeder loss of 5.62%, which is below the Government-mandated feeder loss cap of 6.25%.

AboitizPower directly owns 100% equity interest in Malvez.

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 will be allowed to obtain electricity from RES licensed by the 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 28 October 2022. The company was incorporated on 11 August 1998.

At the start of commercial operations of Open Access on 26 June 2013, AESI served 42 customers. As of 30 September 2020, AESI supplied retail electricity to a total of 201 customers with a total consumption of 1,492.80 mn kWh as of 30 September 2020.

AboitizPower owns 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 renewable sources. 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.

As of 30 September 2020, AdventEnergy supplied retail electricity to 67 customers with a total consumption of 770.52 million kWh.

AboitizPower owns 100% equity interest of AdventEnergy.

Prism Energy, Inc. ("Prism Energy")

Prism Energy was incorporated on 24 March 2009 as a joint undertaking between AboitizPower (60%) and Vivant Corporation (40%). It was granted a license to act as a RES valid until 22 May 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.

As of 30 September 2020, Prism Energy supplied retail electricity to 43 customers with a total energy consumption of 137.35 million kWh.

AboitizPower directly owns 60% equity interest in Prism Energy.

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 31 March 2020, its 60% equity interest is owned by MORE with the remaining 40% owned by SN Power.

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.

During the first half of 2020, the company contributed to the SN AboitizPower Group’s financial bottom line, with a net revenue of ₱41 million compared to ₱462 million in the first half of 2019.

SALES

The operations of AboitizPower and its Subsidiaries and Affiliates are based only in the Philippines. Comparative amounts of revenue, profitability, and identifiable assets as of 30 September 2020 are as follows:

	2020	2019	2018
GROSS INCOME	₱80,363	₱94,681	₱100,105
OPERATING INCOME	₱18,181	₱22,233	₱27,755
TOTAL ASSETS	₱404,108	₱404,785	₱375,738

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 as of 30 September 2020 are as follows:

	2020		2019		2018	
Power Generation	₱54,903	55%	₱63,683	53%	₱64,085	54%
Power Distribution	31,441	32%	35,971	30%	35,265	29%
Retail Electricity Supply	12,060	12%	19,550	16%	19,640	16%
Services	815	1%	946	1%	1,011	1%
Total Revenue	99,219	100%	120,149	100%	120,001	100%
Less: Eliminations	(18,856)		(25,468)		(19,896)	
Net Revenue	₱80,363		₱94,681		₱100,105	

DELIVERY METHODS OF THE PRODUCTS OR SERVICES

Power Generation Business

The 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 ASPAs with qualified generators to fulfill specific ancillary service requirements per the Grid. Currently, SNAP-Magat, SNAP-Benguet, TMI, TMO, 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 26 March 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 2, Hedcor Irisan 1, Hedcor Sabangan, and Hedcor Manolo Fortich 1 and 2 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 Malvez, 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 for distribution 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.

New Products and 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 product or service to date.

System Performance

The following table sets forth certain information concerning the performance of the Distribution Companies:

Business Unit	As of 31 March 2020		As of 31 December 2019	
	SAIFI (frequency)	SAIDI (minutes)	SAIFI (frequency)	SAIDI (minutes)
Visayan Electric	0.33	36.46	2.46	229.26
Davao Light	0.49	38.47	7.12	539.51
Cotabato Light	0.01	0.49	1.26	5.24
SEZ	1.63	53.06	7.94	518.42
MEZ	0.00	0.00	0.14	5.21
BEZ	0.00	0.00	3.52	87.85
LEZ	0.00	0.00	0.88	420.27
SFELAPCO	0.17	11.77	9.01	680.57

Electricity Losses

The Distribution Companies experience two types of electricity losses: technical losses and non-technical losses. Technical losses are those that occur in the ordinary course of distribution of electricity, such as losses that occur when electricity is converted from high voltage to medium voltage. Non-technical losses are those that result from illegal connections, fraud or billing errors.

The Distribution Companies' system loss may be further broken down to feeder loss, substation loss, and sub-transmission loss. Total electricity losses in 2019 were 6% for Visayan Electric, 7.32% for Davao Light, 8.08% for Cotabato Light, 2.96% for SEZ, 0.96% for MEZ, 0.42% for BEZ, 5.24% for LEZ, and 4.86% for SFELAPCO. On the other hand, total electricity losses as of 31 March 2020 were 6.13% for Visayan Electric, 7.43% for Davao Light, 8.35% for Cotabato Light, 3.09% for SEZ, 0.95% for MEZ, 0.43% for BEZ, 5.16% for LEZ, and 4.72% for SFELAPCO.

The system loss cap set by the ERC is 6.25% for 2019 and 6% as of 2020, which system loss caps only relate to feeder loss.

The Distribution Companies are also actively engaged in efforts to reduce electricity losses, particularly non-technical losses. To achieve this, the Distribution Companies, particularly Visayan Electric and Davao Light, have deployed teams to conduct inspections, enhanced monitoring for irregular consumption, increased replacements for obsolete measuring equipment and developed a computer program to discover and analyze irregular invoicing.

The Distribution Companies continue to find ways to reduce systems losses in any economically viable manner.

Power Outages

The Distribution Companies seek to improve the quality and reliability of their power supply, as measured by the frequency and duration of power outages. The Distribution Companies seek to improve the quality and reliability of their power supply, as measured by the frequency and duration of power outages. The number of sustained outages (>5mins) for the 1st six months of 2019 was 1.53 interruptions per customer at Visayan Electric, 5.40 interruptions per customer at Davao Light, 0.90 interruptions per customer at Cotabato Light, 4.94 interruptions per customer at SEZ, 1.00 interruptions per customer at BEZ, no interruptions for MEZ and LEZ, and 15.08 interruptions per customer at SFELAPCO. For the same period in 2019, the number of minutes of sustained outages was 224.53 minutes per customer at Visayan Electric, 334.98 minutes per customer at Davao Light, 50.16 minutes per customer at Cotabato Light, 365.45 minutes per customer at SEZ, 37.19 minutes per customer at BEZ, none for MEZ, and 543.87 minutes per customer at SFELAPCO.

The Distribution Companies each have "hotline" equipment that allows construction, maintenance and repairs to be conducted with only minimal interruption in electricity service. This reduces the number of service interruptions that the Distribution Companies have to schedule. Unscheduled interruptions due to accidents or

natural causes, including typhoons, heavy rains and floods, represented the remainder of the Distribution Companies' total interruptions.

Sources of Raw Materials and Supplies

Generation Business

The Generation Companies produce energy using the following fuel types based on attributable net selling capacity: 20% hydropower, 6% geothermal, 1% solar, 60% coal, and 13% oil. In 2020, renewable fuel sources comprised 27% of attributable net selling capacity, while thermal accounted for 73%.

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 24 August 2018 under which PGPC will drill 12 new production wells over the next six years.

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. GMEC, STEAG Power, and CEDC also have long-term coal supply agreements.

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 arm's length basis, on commercially reasonable terms, and are approved by ERC. ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from affiliated Generation Companies.

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 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. Davao Light also addressed the projected increase in load for 2020 by entering into an

Emergency PSC with SMCP for 50MW with a term of one year while waiting for the commercial operations of the wholesale spot market in Mindanao.

To address long-term power supply requirements, Visayan Electric entered into a 25-year 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.

Malvez 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	25 January 2024
LEZ	25 July 2022
MEZ	25 January 2020*
BEZ	25 January 2020*
SFELAPCO	25 December 2023
Cotabato Light	25 August 2023
Visayan Electric	25 January 2024
SEZ	25 August 2023

* Ongoing applications with NGCP for renewal of their TSAs

The Distribution Utilities have negotiated agreements with the NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs. MEZ already applied and submitted the requirements for connection to the Grid.

CUSTOMERS, ANALYSIS OF DEMAND AND RATES

Customers

Power Generation Business

As of 30 September 2020, total capacity sales in MW can be broken down, as follows:

1. 87% was sold via bilateral contracts to, among others, private distribution utilities, electric cooperatives, NPC, and industrial and commercial companies (Contestable Customers)
2. 8% was sold via ASPAs to NGCP
3. 6% was sold via the WESM.

Distribution Utilities Business

Most of AboitizPower's Distribution Utilities, on the other hand, have wide and diverse customer bases. As such, the loss of any one customer will have no material adverse impact on AboitizPower. The Distribution Companies' customers are categorized into four principal categories:

1. Industrial customers. Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls;
2. Residential customers. Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes;
3. Commercial customers. Commercial customers include service-oriented businesses, universities and hospitals; and
4. Other customers.

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 accounts, special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

Retail Electricity Supply Business

The Company's RES business is a vehicle through which the Company sells its capacity to Contestable Customers in the Open Access Market. Currently, its RES companies have more than 340 Contestable Customers 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.

Rates

Rates charged by the Distribution Companies for sales of electricity to final customers are determined pursuant to regulations established by ERC. These ERC regulations establish a cap on rates that provide for annual, periodic, and extraordinary adjustments. Under EPIRA, the distribution utilities such as the Distribution Companies have been required to "unbundle" the electricity rates charged to customers in order to provide transparency in disclosing to customers the components of their monthly bills and to segregate (consistent with the mandate of the EPIRA) the components of the distribution business which will become competitive once the EPIRA is fully implemented (such as supply and metering services) and those which will remain monopolized (such as transmission and wheeling). As a result, the Distribution Companies are required to identify and separately disclose to customers each individual charge that forms part of the cost of providing electricity, including generation, transmission, systems loss, distribution, metering, and supply charges.

Each of the Distribution Companies classifies customers based on factors such as voltage level and demand level at which the electricity is supplied to such customers. Each customer is placed in a certain tariff level determined by the Distribution Companies within the guidelines provided by the ERC and is charged for electricity based on customer classification. Typically, industrial customers pay lower rates relative to the cost of providing services to them, while residential customers pay higher rates relative to the cost of providing services to them.

The following sets forth the material components of each Distribution Companies' monthly charges to customers:

Distribution charges. Previously, the distribution charges that the Distribution Companies collected from customers were computed with reference to the RORB rate-setting system. Under this system, distribution charges were determined based on the appraised value of a distribution utility's historical costs, with the maximum rate of return set at 12.0%. Rate-setting under this system had historically resulted in prolonged review periods by regulators before a final rate was approved, and often resulted in interested parties, such as consumer advocacy groups, contesting rates approved by Government regulators in court. In addition, the

determination of the components of a utility's cost base was subject to revision by regulators, with certain material expenses, such as those for income tax, being excluded from the base.

To address the inefficiencies and legal controversies caused by the RORB rate-setting system, the ERC issued the RDWR in 2006, which sets out the manner in which PBR is to be implemented. Under PBR, the distribution-related charges that a distribution utility collects from customers will be fixed by reference to the utility's projected revenues over a four-year regulatory period, which are reviewed and approved by the ERC and thereafter used to determine the utility's efficiency factor. For each year during the regulatory period, the distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor set and changes in overall consumer prices in the Philippines. As part of the implementation of PBR, the ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being penalized for failing to meet these performance targets. During the 18 months prior to the PBR start date for each Distribution Company, each of them will undergo a regulatory reset process through which the PBR rate control arrangements are established based on documents submitted by each Distribution Company with the ERC, ERC resolutions, and consultations with the Distribution Company and the general public.

Transmission charges. These charges are the amounts paid by the Distribution Companies to the National Grid Corporation of the Philippines for the use of transmission facilities to transmit electricity from each Distribution Companies' electricity suppliers to the Distribution Companies' own transmission lines. Current ERC regulations allow the Distribution Companies to pass on to and recover from their customers the transmission charges paid by the Distribution Companies.

Under applicable laws and regulations, the Distribution Companies are required to allow use of their high-voltage distribution lines by others, including consumers within their franchise areas that are supplied by third parties. All users of the Distribution Companies' respective distribution lines must pay a wheeling fee for such use.

Generation charges. ERC regulations allow distribution utilities to pass through to their customers the full cost of electricity purchased from power generators, such as NPC and IPPs (including the Generation Companies).

Supply and metering charges. The Distribution Companies are currently allowed to charge their customers a fixed monthly amount that is meant to cover customer service-related costs, such as customer billing and collection services, and metering-related costs, such as meter installation, monitoring and reading. Customers are also required to provide deposits on meters that are installed to monitor their electric consumption. The ERC is currently contemplating opening supply and metering services to competition.

Systems loss charges. These charges relate to the electricity losses that each Distribution Company is allowed to recover from customers. Originally, ERC regulations allowed distribution companies to charge customers for electricity losses so long as electricity losses do not exceed 8.50%. If a Distribution Company's electricity losses exceed 8.50%, the Distribution Company will be unable to pass on to its customers the loss charges relating to losses in excess of the 8.50% ceiling.

Under ERC Resolution No. 20, Series of 2017, the ERC set anew the distribution system loss that a Distribution Company may recover from its customers through the system loss charge. This shall not exceed the sum of the actual sub-transmission and substation loss of the Distribution Company and the distribution feeder loss caps, as follows:

2018	6.50%
2019	6.25%
2020	6.00%
2021	5.50%

Others. Other charges collected from customers include: the universal charge, which is meant to cover Stranded

Debt and Stranded Costs of the Power Sector Assets and Liabilities Corporation, among others, in accordance with the requirements of the EPIRA; the lifeline subsidy rate, which is an amount collected from end-users to cover subsidies granted to low-consumption, low-income customers; and the FIT-All rate which is an amount collected from end-users under the feed-in tariff system.

Customer Deposits

The 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. These deposits are refundable, together with the accrued interest, upon termination of the contract. If the deposits and the related accrued interest already exceed the customer's current monthly bills, a refund of the excess can also be made.

Both the Magna Carta and Distribution Services and Open Access Rules ("DSOAR") 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 now 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, 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.

Transformer and lines and poles deposits are obtained from certain customers principally as cash bond for the proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are non-interest bearing and are refundable only after the related contract is terminated and the assets are returned to the Company in their proper condition and all obligations and every account of the customer due to the Company shall have been paid.

Billing Procedures

The procedures used for billing and payment for electricity supplied to customers is determined by customer category. The length of the collection process varies slightly among the Distribution Companies. Meter readings and invoicing take place on a monthly basis. Bills are prepared from meter readings or on the basis of estimated usage under certain circumstances. Low voltage customers are billed within one to two days after the meter reading, with payment required within nine days after the delivery date. In case of non-payment, a notification of non-payment accompanied by the next month's invoice, is sent to the customer and a period of two days is provided to pay the amount owed to the relevant Distribution Company. If payment is not received within two days, the customers' electricity supply is suspended.

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.

Geographic Area

To date, AboitizPower operates all over the Philippines, with existing power plants in Luzon, Visayas, and Mindanao.

Principal Methods of Competition

The means by how AboitizPower can effectively compete with its competitors are set forth in the section entitled “Competitive Strengths and Business Strategy” on page [] of this Prospectus. AboitizPower addresses its competition using a holistic approach and does not address it on a per company basis.

Principal Competitors

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 TeaM 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., MGen, and SMC Global Power.

Based on ERC Resolution No. 02, Series 2020, AboitizPower is the second largest generation company by attributable installed capacity. The largest is SMC Global Power, a Subsidiary of San Miguel Corporation.

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.¹⁸ 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 September 2020, there are 43 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 32.86%. AboitizPower, through its RES companies, has the third-largest market share at 20.5%,¹⁹ with contracted capacity of 849.60 MW²⁰ as of September 2020.

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.

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,²¹ a Subsidiary of the country’s largest distribution utility, MERALCO, which has the financial and market strength, as well as goodwill, that comes from its size, long history, and dominance.

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. It also has long roots in the Philippine economy, starting with the purchase of the Visayan Electric in 1918, and many decades before then, in businesses outside of power. This has allowed it to build a reputation over time as a group that advances business and communities wherever it chooses to operate.

¹⁸ Based on ERC’s Competitive Retail Electricity Market Report released in November 2020.

¹⁹ Excluding SFELAPCO which is 20.284% owned by AboitizPower.

²⁰ Excluding SFELAPCO which is 20.284% owned by AboitizPower.

²¹ Based on ERC’s Competitive Retail Electricity Market Report released in November 2020.

Distribution Business

Each of AboitizPower's Distribution Utilities currently has an exclusive franchise to distribute electricity in the areas covered by its franchise.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

AboitizPower and its Subsidiaries, 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 and at current market prices at the time of the transactions.

AEV, the parent company of AboitizPower, and certain Associates have Service Level Agreements (SLAs) with AboitizPower for corporate center services rendered, such as human resources, internal audit, legal, 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 priced on an arm's length basis, and covered with SLAs to ensure quality of service.

AboitizPower and its Subsidiaries enter into transactions with its parent, associates and other related parties.

Details of the significant account balances of the foregoing related party transactions, retirement fund and compensation of the Board and key management personnel of the Group can be found in the section entitled "*Financial and Other Information*" beginning on page [●] of this Prospectus, particularly Note 32 of the Consolidated financial statements found on page 98 of the Consolidated financial statements of the Company.

GOVERNMENT APPROVALS, PATENTS, COPYRIGHTS, FRANCHISES

AboitizPower and its Subsidiaries have secured all material permits required to operate its businesses. These are further discussed below.

Generation Business

Power generation is not considered a public utility operation under RA No. 9136 or the Electric Power Industry Reform Act of 2001 ("EPIRA"). Thus, a national 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 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 to financial standards and comply with applicable environmental laws, rules and regulations.

Cotabato Light has its own generation facilities and are required under the EPIRA to obtain a COC. Davao Light's generation facility was decommissioned on 26 November 2018. 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 ERC.

AboitizPower's HEPPs are also required to obtain water permits from 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 DOE.

The Generation Companies and Cotabato Light possess COCs for their power generation businesses, details of which are as follows:

Title of Document				Power Plant				
Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance	
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
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	Ampucao, 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 16, 2020 - February 16, 2025	August 12, 2020
		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 16, 2020 - February 16, 2025	August 12, 2020
		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 16, 2020 - February 16, 2025	August 12, 2020
		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 16, 2020 - February 16, 2025	August 12, 2020
COC No. 16-05-M-00065M*	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		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

Title of Document				Power Plant				
Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance	
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, Davao del Sur	13.128 MW	Hydro	25 years	May 18, 2015
		Sibulan B – Unit 2			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

Title of Document				Power Plant				
Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance	
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-2860L	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	November 11, 2015
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel		
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		

Title of Document				Power Plant				
Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance	
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		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec 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	Geothermal 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	Geothermal 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	Geothermal Steam	23 years	May 4, 2015
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables,	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geotherm	25 years	November 26, 2015

Title of Document			Power Plant					
Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance	
	Inc.	Plant A, Unit 2		60 MW	al Steam			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geothermal 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-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		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

Title of Document				Power Plant				
Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance	
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired 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	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	Brgy. Alasasin, 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 the EPIRA, the business of electricity distribution is a regulated public utility business that requires a national franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from the 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 the ERC a statement of their compliance with the technical specifications prescribed in the 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 of the EPIRA.

Shown below are the respective expiration periods of the Distribution Utilities' legislative franchises:

DU	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. (RA No. 9339 was approved on 01 September 2005.)	Valid until 24 September 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated 26 January 2009, ERC Case No. 2008-095 MC).	25 years, or from 24 September 2005 to 24 September 2030	
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960 (Lapsed into law 07 September 2000.)	Valid until 07 September 2025
	ERC CPCN Decision dated 26 February 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to 07 September 2025	
Cotabato Light	RA No. 10637	25 years from effectivity of RA No. 10637, as amended (RA No. 10637 was approved on 16 June 2014.)	Valid until 16 June 2039
	ERC Certificate No. CPCN-14-01 (ERC Decision dated 09 December 2019, ERC Case No. 2013-063 MC)	25 years, or from 17 June 2014 or until 16 June 2039	

DU	Franchise	Term	Expiry
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on 06 February 2010)	Valid until 23 March 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated 31 August 2010, ERC Case No. 2010-029 MC)	25 years, or from 24 March 2010 to 26 March 2035	
SEZ	Distribution Management Service Agreement (DMSA) between SEZ and joint venture of AEV- Davao Light	Notarized on 15 May 2003. Term of the DMSA is 25 years.	Valid until 15 May 2028

MEZ, BEZ, and Malvez, which operate the power distribution utilities in MEPZ II, WCIP-SEZ, LTC, and LISP IV 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.

New Projects

GNPD started the construction of Unit 1 in September 2016. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017. Unit 1 is expected to commence commercial operations by the third quarter of 2021. Unit 2 is expected to synchronize and earn commissioning revenues by the second quarter of 2021 and to commence commercial operations by the fourth quarter of 2021.

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	Owner	Date Filed	Registration No./Date Issued	Description	Status
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004383 11 November 2010	Application for the word mark "A Better Future".	In use
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004384 11 November 2010	Application for the word mark "A Better Solutions".	In use
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004385 11 November 2010	Application for the word mark "AboitizPower".	In use

Trademarks	Owner	Date Filed	Registration No./Date Issued	Description	Status
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010	4-2010-004380 10 February 2011	Application for the device mark "AboitizPower Spiral and Device", with color claim. The representation of a spiral rendered in blue.	In use
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	19 October 2001	4-2001-007900 13 January 2006	Application for the word mark "Cleanergy".	In use
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	16 January 2019	4-2019-000850 09 June 2019	Application for the word mark "Cleanergy" for the additional goods and services under Class Nos. 39 and 42.	In use
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004381 11 November 2010	Application for the device mark "Cleanergy Get it and Device". The word "Cleanergy", with color claim. The phrase "get it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	In use
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010 Request for renewal filed on 23 October 2020	4-2010-004382 11 November 2010	Application for the device mark "Cleanergy got it and device". The word "Cleanergy" with the phrase "got it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	In use
AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	23 April 2010	4-2010-004379 10 February 2011	Application for the device mark "AboitizPower and Device", with color claim.	In use
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	6 July 2006	4-2006-007306 20 August 2007 Mark renewed on 20 August 2017	Trademark application for Subic EnerZone Corporation and Logo, with color claim (blue and yellow). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, rendered in cobalt medium blue color, and a	In use

Trademarks	Owner	Date Filed	Registration No./Date Issued	Description	Status
				representation of the letter "S" taking the shape of a flame (the company logo) above the words. The logo is likewise rendered in the cobalt medium blue color in a yellow background.	
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	6 July 2006	4-2006-007305 20 August 2007 Mark renewed on 20 August 2017	Application for the Subic EnerZone Corporation word mark and device (gray). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.	In use
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	6 July 2006	4-2006-007304 04 June 2007 Mark renewed on 04 June 2017	Application for the word mark "Subic EnerZone Corporation".	In use
Cotabato Light Logo (Class No. 39)	Cotabato Light and Power Corporation	29 May 2019	4-2019-502915 20 October 2019	Application for the logo "Cotabato Light"	In use
Davao Light Logo (Class No. 39)	Davao Light and Power Corporation	29 May 2019	4-2019-502917 20 October 2019	Application for the logo "Davao Light"	In use
Balamban Enerzone Logo (Class No. 39)	Balamban Enerzone Corporation	29 May 2019	4-2019-502910 10 February 2020	Application for the logo "Balamban Enerzone"	In use
Mactan Enerzone Logo (Class No. 39)	Mactan Enerzone Corporation	29 May 2019	4-2019-502911 20 February 2020	Application for the logo "Mactan Enerzone"	In use
Lima Enerzone Logo (Class No. 39)	Lima Enerzone Corporation	29 May 2019	4-2019-502912 20 February 2020	Application for the logo "Lima Enerzone"	In use
Malvar Enerzone Logo (Class No. 39)	Malvar Enerzone Corporation	29 May 2019		Application for the logo "Malvar Enerzone"	In use
Subic Enerzone Logo (Class No. 39)	Subic Enerzone Corporation	29 May 2019	4-2019-502914 20 October 2019	Application for the logo "Subic Enerzone"	In use
Visayan Electric Logo (Class No. 39)	Visayan Electric Company, Inc.	29 August 2019	4-2019-015288 29 December 2019	Application for the logo "Visayan Electric"	In use
MORE (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	10 October 2018	4-2018-00018077 21 February 2019	Application for the logo "MORE" in dark blue	In use
SN ABOITIZ POWER GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc.,	10 October 2019	4-2018-00018076	Application for the logo "SN ABOITIZ POWER GROUP" in black, grey and	In use

Trademarks	Owner	Date Filed	Registration No./Date Issued	Description	Status
	SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc.			white	
SN ABOITIZ POWER-BENGUET, INC.	SN Aboitiz Power-Benguet, Inc.	30 April 2014	4-2014-00005209 29 December 2016	Application for the Logo "SN ABOITIZ POWER-BENGUET, INC."	In use
NURTURE NATURE, NURTURE LIFE	SN Aboitiz Power-Benguet, Inc.	31 January 2011	4-2011-00001049 19 May 2011	Application for the Logo "NURTURE NATURE, NURTURE LIFE"	In use
SNAP ABOITIZ POWER-MAGAT, INC.	SN Aboitiz Power-Magat, Inc.	30 April 2014	4-2014-00005208 09 March 2017	Application for the Logo "SNAP ABOITIZ POWER-MAGAT, INC."	In use
THE POWER TO MAKE A DIFFERENCE	SN Aboitiz Power-Magat, Inc.	31 January 2011	4-2011-001048 26 May 2011	Application for the Logo "THE POWER TO MAKE A DIFFERENCE"	In use
	SN Aboitiz Power-Magat, Inc.	23 November 2017	4-2017-00018969 07 June 2018	Application for Logo	In use

International Trademarks Application (Madrid Protocol)

Trademarks	Owner/Applicant	Country of Application	Status
AboitizPower word mark (#2019006359) (Class Nos. 39)	Aboitiz Power Corporation	Malaysia	The application is still pending.
AboitizPower word mark (#2019006360) (Class Nos. 40)	Aboitiz Power Corporation	Malaysia	The application is still pending.
AboitizPower word mark (#2019006362) (Class Nos. 42)	Aboitiz Power Corporation	Malaysia	The application is still pending.
AboitizPower and device (#2019006349) (Class Nos. 39)	Aboitiz Power Corporation	Malaysia	The application is still pending.
AboitizPower and device (#2019006347) (Class Nos. 40)	Aboitiz Power Corporation	Malaysia	The application is still pending.
AboitizPower and device (#2019006364) (Class Nos. 42)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy word mark (#2019006363) (Class Nos. 39)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy word mark (#2019006361) (Class Nos. 40)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy word mark (#2019006357) (Class Nos. 42)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy got it device (#2019006351) (Class Nos. 39)	Aboitiz Power Corporation	Malaysia	The application is still pending.

Trademarks	Owner/Applicant	Country of Application	Status
Cleanergy got it device (#2019006350) (Class Nos. 40)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy got it device (#2019006348) (Class Nos. 42)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy get it device (#2019006358) (Class Nos. 39)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy get it device (#2019006354) (Class Nos. 40)	Aboitiz Power Corporation	Malaysia	The application is still pending.
Cleanergy get it device (#2019006353) (Class Nos. 42)	Aboitiz Power Corporation	Malaysia	The application is still pending.
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	WIPO	Registered.
AboitizPower Word Mark (Class Nos. 30, 40, 42)	Aboitiz Power Corporation	Vietnam	Registered.
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Indonesia	The application is still pending.
AboitizPower Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	WIPO	The application is still pending.
AboitizPower Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Vietnam	The application is still pending.
AboitizPower Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Indonesia	The application is still pending.
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	WIPO	Registered.
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Indonesia	The application is still pending.
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Vietnam	Registered.
Cleanergy Word Mark (Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Indonesia	Registered.
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	WIPO	Registered.
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Vietnam	Registered.

Trademarks	Owner/Applicant	Country of Application	Status
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Indonesia	Registered.
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	WIPO	Registered.
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Vietnam	The application is still pending.
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Vietnam	The application is still pending.
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	Indonesia	The application is still pending.
AboitizPower	Aboitiz Power Corporation	Myanmar	Registered.
AboitizPower	Aboitiz Power Corporation	Myanmar	Registered.
Cleanergy	Aboitiz Power Corporation	Myanmar	Registered.
Cleanergy Get It	Aboitiz Power Corporation	Myanmar	Registered.
Cleanergy Got It	Aboitiz Power Corporation	Myanmar	Registered.

Effect of Existing or Probable Government Regulations on the Business

AboitizPower and its Subsidiaries are subject to the laws governing all Philippine corporations, such as corporation law, securities 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. 9679 or the Home Development Mutual Fund Law of 2009, the Philippine Labor Code and its implementing rules and regulations, and other labor-related laws, regulations, and mandated work-related programs of DOLE.

The Aboitiz Group closely monitors its compliance with the Applicable 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 Rodrigo Roa Duterte on 19 December 2017 and took effect on 01 January 2018. Its declared policies are: (a) to 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) to 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) to ensure that the Government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the tax reform 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.

Further, with the repeal of 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), the estimated impact on the cost of electricity are as follows:

Additional Cost

All figures in ₱											
	kWh consumption	Current cost per kWh	Current Total Cost	Generation Coal	Generation Diesel/Bunker	Transmission	Distribution	UCME22	Total	Estimated new total cost	Percent increase
Grid (Meralco)	100	7.80	780.00	2.00	4.40	8.18	0.00	0.38	14.96	794.96	1.92
Grid (non-Meralco, NEA)	100	8.80	880.00	2.00	4.40	5.91	0.00	0.38	12.69	892.69	0.44
Grid (non-Meralco, CDA)	00	8.80	880.00	2.00	4.40	5.91	7.18	0.38	19.87	899.87	2.26
SPUG23 (NEA24, coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	0.00	0.38	4.38	1,134.38	0.39
SPUG (CDA, coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	10.17	0.38	14.55	1,144.55	1.29
SPUG (NEA, diesel/bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7.10	0.00	0.00	0.00	71.00	1,201.00	6.28
SPUG (CDA, diesel/bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7.10	0.00	10.17	0.00	8.7	2.70	7.8
SPUG (NEA, diesel/bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	0.00	0.38	0.38	30.38	0.03
SPUG (CDA, diesel/bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	10.17	0.38	0.55	40.55	0.93

Sources: Department of Energy (DOE), Kuryente.org, and Department of Finance (DOF) staff estimates

Notes: Estimates are based on the following assumptions:

- i) An additional ₱2.50 per liter increase in the excise tax of diesel and bunker fuel.
- ii) An average increase to ₱1.00 in excise tax per metric ton of coal

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 BIR within ninety (90) days from filing of the VAT refund application, provided that all pending VAT refund claims of the taxpayer as of 31 December 2017 shall be fully paid in cash by 31 December 2019. The following shall no longer be considered as zero-rated

²² Universal Charge of Missionary Electrification

²³ Small Power Utilities Group

²⁴ National Electrification Administration

transactions and consequently shall be subject to 12% VAT upon the establishment of said refund system:

1. Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export to be used in manufacturing, processing, packing or repacking in the Philippines of the said buyer's goods and paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP;
2. Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production;
3. Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws;

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 13 September 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.

On 22 May 2020, the Department of Finance, in a letter to the Senate President, proposed amendments to Senate Bill No. 1357, the counterpart bill of CITIRA Bill in the Senate. The proposed amendments include changing the name of the bill to "Corporate Recovery and Tax Incentives for Enterprises Act" ("CREATE Bill"), as well as the following, among others:

1. An immediate five percentage point cut in the corporate income tax rate starting July 2020;
2. Effectively repeals the 5% GIT incentive provided under the PEZA Law and provides for a 4-year to 9-year sunset period for PEZA-registered enterprises that are currently availing of the 5% GIT;
3. Providing a longer period of tax incentives for business located in rural areas outside the metropolitan districts. The industries targeted and prioritized are those involved in technical manufacturing, agriculture, fishing, forestry, and service activities knowledge and research; and
4. More flexibility for the President to grant a combination of fiscal and non-fiscal incentives.

On 26 November 2020, the Senate approved on its third reading the CREATE Bill. Among the salient features include the adoption of gradual corporate income tax rate based on the total assets of domestic corporations and the reduction of the corporate income tax rate from 30% to 25% for resident foreign corporations and nonresident foreign corporations on their taxable income and gross income, respectively.

Further, the 4th package of the Tax Reform for Acceleration and Inclusion ("TRAIN Package 4") or House Bill No. 304, also known as the Passive Income and Financial Intermediary Taxation Act ("PIFITA"), has introduced reforms to the taxation of passive income, financial intermediaries, and financial transactions. One of the reforms introduced is the unification of the tax rates of passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing 20%) on interest income, dividends, and capital gains on the sale of shares of stock. On 09 September 2019, the House of Representatives passed PIFITA on its third reading.

Before PIFITA can be submitted to the President for his signature, it needs to be considered and approved by the Senate, which may impose revisions.

2. Revised Corporation Code

RA No. 11232, also known as the Revised Corporation Code (the “Revised Corporation Code”), was signed into law on 20 February 2019 and took effect on 23 February 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 Revised Corporation 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 Revised Corporation 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 Revised Corporation 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 Philippine Competition Act

RA No. 10667 (the “Philippine Competition Act” or the “Act”) was signed into law on 21 July 2015 and took effect on 08 August 2015. The IRR of the Act (“Philippine Competition Act IRR”) was issued on 03 June 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 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 the 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”) and that of all the entities it controls of either the acquiring or the acquired entities (“Size of Party”); and (b) the value of the transaction as determined in the Philippine Competition Act 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 (x) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture, or (y) 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.

The PCC has also 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 the PCC.

Violations of the Philippine Competition Act and the Philippine Competition Act IRR carry administrative and criminal penalties. A transaction that meets the thresholds but 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 the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (“Rules”) which apply to investigations, hearings, and proceedings of the 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 10 September 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.

Pursuant to the Bayanihan 2 Act, which was signed into law on 11 September 2020, all mergers and acquisitions with transaction values below ₱50 bn shall be exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two (2) years from the effectivity of the Bayanihan 2 Act. Further, such mergers and acquisitions shall also be exempt from the PCC’s power to review mergers and acquisitions *motu proprio* for a period of one (1) year from the effectivity of the Bayanihan 2 Act. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC’s power to review transactions *motu proprio*. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC *motu proprio* after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

With the in Bayanihan 2 Act, the thresholds are as follows:

Test	Old Threshold (effective 01 March 2020) ²⁵	New Threshold (effective 15 September 2020)
Size of Party Test	₱6 bn	₱50 bn
Size of Transaction Test	₱2.4 bn	₱50 bn

This means that the value of the assets or revenues of the UPE of at least one of the parties must exceed ₱50 bn instead of ₱6 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired, target or merged entity must exceed ₱50 bn instead of ₱2.4 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply.

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 the 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 Revised Corporation 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 20 May 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

²⁵ PCC Resolution No. 02-2020.

outstanding shares of stock, whether or not entitled to vote in the election of directors. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated 18 April 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated 20 May 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”), the Supreme Court 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

RA 10173, otherwise known as the Data Privacy Act of 2012 (“Data Privacy Act”), 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 is 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 implementing rules and regulations (“Data Privacy Act IRR”) took effect on 09 September 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 of 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 the National Privacy Commission. The Data Privacy Act 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 begun to build each SBU’s business continuity resilience, especially with regard to Information Security and Data Breach Management.

6. Registration under Board of Investments

Under Executive Order (EO) No. 226, otherwise known as the Omnibus Investments Code, as amended, a Board of Investment (“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.

On 12 April 2019, RA No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under EO No. 226, as amended, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of EO No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

7. Electric Power Industry Reform Act of 2001 (EPIRA)

Since the enactment of the EPIRA, the Philippine power industry has undergone and continues to undergo significant restructuring. Among the provisions of the EPIRA which have had or will have considerable impact on AboitizPower's businesses relate to the following:

(a) Wholesale Electricity Spot Market (WESM)

The WESM is a mechanism established by the EPIRA to facilitate competition in the production and consumption of electricity. It aims to provide the mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity by: (a) establishing the merit order dispatch instructions for specific time periods; (b) determining the market clearing price for such time periods; (c) reflecting accepted economic principles; and (d) providing a level playing field to all electric power industry participants.

The WESM provides an avenue whereby generators may sell power and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. Where there are such bilateral contracts, these contracts are nevertheless declared in the market but only to determine the appropriate merit order of generators. Settlement for bilateral contracts between the contracting parties will, however, occur outside the market. Traded electricity not covered by bilateral contracts will be settled through the market on the basis of the market clearing prices for each of the trading periods.

All generation companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC are eligible to become WESM members subject to compliance with membership requirements.

On 18 November 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non-profit corporation with membership comprising an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM. The PEMC was tasked to undertake the preparatory work for the establishment of the WESM, pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules. Its primary purpose is to establish, maintain, operate and govern an efficient, competitive, transparent and reliable market for the wholesale purchase of electricity and ancillary services in the Philippines in accordance with relevant laws, rules and regulations.

An amended Joint Resolution No. 2 was issued by DOE, ERC, and PEMC on 27 December 2013 adjusting the WESM Offer Price Cap. In this resolution, the Offer Price Ceiling of ₱62,000.00 per MWh as set by the WESM Tripartite Committee was reduced to ₱32,000.00 per MWh. This price cap is provisional in nature and shall be

subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, ERC issued an urgent resolution which established a mechanism to impose an interim secondary price cap of ₱6,245.00 per MWh in the WESM. In December 2014, ERC adopted a permanent pre-emptive mitigation measure, where the price cap of ₱6,245.00 per MWh would be imposed in the event the average spot price in WESM would exceed ₱9,000.00 per MWh over a rolling seven-day period.

PIPPA filed a petition for declaratory relief with the Regional Trial Court (RTC) of Pasig City on the ground that the resolutions establishing the interim secondary price cap and the permanent pre-emptive mitigation measure are invalid and void.

In 2015, DOE issued Circular 2015-10-0015 entitled “Providing Policies for Further Enhancement of the Wholesale Electricity Spot Market (WESM) Design and Operation”. The enhancements to the WESM Design are summarized below:

- (i) Removal of Pmin constraint in the Market Dispatch Optimization Model;
- (ii) Five minutes dispatch intervals from one hour;
- (iii) Ex-ante pricing only;
- (iv) Maintaining the one hour settlement interval for settlement purposes;
- (v) Automated pricing corrections;
- (vi) Mandatory integration of distribution utilities’ sub-transmission network (with material effect) into the Market Network Model (MNM);
- (vii) Changing the values and priorities of some of the Constraint Violation Coefficients (CVCs);
- (viii) Imposition of WESM offer cap and floor for energy and reserve as determined through joint study by the DOE, ERC and PEMC;
- (ix) Implementation of hourly Day-Ahead Projection (DAP) with sensitivities and Hour-Ahead Dispatch (HAD);
- (x) Implementation of nodal-based short-term demand forecasting;
- (xi) Enhanced training of WESM participants; and
- (xii) Any other enhancements as may be deemed necessary and issued by the DOE.

On 17 May 2017, PEMC filed an application docketed as ERC Case No. 2017-042 RC for the approval of the Price Determination Methodology for the WESM, which includes, inter alia, (i) scheduling and pricing of energy and reserves, and (ii) revised settlement formula. The application was last heard for expository presentation on 22 November 2017. No Order or pronouncement from the ERC as to the next incident of this case was released as of 23 August 2018.

On 06 August 2018, the DOE issued Department Circular No. DC2018-08-0022 amending WESM Rules and its Market Manuals. This aims to provide the framework for the participation of Non-Generator Resources and Pumped-Storage Units in the WESM with respect to registration, dispatch protocol and modeling in the market network model.

On 06 October 2020, the DOE issued various circulars amending further the WESM Rules and its Market Manuals. The amendments introduced in DOE Department Circular No. DC2020-10-0019 was to prevent possible discrepancies or disputes in the scheduling and settlement of non-registered new facilities of registered WESM members, while DOE Department Circular No. DC2020-10-0020 implemented minor adjustments on the timeline of market run activities.

(b) WESM Mindanao

On 04 May 2017, the DOE issued DC 2017-05-0009 entitled “Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines”. This DOE Circular took effect on 07 June 2017, with the following pertinent provisions:

- (i) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;

- (ii) Launch of WESM in Mindanao on 26 June 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by the ERC, and trial operations of the WESM, among others;
- (iii) Conduct of the Trial Operation Program for the WESM;
- (iv) Automatic termination of IMEM; and
- (v) 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 was targeted on 26 January 2020. However, ERC is yet to promulgate the new Price Determination Methodology which is one of the conditions precedent to commence full commercial operations.

(c) Independent Market Operator (IMO)

On 04 February 2018, DOE issued Circular 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 independent market operator, its guiding principles, composition, including a board composed of at least five members, its functions, and 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 Independent Electricity Market Operator (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 the Government.

On 26 September 2018, IEMOP formally took over operations of the WESM from PEMC thereby signifying the Government's transfer of WESM operations to the private sector. 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.

On 22 October 2020, the DOE promulgated Department Circular No. DC2020-10-0021, which adopted amendments to the WESM Rules for the implementation of an Independent Market Operator.

(d) 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 implementing rules and regulations. A summary of the significant proposed amendments are as follows:

- (i) Classification of power projects as one of national significance and imbued with public interest;
- (ii) Exemption from VAT on the sale of electricity by generation companies;
- (iii) 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;

- (iv) 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;
- (v) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
- (vi) 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;
- (vii) Regulation of generation, transmission, distribution, and supply rates to allow RORB up to 12%;
- (viii) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
- (ix) 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;
- (x) 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;
- (xi) 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;
- (xii) 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;
- (xiii) 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;
- (xiv) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
- (xv) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
- (xvi) Grant of authority for NPC to generate and sell electricity from remaining assets;
- (xvii) 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;
- (xviii) Creation of a consumer advocacy office under the organizational structure of the ERC; and
- (xix) Extension of lifeline rates.

Proposed amendments are still pending in Congress.

(e) Implementation of the Performance-based Rating-setting Regulation (PBR)

On 13 December 2006, ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering 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 Return-on-Rate Base (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.

The ERC has also implemented a 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 31 March 2013, while that of Visayan Electric and Davao Light ended on 30 June 2014. In addition, the second regulatory period of SEZ and SFELAPCO ended on 30 September 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 22 December 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 12 July 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:

- (i) Cotabato Light: 01 April 2017 to 31 March 2021
- (ii) Davao Light and Visayan Electric: 01 July 2018 to 30 June 2022
- (iii) SEZ and SFELAPCO: 01 October 2019 to 30 September 2023

On 21 November 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.

In 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 29 July 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.

(f) 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 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 04 June 2018, Cotabato Light filed an Application (dated 18 May 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.

(g) Competitive Selection Process

On 11 June 2015, DOE promulgated 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 30 June 2015.

On 20 October 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 07 November 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 07 November 2015 to 30 April 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 01 February 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 09 February 2018.

The validity of ERC CSP Rules and ERC Resolution No. 1, Series of 2016, was challenged before the Supreme Court 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 03 May 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 30 June 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 30 June 2015, for purposes of passing on the power purchase cost to the consumers.

(h) Review on Policies relating to Ancillary Services

On 04 December 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. Among 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, and the cost recovery mechanism for the provision of AS. 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

(i) 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 02 December 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 14 September 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.

(j) Energy Efficiency and Conservation Act

RA No. 11285 or the Energy Efficiency and Conservation Act ("EEC") was signed into law on 12 April 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 agencies of the Government and private entities.

The following acts are prohibited under the EEC:

- (a) Failing to comply with energy labelling;
- (b) Removing, defacing, or altering any energy label on the energy-consuming product before the product is sold to the first purchaser, or leased to the first lessee;
- (c) Failing to provide accurate information or provision of false or misleading energy information as required to be submitted under the EEC;
- (d) Selling, leasing, or importing energy-consuming products that do not comply with the minimum energy performance;
- (e) Failing or willfully refusing to appoint or designate a Certified Energy Conservation Officer or Certified Energy Manager;
- (f) Willfully refusing to submit to an on-site inspection by the DOE;
- (g) Failing or willfully refusing to submit any of the reports required;
- (h) Failing to comply with issued orders of the DOE in the discharge of its enforcement powers; and
- (i) Violating any provisions of the IRR, codes, and guidelines issued in accordance with the EEC.

The DOE is empowered to impose fines and penalties for the violation of the provisions of the EEC, its IRR, and other related issuances. The fines and penalties shall range from ₱10,000.00 to ₱1,000,000.00, without prejudice to criminal penalties and penalties under existing regulations. The responsible officers and employees of establishments who commits any of the prohibited acts listed above shall, upon conviction, suffer the penalty of imprisonment of one year to five years, or a fine ranging from a minimum of ₱100,000.00 to ₱100,000,000.00 or twice the amount of costs avoided for noncompliance, whichever is higher, or both, upon the discretion of the court. Any person who aids or abets the commission of the prohibited acts or causes such commission by another, shall be liable as a principal. In case of associations, partnerships, or corporations, the penalty shall be imposed on the partner, president, chief operating officer, chief executive officer, director, or officer responsible for the violation.

Under the law, all agencies of the Government, 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 22 November 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.

The DOE released a draft Department Circular entitled “Guidelines for the Assessment, Registration, and Certification of Energy Conservation Officer, Energy Manager, and Energy Auditors”. The purpose of this Department Circular is to prescribe the guidelines on the assessment, registration, and certification of energy conservation officers, energy managers, and energy auditors. The draft Department Circular discusses provisions including the Definition of Terms, Qualifications, Responsibilities, Registration guidelines and Certification Energy Conservation Officer, Energy Manager and Energy Auditors.

The DOE also released a draft Department Circular entitled Guidelines for the Endorsement of Energy Efficiency and Conservation Projects to the Board of Investments for Fiscal Incentives. The draft Department Circular aims to establish the guidelines, rules, and procedures in the endorsement of energy efficiency projects to the BOI for registration in order to grant fiscal incentives to the proponents of the said project. The provisions in the department circular include EEC Project Qualifications, Application procedures and Processing, Documentary requirements, proof of payment and application fee, Evaluation criteria, BOI incentives and obligations.

(k) 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 08 March 2019 and became effective on 29 March 2019. DOE issued the IRR for the EVOSS Law on 24 June 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.

The DOE conducted a series of virtual orientations targeting potential users to maximize utilization of the EVOSS online platform. The implementation of the EVOSS Online Platform pursuant to the Republic Act 112344 or "Energy Virtual One-Stop Shop Act" (“EVOSS Act”) aims to further streamline and simplify the permitting process for the electric power industry participants and prospective investors. This is with the end view of having timely completion of energy projects towards ensuring energy supply security.

(l) Net Metering

The DOE released a draft department circular entitled “Prescribing the Policies to Enhance and Facilitate Demand Side Participation to Augment Energy Supply Security Using Renewable Energy”. The policy aims to provide complementary enhancements to the Net-Metering Program arrangements, and introduce new voluntary mechanisms to facilitate participation of Electricity End-Users with RE systems for own use with

capacity of above 100 kW to export all or portion of its energy generation during power supply shortages and emergency situations similar to the Interruptible Load Program (ILP) currently employed by the DUs with their consumers during supply shortages. The DOE is still in the process of finalizing the draft department circular.

(m) Reliability Performance Indices

On 18 July 2019, the ERC released its proposed “Interim Benchmark of Reliability Performance Indices and Equivalent Outage Days per Year of Generating Unit” for comments.

The proposed interim benchmark applies to all Generation Companies with Conventional Generating Plants connected to the Grid, and Embedded Generating Plants, which has an aggregated capacity of 20MW and above. It aims to monitor the reliability performance of all Generating Units at operations and maintenance level; regularly determine and specify the reliability performance of the Grid using a Probabilistic and Deterministic Approach through Unit and Component State reports in a certain period and to aid the power industry in evaluating reliability and availability of Generating Plants; and promote accountability of Generation Companies in order to achieve greater operation and economic efficiency

The ERC has already responded to initial inputs from stakeholders and solicited final comments on the proposed “Interim Reliability Performance Indices and Equivalent Outage Days per Year of Generating Units.”

(n) Prescribing Revised Guidelines for Qualified Third Party

On 22 November 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.

In view of the DOE policy, as of November 2020, the ERC is also working on its amendments to its 2006 Rules on the Regulation of Qualified Third Parties Performing Missionary Electrification in Areas Declared Unviable by the DOE.

(o) Providing a Framework for Energy Storage System in the Electric Power Industry

On 18 September 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.

(p) Guidelines Governing the Green Energy Option Program

On 18 July 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 to the 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 to the billing mechanism, the GEOP Rules provide that a “dual billing system” may be adopted by the end-user availing of the program.

On 22 April 2020, the DOE issued the Guidelines governing the issuance of Operating Permits to RE Suppliers under the GEOP (DC 2020-04-0009), which sets rules and procedures in the issuance, administration, and revocation of GEOP Operating permits to RE suppliers.

(q) Promulgating the Renewable Energy Market Rules

On 04 December 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 a timely and cost-effective framework for resolution of disputes among REM Members and the Renewable Energy Registrar (the “RE Registrar”).

The REM is a market for the trading of Renewable Energy Certificates 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.

As of November 2020, the DOE is asking for public participation in the drafting of the REM Registration Manual, REM Manual (Allocation of RE Certificates for FIT-Eligible RE Generation), REM Enforcement and Compliance Manual (REM Investigation Procedures and Penalty Manual), and the REM Manual Dispute Resolution.

(r) 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.

The ERC issued Resolution No. 16, Series of 2010 (“ERC Resolution No. 16-2010” or the “FIT Rules”), otherwise known as “Resolution Adopting the Feed-In Tariff Rules,” which establishes the FIT system and regulates the method of establishing and approving the FITs and the FIT Allowance (“FIT-All”).

The FIT Rules are specific for each emerging renewable energy technology and to be applied only to generation facilities which enter into commercial operation after effectivity of the FIT Rules or to such parts of such existing facilities which have been substantially modified or expanded as provided under the FIT Rules.

Under the FIT Rules, the FITs are specific for each eligible renewable energy plants, which are those power facilities with COCs issued to them that utilize emerging renewable energy resources or to such parts of such existing facilities that have been substantially modified or expanded, which enter into commercial operation after effectivity of the FIT Rules. These include facilities intended for their owners’ use, which are connected to the transmission or distribution networks and are able to deliver to such networks their generation or parts thereof but FIT shall only be paid for such amount of electricity actually exported to the distribution or transmission network and not utilized for their own use.

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 06 October 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 23 February 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until 31 December 2019.

As the fund administrator of the FIT-All, TransCo filed the application before the ERC asking for provisional authority to implement a FIT-All rate of ₱0.2278/kWh for CY2020. On 28 January 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.

On 26 May 2020, the ERC promulgated its Resolution No. 6, series of 2020, wherein the ERC resolved to approve and adopt FIT adjustments for the years 2016, 2017, 2018, 2019 and 2020, using 2014 as the base year for the CPI and forex, to be recovered for a period of five (5) years.

On 04 August 2020, TransCo filed its Application for the FIT-All rate of CY2021 of ₱0.1881/kwh, effective the January 2021 billing period. In the alternative, it asked for a FIT-All rate of ₱0.2008/kWh based on a lower

Forecast National Sales to account for the impact of COVID-19 to electricity consumption.

(r) Proposed Revisions to the Guidelines for the Financial Standards of Generation Companies

The ERC is currently undergoing public consultations on its proposed Revised Guidelines for the Financial Standards of Generation Companies, under ERC Case No. 2019-001 RM. ERC proposed to revise Generation Companies' minimum annual Interest Cover Ratio or Debt Service Capability Ratio (DSCR) from 1.5x to 1.25x.

(s) Green Energy Auction Policy

On 14 July 2020, the DOE issued guidelines on the Green Energy Auction Policy (DC 2020-07-0017) which set the framework for which the DOE shall facilitate the procurement of supply from RE projects by the mandated participants under the RPS on-grid rules through a competitive process for compliance with the RPS program and as applicable for their long-term power supply requirements. The process involves a regular auction process (notice every 15th of June) to be implemented by the Green Energy Auction Committee (GEAC). The Contracting Customers and the Winning Bidders will execute a Green Energy Implementation Agreement (GEIA), which involves the MO as the entity to allocate energy and calculate corresponding payments. The ERC will approve the GEIA template and the Green Energy Auction Reserve (GEAR) Price. Each Winning Bidder will have its own Green Energy Tariff (pay-as-bid), which shall not be higher than the GEAR Price. On the other hand, the Contracted Customers will pay the average price, subject to the allocation/calculation of MO, per trading interval.

(t) Bayanihan Act

On 11 September 2020, Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act" ("Bayanihan 2 Act") was approved. Republic Act No. 11494 directed "all institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum of thirty (30)-day grace period for the payment of utilities falling due within the period of enhanced community quarantine or modified enhanced community quarantine without incurring interests, penalties, and other charges." [Sec. 4 (vv)]. This is further qualified for the electric power sector, such that "the minimum thirty (30)-day grace period and staggered payment without interests, penalties, and other charges shall apply to all payments due within the period of the community quarantine in the electric power value chain to include generation companies, the transmission utility, and distribution utilities."

On 27 October 2020, the ERC issued an advisory providing more details on the implementation of Republic Act No. 11494.

ESTIMATE OF AMOUNT SPENT FOR RESEARCH AND DEVELOPMENT ACTIVITIES

AboitizPower and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by AboitizPower's Subsidiaries and Affiliates on a per project basis. The allocation for such activities varies according to the nature of the project.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

The 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 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, (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, BEZ, MEZ, LEZ, and SEZ.

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 SNAP-Magat HEPP's Sewage Treatment Plant (STP), (2) improvement and total rehabilitation of SNAP-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) SNAP-Benguet's waste minimization through construction of Eco Composting Receptacles (ECR) 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. SNAP-Benguet and SNAP-Magat received the National Silver Award and National Bronze Award, respectively, during the 11th DOLE Gawad Kaligtasan at Kalusugan (GKK) Awarding Ceremony on 11 December 2019. DOE's Safety & Health Association of the Philippines Energy Sector (SHAPES) Inc. recognized SNAP-Magat and SNAP-Benguet as Hall of Famers 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 as of 30 September 2020. 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.

Employees

At the parent company level, AboitizPower has a total of 378 employees as of 30 September 2020. These include executive, 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 30 September 2020:

Business Group	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
Aboitiz Power	378	72	65	70	171	0	N/A
Generation Companies							
Run-of-River Hydros	501	14	30	67	390	128	19 September 2022 (Hedcor)
Large Hydros	188	18	35	66	69	0	N/A
Geothermal	253	8	17	47	181	12	28 February 2022 (APRI)
Solar	5	0	0	1	4	0	N/A
Oil	412	12	33	205	162	0	N/A
Coal	1,493	24	94	322	1,053	0	N/A
RES	5	0	1	1	3	0	N/A
Distribution Utilities	833	17	66	138	612	342	31 December 2016* (Visayan Electric) 01 July 2024 (Cotabato Light) 16 June 2021 (Davao Light) 09 May 2024 (SFELAPCO)
Total No. of Employees	4,068	165	341	917	2,645	482	

*Under negotiation

The Company does not anticipate any increase in manpower within the next twelve months unless new development projects and acquisitions would materially require an increase.

The Company's employees are not on strike nor are threatening to strike, and have not been on strike for the past three (3) years.

The Company has performance incentive policies to grant bonuses to eligible employees based on their performance in the previous calendar year. Other than the statutory benefits and the performance incentive program, the Company does not provide its employees any other supplemental benefits.

Insurance

It is the Company's policy to obtain and maintain insurance coverage for its operating assets and employees that is in line with industry standards and good business practices. The Company ensures that all insurance policies are updated, renewed and provides best-fit coverage for the Company's insurance requirements

Power Generation Companies

Group Insurance Program – Industrial All Risks.

To maximize the coverage and competitiveness of insurance terms and conditions, the Company had grouped the insurance coverage of the following generating companies:

Group IAR Program 1: This program has a policy period of 30 May 2020 to 30 May 2021, procured through Malayan Insurance Co., Inc.

- Sacasun

- Hedcor Sibulan
- Hedcor Tudaya
- Hedcor Sabangan
- LHC
- Hedcor Bukidnon
- Hedcor
- TVI

Group IAR Program 2: This program has a policy period of 30 November 2019 to 30 November 2020, procured through Pioneer Insurance and Surety Corporation

- SN Aboitiz Power (SNAP)
- TLI
- TSI
- APRI

This program will respond to losses and/or damages to (a) declared properties including machinery breakdown; and (b) business interruption exposures.

Noting the uniqueness of the power barges, the Company has decided to engaged separate program for the following Business Units to ensure that the insurance coverage is aligned with the risk exposures of the power barges:

- TMO
- TMI

This program has a policy period of 15 December 2019 to 15 December 2020, procured through Pioneer Insurance and Surety Corporation.

Group Property and Electronic Equipment Insurance. Noting that office-based properties have lesser risk exposure compared to the generating plants, the Company has procured a separate policy to cover properties which are considered as office-based. This was procured from Pioneer Insurance and Surety Corporation with policy period of 31 July 2019 to 31 July 2020.

Group Comprehensive General Liability Insurance. To mitigate risks related to Third Party Liability for bodily injury and/or property damage, the Company procured group cover for the following Business Units through Starr International Insurance Philippines with policy period of 30 November 2019 to 30 November 2020.

BU	Limit per Occurrence (in US\$)
Hedcor Sibulan	2,000,000.00
APRI	2,000,000.00
SNAP – Benguet	10,000,000.00
SNAP – Magat	200,000.00
Therma South, Inc.	5,000,000.00
LHC	5,000,000.00
SN Aboitiz Power – Maris	1,000,000.00
Sacasun	2,000,000.00
TVI	5,000,000.00

Stand-alone Program. On a per Business Unit basis, stand-alone insurance programs were procured to ensure that unique risk exposures of particular Business Unit are mitigated.

Hedcor, Inc. – Industrial All Risks. Properties of Hedcor, Inc. are insured through Malayan Insurance Co., Inc. as the lead insurer with total declared value of ₱5.6 bn for all properties located in Benguet and Davao including business interruption exposures. Policy period is from 30 December 2019 to 30 December 2020.

East Asia Utilities Corporation (EAUC) – Industrial All Risks. Properties of EAUC are insured through Malayan Insurance Co., Inc. with total declared value of US\$ 60.7 mn including business interruption exposures with policy period of 30 December 2019 to 20 December 2020

Cebu Private Power Corporation (CPPC) – Industrial All Risks. Properties of CPPC are insured through Malayan Insurance Co., Inc. with a total declared value of US\$ 87.9 mn including business interruption exposures with policy period of 30 December 2019 to 30 December 2020.

Therma Luzon, Inc, (TLI) – Property Damage / Business Interruption Insurance. Protection of revenue streams as IPPA is a risk exposure of TLI in relation to power generation of Pagbilao Coal-Powered plant. In relation to this, the Company has procured business interruption cover through Pioneer Insurance and Surety Corporation with a limit of US\$63 mn. The policy period is from 31 May 2020 to 31 May 2021.

Shipment of Coal Policies for Therma Luzon (TLI) and Therma South (TSI). Both Business Units have a Marine Open Policy that covers its import shipments of Coal from Indonesia to the Plant site. Limit of liability per any one shipment is at ₱400 mn. The policy has open-ended expiration date but being reviewed annually.

Power Distribution Companies

Group Insurance Program. Seeing the benefits of grouping the insurance coverage, the Company has procured group cover for the following distribution companies:

- Visayan Electric Company
- Davao Light
- Cotabato Light
- MEZ
- BEZ
- SEZ
- LEZ

The Group Policy covers Industrial All Risks (IAR) insurance that will respond for losses and/or damages to declared properties through Malayan Insurance Co., Inc., as lead insurer, and Pioneer Insurance Company Ltd., and Surety Corp., as co-insurers, with policy period of 30 December 2019 to 30 December 2020. Total declared value of the properties is ₱10.8 bn, broken down as follows:

BU	Declared Values (in ₱)
Visayan Electric	₱5.009 bn
Davao Light	₱4565 bn
Cotabato Light	₱0.596 bn
MEZ	₱0.142 bn
BEZ	₱0.156 bn
SEZ	₱1.011 bn

BU	Declared Values (in ₱)
LEZ	₱0.636 bn

Group Comprehensive General Liability Insurance. The operations of Distribution Companies come with Third Party Liability exposures. The Company has procured a Comprehensive General Liability insurance from Pioneer Insurance and Surety Corporation with combined single limit for bodily injury and/or property damage of ₱5 mn per occurrence and in the aggregate with sub-limit of ₱1 mn for losses related to transmission and distribution. Policy period is from 30 December 2019 to 30 December 2020.

Group Money Insurance. To ensure that cash exposures of the distribution companies are protected, the Company has procured Money Insurance from Pioneer Insurance and Surety Corporation for the following units to respond for losses/damages in relation to cash inside and outside premises with extension to payroll robbery with policy period of 31 July 2019 to 31 July 2020. Limit of Liabilities are as follows:

Business Unit	Limit per Occurrence (in ₱)
Visayan Electric	₱450,000.00
Cotabato Light	₱10,043,883.00

Insurance Program for Transmission & Distribution Lines. Seeing the need to mitigate major exposure on Transmission and Distribution lines, an insurance program for Visayan Electric and Davao Light in relation to loss of or damage to said properties including loss of gross profit was procured through Pioneer Insurance and Surety Corporation with a limit of US\$25,000,000 each occurrence and in the aggregate with policy period of 01 March 2020 to 01 March 2021.

Applicable to Both Generation & Distribution Companies

Group Comprehensive Motor Vehicle Insurance. As motor vehicle are an integral part of operation, all registered motor vehicles of Aboitiz Power are covered under the Aboitiz Group's Motor Vehicle insurance through Mapfre Insular Insurance Corporation with policy period of 31 December 2019 to December 31, 2020.

Directors and Officers' Liability Insurance. In order to protect the balance sheet of the Company as well as the personal assets of the Company's directors and officers, a Directors and Officers Liability Insurance was procured. The coverage includes all subsidiaries of AEV. The policy has a total limit of US\$25,000,000.00 issued by Starr International Insurance with a policy period of 28 February 2020 and expiring on 28 February 2021.

Group Insurance Program – Political Violence. The Company has procured Political Violence insurance, which is a broader form of Sabotage and Terrorism that covers property damage and business interruption caused by any acts of sabotage and/or terrorism and/or political violence for AEV Group including power generation and distribution units. This is a group policy with shared limit of US\$250 mn for any acts of sabotage and/or terrorism and/or political violence. This program has a policy period of 30 November 2019 to 30 November 2020 insured through Pioneer Insurance and Surety Corporation.

Corporate Social Responsibility

The Company strongly believes that business sustainability can be achieved by balancing the interests of people, planet, and profit. To ensure a profitable enterprise that will last for generations, it is vital for every business to operate with a strong social component amid a healthy environment, while practicing the core principles of good governance and transparency.

The Company recognizes that its operations have an impact on its communities and on the environment. Along with operational efficiency in its generation and distribution facilities and compliance with the Government's environmental standards, the Company ensures that the communities where it operates also benefit and

develop together with the Company. To this end, the Company has supported community development projects in partnership with LGUs and other stakeholders to help address the economic, socio-cultural, health, education, and environmental concerns of these communities.

The Company contributes to social development programs implemented by the Aboitiz Group. Under the guidance of Aboitiz Foundation, Inc. (Aboitiz Foundation), the Group's social development arm, the Company continues to co-create safe, empowered, and sustainable communities by continuously focusing on the areas of education, enterprise development, and the environment. The Company also continues to address the health care and childcare needs of its host communities, and offer assistance to disaster-stricken areas.

In 2014, Aboitiz Foundation launched CSR 2.0, a set of parameters that measures the significance and impact of projects implemented by the different companies of the Aboitiz Group. CSR 2.0 ensures that projects have an inclusive impact on the communities. Its parameters include the alignment with the Group's core businesses and the Foundation's program pillars, scalability, team member engagement, and provision of long-term benefits to our partner-communities. In 2019, about 41% of group-wide CSR programs reached the CSR 2.0 status.

Moreover, the Company provides additional funds for the communities through its compliance with the Energy Regulations No. 1-94 (ER 1-94). The ER 1-94 program is a policy under the Department of Energy Act of 1992 and EPIRA, which stipulate that host communities will get a share of one centavo for every kilowatt-hour (₱0.01/kWh) generated by power plants operating in its area. The funds generated can be used by host beneficiaries for the electrification of areas or households that have no access to power, development and livelihood programs, as well as reforestation, watershed management, health, and environmental enhancement initiatives. With the latest amendments to the ER 1-94 guidelines, power generation companies can now directly download the ER 1-94 fund to their host communities. Streamlining the release of funding will ease the process of implementing projects that benefit the host communities. Towards the end of 2019, the Company led its power generation Business Units to sign memoranda of agreement with their respective beneficiaries for the amended set-up of the ER 1-94. The Company is expected to download about ₱179 mn worth of ER 1-94 funds as of 25 December 2019 to its host beneficiaries. In addition, around ₱620 mn worth of outstanding ER 1-94 funds will be remitted by the Department of Energy to the Company's beneficiaries as well. The Company continues to extend assistance to its communities to ensure the full utilization of the available ER 1-94 funds.

Education

The Company invests in numerous initiatives that aim to nurture and enlighten the minds of students. Primarily, the Company provides scholarship grants for high school, college, and technical-vocational students. As of 2019, the Company has a total of 954 scholars, including 652 technical-vocational high school student beneficiaries.

The Company also provides infrastructure support for educational institutions such as the construction and rewiring of classrooms as well as library revitalization. The company also provides donations of armchairs, desks, computers and school supplies. In 2019, the Company rewired 795 classrooms, donated 30 thin client computer systems, and turned over 240 arm chairs, among others. For instance, Hedcor Bukidnon turned over a fully furnished container van to serve as Sitio Sabangan's new daycare center. The repurposed facility came with new tables and chairs, books and other learning materials, all for the benefit of the young learners of the community. The addition of the new facility in the area will allow more children in the community to have access to education.

In 2017, APRI launched the Youth Development Summit program which aims to engage scholars, LGUs, and its own team members in conceptualizing sustainable and feasible projects for the benefit of the communities of Makiling-Banahaw and Tiwi geothermal power plants. The program has provided a platform to engage APRI team members in mentoring and coaching scholars on how to create impactful community projects. Some of the projects presented in the summits were supported and funded by APRI. In 2019, a total of 180 scholars and 50 team members were involved in the summit, and a total of five projects were provided with initial funding by APRI.

Enterprise Development

The Company recognizes that to empower its host communities, there is a need to widen the livelihood options of the community members. With this, the Company implements various skills training programs and livelihood support under its enterprise development program.

In its thrust to build green and sustainable communities and create livelihood opportunities, TSI launched the Building Resilient Infrastructure and Communities through Kaibigans or BRICK project in 2018. The project aims to organize a community-based enterprise in Binugao, Toril, Davao City, which shall manufacture high-quality bricks and pervious pavers made of the TSI power plant's by-product, fly ash, as well as plastic wastes from the community. In 2019, TSI turned over the BRICK Facility to the community. TSI targets to train and organize a pool of brick producers and local bricklayers from the community in 2020.

Environment

The Aboitiz Group, driven by its passion for a better world, is committed to the highest standards of environmental management and performance. One of the notable greening initiatives of the Group is the A-Park program. As of 2019, the Group has already planted 7.5 million seedlings across the country under the program, of which the Company planted 4.27 million, well on track to its goal to plant 9 million trees by 2020.

Along with the A-Park program, the Company also has other environmental programs in place such as seedling nursery, watershed management, waste management, adopt-a-river, and coastal or river clean-up projects.

In its bid to offset carbon emissions, the Company has actively pushed for the establishment of the Carbon Sink Management Program (CSMP) since 2015. TSI and TVI are committed to planting 1 million trees in Davao and 1 million trees in Cebu, respectively, to act as a carbon sink. The Company has forged strategic partnerships with indigenous communities and farmers in support of the program. As of 2019, the Company and its partners in the community have planted 907,932 seedlings under CSMP.

The Company also features the Aboitiz Cleanergy Park as one of its environmental programs. Located in Davao City, the eight-hectare park showcases a mangrove reforestation site, nursery, and botanical garden for the propagation of 29 native tree species and is home to 90 species of birds. Aside from helping reduce carbon emissions, the Park is also actively promoting habitat conservation and biodiversity management in an urban setting. Most importantly, the Park serves as a sanctuary and safe nesting ground for the hawksbill sea turtles, commonly called pawikan. Since 2014, the park has already released more than 4,811 hawksbill hatchlings to the sea, planted 13,992 mangroves, and rescued 13 pawikans.

Other Initiatives

The Company is also committed to helping communities recover from typhoons and other disasters such as fire and earthquakes. In 2019, the Aboitiz Group and Aboitiz Foundation immediately extended assistance to affected communities nationwide by providing relief packs to 41,661 families and helped re-energize 18,597 customers of other electric cooperatives.

In 2013, the Company launched its Cleanergy Center at the Makiling-Banahaw Geothermal Complex of APRI to firm up its long-standing commitment to responsible energy development and education. The Cleanergy Center—taken from the words “clean energy” and named after AboitizPower's brand for renewables—is the country's first renewable energy learning facility. Since it opened, the Cleanergy Center has welcomed close to 56,000 visitors from all over the country and even abroad.

The Company also opened the Energy Education Center (EEC) in 2016 located at Therma South's Davao baseload power plant. The center features interactive and informative displays on the Philippine energy sector and various power generating technologies. As of 2019, the center has accommodated a total of 3,453 visitors.

In 2019, the Aboitiz Group invested a total of ₱382 mn to assist its host communities and committed ₱76 mn for its environmental programs, consistent with its commitment to protecting and enriching our planet and uplifting the well-being of its communities. Through responsible operations and the implementation of various

sustainability and CSR projects, the Company is constantly advancing business and communities by exploring opportunities to create shared value whenever possible.

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. As of the date of this Prospectus, there has been no new material leased properties.

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 ₱209.52 bn as of end-2019, as compared to ₱207.11 bn as of 31 December 2018. The breakdown of the Company's Property, Plant and Equipment as of 31 December 2019 and 31 December 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	Tiwi, Albay, Caluan, Laguna; and Sto. Tomas, Batangas	In use for operations
Aseagas	Raw land and improvements	Lian, Batangas	Ceased operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet, Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Bukidnon	Hydropower plant	Maluko, Manolo, Fortich, Bukidnon	In use for operations

Subsidiary	Description	Location/Address	Condition
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
GMEC	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
LEZ	Industrial land, buildings/plants, equipment, and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Industrial land, buildings/plants, equipment, and machineries	Balamban, Cebu	In use for operations

As of date, the Company has not acquired any material properties other than as mentioned above.

MATERIAL CONTRACTS

AboitizPower ₱10 Billion Fixed Rate Bonds due 2021 and 2026

On 10 September 2014, AboitizPower issued fixed-rate bonds (the “2014 Bonds”) in two series: (a) Series A Bonds, with a term of seven (7) years from issue date and in the aggregate amount of ₱6,600,000,000.00, and (b) Series B Bonds, with a term of twelve (12) years from issue date in the aggregate amount of ₱3,400,000,000.00. The Series A 2014 Bonds had an optional redemption on the fifth (5th) year and one (1) quarter from issue date, and on the sixth (6th) year from issue date. On the other hand, the Series B 2014 Bonds had an optional redemption on the seventh (7th), eighth (8th), ninth (9th), the tenth (10th), and the eleventh (11th) year from issue date. BPI Capital acted as the Issue Manager and Lead Underwriter while Bank of the Philippine Islands – Asset Management Group was appointed as Trustee.

The 2014 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2014 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2014 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2014 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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 the purpose of financing the purchase, lease or development of such asset;
 - b. 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;
 - c. 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;
 - d. 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;
 - e. 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;
 - f. 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;

- g. 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;
- h. 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
- i. any Lien created over or affecting any asset acquired by any affiliate after the date of the trust agreement, if:
 - (i) the Lien was not created in contemplation of the acquisition of that asset by such affiliate;
 - (ii) the principal amount secured has not been increased in contemplation of, or since the acquisition of that asset by such affiliate; and
 - (iii) the Lien is removed or discharged within twelve (12) months of the date of the acquisition of such asset;
- j. 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;
- k. 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;
- l. 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;
- m. 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 the trust agreement; and
- n. 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 5.2 (a) (c), (d), (e), (h), and (m) above, it shall refer to any Person in which the Issuer has investment, whether direct or indirect.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2014 Bonds are current and updated;
3. Maintenance of Financial Ratios. AboitizPower shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the AboitizPower’s year-end audited financial statements.

AboitizPower ₱3 Billion Fixed Rate Bonds due 2027

On 03 July 2017, AboitizPower issued fixed-rate bonds (the “2017 Bonds”), with a term of ten (10) years from issue date and in the aggregate amount of ₱3,000,000,000.00. The 2017 Bonds had an optional redemption on the seventh (7th) year, eighth (8th), and ninth (9th) year from issue date. BPI Capital acted as the Sole Issue Manager and Sole Underwriter while Bank of the Philippine Islands – Asset Management Group was appointed as Trustee.

The 2017 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2017 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2017 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2017 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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 thereof) incurred for the purpose of financing the purchase, lease or development of such asset;
 - b. 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;
 - c. 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;
 - d. 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;
 - e. 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;
 - f. 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;
 - g. 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;

- h. 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;
- i. 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;
- j. 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;
- k. 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 the trust agreement; and ^[L]_[SEP]
- l. 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 the trust agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2017 Bonds are current and updated; and
3. Maintenance of Financial Ratios. Under the 2017 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

AboitizPower ₱10.2 Billion Fixed Rate Bonds due 2024 and 2028

On 12 October 2018, AboitizPower issued fixed-rate bonds (the "2018 Bonds"), Series "B" and Series "C" bonds, with an aggregate amount of ₱10 bn and an oversubscription option ₱5 bn of which ₱0.2 bn was exercised. 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 arrear 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 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 is listed with PDEX.

The 2018 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2018 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2018 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2018 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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;
 - b. 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;
 - c. 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;
 - d. 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;
 - e. 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;
 - f. 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;
 - g. 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;

- h. 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;
- i. 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;
- j. 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;
- k. 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 the trust agreement; and
- l. 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 the trust agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2018 Bonds are current and updated; and
3. Maintenance of Financial Ratios. Under the 2018 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

AboitizPower ₱7.25 Billion Fixed Rate Bonds due 2026

On 14 October 2019, AboitizPower issued fixed-rate bonds (the "2019 Bonds"), Series "D" bonds, with a principal amount of ₱7 bn and an oversubscription option ₱5 bn, of which ₱250 mn was exercised. The Series "D" bonds have an interest rate of 5.2757% per annum, and will mature in 2026. Interest is payable quarterly in arrear on January 14, April 14, July 14, and October 14 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital and First Metro Investment Corporation as Joint Issue Managers; BDO Capital, First Metro Investment Corporation, China Bank Capital Corporation, PNB Capital and Investment Corporation, and SB Capital Investment Corporation 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 "D" bonds received the highest possible rating of PRS "Aaa" from PhilRatings and is listed with PDEX.

The 2019 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2019 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2019 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2019 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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;
 - b. 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;
 - c. 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;
 - d. 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;
 - e. 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;
 - f. 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;
 - g. 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;

- h. 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;
- i. 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;
- j. 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;
- k. 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 the trust agreement; and
- l. 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 the trust agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2018 Bonds are current and updated; and
3. Maintenance of Financial Ratios. Under the 2019 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

AboitizPower ₱9.55 Billion Fixed Rate Bonds due 2022 and 2025

On 19 June 2020, AboitizPower issued fixed-rate bonds (the "2020 Bonds"), Series "E" and Series "F" bonds, with an aggregate amount of ₱6 bn and an oversubscription option ₱3.55 bn which was fully exercised. The Series "E" bonds have an interest rate of 3.125% per annum, and will mature in 2022, while the Series "F" bonds have an interest rate of 3.935% per annum, and will mature in 2025. Interest is payable quarterly in arrear on January

6, April 6, July 6, and October 6 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, China Bank Capital Corporation, and First Metro Investment Corporation as the Joint Issue Managers and Joint Lead Underwriters, BDO Unibank, Inc. - Trust & Investments Group as Trustee, and PDTC as the Registry and Paying Agent for the transaction. The Series "E" and Series "F" bonds received the highest possible rating of PRS "Aaa" from PhilRatings and are listed with PDEX.

The 2020 Bonds constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 4.1 (k) of the trust agreement for the 2020 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2020 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2020 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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 the trust 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 the trust agreement, it shall refer to any Person in which AboitizPower has an investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2020 Bonds are current and updated; and
3. Maintenance of Financial Ratios. Under the 2020 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

CERTAIN LEGAL PROCEEDINGS

AboitizPower and its Subsidiaries are currently involved in various legal proceedings in the ordinary conduct in their businesses. The Company believes that the results of these actions will not have a material adverse effect on the Company's financial position and results of operations.

AboitizPower and its Subsidiaries are involved in various legal proceedings in the ordinary conduct of 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.

As of 30 September 2020, 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", 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 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.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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 three years were as follows:

	Q3 2020		2019		2018		2017	
	High	Low	High	Low	High	Low	High	Low
First Quarter	₱35.00	₱23.45	₱39.20	₱33.70	₱41.80	₱37.50	₱44.25	₱41.55
Second Quarter	30.00	25.50	38.00	34.15	39.70	34.25	43.00	38.50
Third Quarter	28.25	24.30	40.35	34.10	38.20	33.45	42.85	38.80
Fourth Quarter	-	-	40.40	33.00	35.50	31.20	42.95	38.30

The closing price of AboitizPower common shares as of 30 September 2020 is ₱25.55 per share.

Holders

As of 30 September 2020, AboitizPower has 586 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 30 September 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)	1,062,498,057	14.44%
3) PCD Nominee Corporation (Foreign)	358,712,386	4.87%
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 & Power Co., Inc.	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 Corporation	5,234,949	0.07%
15) Danel C. Aboitiz	4,528,696	0.06%
15) 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%

Name	Number of Shares	Percentage
20) Cal Management Corporation	3,036,798	0.04%
SUBTOTAL	7,197,168,441	97.81%
Other Stockholders	161,435,866	2.19%
TOTAL SHARES	7,358,604,307	100.00%
NET ISSUED AND OUTSTANDING SHARES	7,358,604,307	100.00%

Dividends

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)	₱1.39	₱10.23 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 records as of 23 March 2020.

During the regular board meeting of the Company held on 28 November 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, subject to annual review and approval by the Board. The new policy changed the previous cash dividend payment ratio of 33% of previous year's net profits. The Company's new dividend policy was effective starting 2013.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

As of the date of this Prospectus, the Company's Subsidiaries do not have a defined dividend policy. However, it has been the practice of the Company's Subsidiaries to declare excess cash as dividends to the Company.

Recent Sales of Unregistered or Exempt Securities including Recent Issuances 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.

MANAGEMENT'S 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. The discussion and analysis of the Company's results of operations is presented in four comparative sections: for the nine-month period ended 30 September 2020 compared with the nine-month period ended 30 September 2019, for the year ended 31 December 2019 compared with the year ended 31 December 2018, for the year ended 31 December 2018 compared with the year ended 31 December 2017, and the year ended 31 December 2017 compared with the year ended 31 December 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 Company and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

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

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

Manner of Computation:

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

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation, and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.
3. **Cash Flow Generated.** Using the Consolidated Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.
4. **Current Ratio.** Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.
5. **Debt-to-Equity Ratio.** Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total liabilities by stockholders' equity.

NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020 VERSUS NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 31 December 2019:

Key Performance Indicators	September 2020	September 2019	December 2019
Amounts in thousands of ₱s, except for financial ratios			
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	31,520,770	39,356,962
Net cash flows used in investing activities	(4,805,451)	(29,553,680)	(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 SNAP-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 TVI.
- Cash and cash equivalents as of 30 September 2020 increased by ₱606.00 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 30 September 2020 was at 1.28x, compared to 1.50x as of 31 December 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 30 September 2020 was at 2.14x, higher than the 2.07x recorded at the end of 2019.

Results of Operations

The net income for the first nine months of 2020 was ₱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 ITH incentives of TSI and GMEC, 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 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 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	(6,449,255)
Net Income Attributable to Equity Holders of the Parent (January - September 2020)	₱7,005,701

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 30 September 2020 (compared to 31 December 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 ERC and 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 GNPD.
- 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 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 PSALM deferred adjustments, and the reclassification of TVI's restricted cash to Other current assets.

Liabilities

Compared to 31 December 2019, total liabilities as of 30 September 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 30 September 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 30 September 2020, the Group's cash and cash equivalents increased by 2% to ₱38.04 bn, from ₱37.43 bn as of 31 December 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 30 September 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 30 September 2020, current assets increased by 7% and current liabilities increased by 25% compared to the 31 December 2019. The current ratio as of 30 September 2020 was at 1.28x compared to 1.50x as of 31 December 2019.

Consolidated debt to equity ratio as of 30 September 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 GNPower 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 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 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 07 August 2020 and was first dispatched based on an offer into the WESM on 26 August 2020. The plant was scheduled for NGCP ASPA testing in November 2020.

The GNPD project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and travel restrictions, particularly from China. Recent months have seen an improvement in schedule performance however the ability to react swiftly (due to Covid-19 restrictions regarding personnel and materials movement & availability) to the normal challenges complex projects face has impacted forecast end dates to a certain extent. 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, SNAP-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 SNAP-Magat floating solar project has proven its viability, both technical and commercial. On 21 October 2020, the board of directors of SNAP-Magat approved for the project to proceed to engineering design for 67 MW.

In relation to AboitizPower's existing capacity, the steam field operator for 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 Q1 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 SNAP-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 addition of BESS complements the rise of variable renewable energy in the country, increasing frequency variability to the grid which requires more balancing power supply in the system.

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 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.

OTHER RELEVANT INFORMATION

Events that may trigger material direct or contingent financial obligations

As mentioned in the section entitled "Certain Legal Proceedings" on page [●] of this Prospectus, AboitizPower and its Subsidiaries are involved in various legal proceedings in the ordinary conduct of 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.

Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created

The Group did not enter into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons during the fiscal year 2020.

Material commitments for capital expenditures

The Group, together with its partners, has allotted ₱41 bn for capital expenditures for the fiscal year 2020, almost 80% of which is allotted for new businesses such as GNPD. The remaining balance is allocated mainly for operating and expansion initiatives. This notwithstanding, the Group is continuously reviewing the schedule of its capital expenditures to keep abreast with the social and economic conditions.

Trends, events, or uncertainties that have had, or that are reasonably expected to have, a material impact on net sales or revenues

As of the date of this Prospectus, there are no known trends, events, or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on the Group's net sales or revenues, other than the expected effects of the COVID-19 pandemic. As mentioned in the previous section entitled "Risk Factors and Other Considerations" on page [●] under the sub-section entitled "Pandemic Risk", the curtailed economic activity brought about by the quarantine measures 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. The Group is continuously reviewing its forecast, cash flows, and schedule of its capital expenditures to manage the impact of COVID-19.

Significant elements of income or loss not arising from the Company's continuing operations

There were no significant elements of income or loss that did not arise from the Company's continuing operations.

Seasonal aspects that had a material effect on the financial condition or results of operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In the Luzon region, 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 the Hedcor Group and LHC, which operate 'run-of-river' hydropower plants since such plants do not have any means to impound water.

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

YEAR ENDED 31 DECEMBER 2019 VERSUS YEAR ENDED 31 DECEMBER 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 SNAP-Magat, Inc. and GNPD. 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. SNAP-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 Generation Group.
- During 2019, cash and cash equivalents decreased by ₱8.91 bn, due to cash flows used for the acquisition of 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 31 December 2019 was at 2.07, higher than the 1.85 recorded at the end of 2018 due to the availment of new debts during 2019.

Results of Operations

Net income for 2019 decreased 20% 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 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' 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 RES

The 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 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 Distribution Utilities' 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)
Increase 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 2019	₱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 TMI and TMO, and (iii) lower average selling price on the Generation Group and RES power supply contracts. This was partly offset by higher electricity sales from the 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 ₱95.08 bn to ₱96.78 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 and PEC. The cost of 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 TSI, TVI, Hedcor Bukidnon, and APRI.

Interest Expense and Other Financing CostsMagat

(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 arising from the new loan availments in April and November 2019 amounting to US\$300 mn and ₱5 bn, respectively, and 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 purposes.

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 SNAP-Magat and GNPD. SNAP-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 GMEC combined with a reduction in the Company's non-controlling ownership in GMEC after the acquisition of non-controlling interests in May 2019.

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

Assets

Total assets (as of 31 December 2019 compared to 31 December 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 31 December 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 ₱11.08 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 ₱209.52 bn in 2019) mainly due to the recognition of right-of-use assets on the Group's leases resulting from the adoption of PFRS 16, *Leases*.
- f) Derivatives assets were down by ₱211 mn in 2019, primarily due to fair value changes on GMEC'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 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 16, *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 16% YoY (from ₱439 mn in 2018 to ₱510 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 new loan availments in April and November 2019 amounting to US\$300 mn and ₱5 bn, respectively, and 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 7% 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 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 GMEC and 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 GMEC.

Material Changes in Liquidity and Cash Reserves of the Company

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 GMEC, 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 31 December 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.

YEAR ENDED 31 DECEMBER 2018 VERSUS YEAR ENDED 31 DECEMBER 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, SNAP-Magat and SNAP-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 GMEC 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 GMEC 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 31 December 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% 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 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 Company's Statements of Income and Comprehensive Income

Consolidated Statements of Income

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:

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 expense	411,689
Lower provision for taxes	932,775
Increase in income attributable to non-controlling interests	(1,153,912)
Total	1,291,161
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 SNAP-Magat and SNAP-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 GMEC during 2018 also led to the higher take-up of attributed income for GMEC 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 the Company's Resources, Liabilities and Shareholders' Equity

Assets

Total assets (as of 31 December 2018 compared to 31 December 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 GMEC 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 GMEC, TSI and TVI. This was offset by lower inventory balances at the Oil Group.
- (e) Property held for sale of ₱676 mn as of 31 December 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) AFS 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 GMEC'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 the Company

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 31 December 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.

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

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

Despite increased competition in the power generation market, the Company is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new projects. The Company is also currently on track with its target to reach 4,000 MW net attributable capacity. By the end of 2020, the Company will own 4,430 MW of attributable capacity.

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 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 Cleanergy (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. Its sound financial condition is expected to give it the agility to create or acquire additional generating capacity over the next few years.

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

AboitizPower has allotted over ₱50 bn for capital expenditures in 2019, about 80% of which is for thermal projects, and the remaining balance allocated mainly for exploratory and operating activities.

Other known trends, events, uncertainties which may have material impact on the Registrant have been discussed in previous sections of this Prospectus.

YEAR ENDED 31 DECEMBER 2017 VERSUS YEAR ENDED 31 DECEMBER 2016

The table below shows the comparative figures of the top five (5) 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 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
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- Share in net earnings in associates and joint ventures grew by 29% in 2017, as contributions from SNAP-Magat and SNAP-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 GMEC, 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 31 December 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 GMEC, 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 81% of the EBITDA contributions from the Company's business segments. This was driven by the full-year fresh contribution from GMEC, 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 GMEC'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 GMEC, 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	<u>30,228,034</u>
Increase in operating expenses	(22,364,605)
Decrease in interest income	(156,523)
Increase in interest expense	(3,543,769)
Increase in share in net earnings of associates and joint ventures	1,056,654
Increase in other expense	(3,373,212)
Higher provision for taxes	(362,258)
Increase in income attributable to non-controlling interests	<u>(1,070,461)</u>
Total	<u>413,860</u>
Consolidated Net Income Attributable to Equity Holders of the Parent for 2017	<u>₱20,416,442</u>

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 GMCC accounted for 97% 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 GMCC 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 GMCC'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 GMEC'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 SNAP -Magat and SNAP-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 GMEC.

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 GMEC 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 the Company's Resources, Liabilities and Shareholders' Equity

Assets

Total assets (as of 31 December 2017 vs. 31 December 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 ₱16 bn on TPI's bridge financing obtained in 2016 to fund the acquisitions of GMEC 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 73% 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 were made during the year.
- h) Due to the refinancing of GMEC'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 31 December 2016 to ₱237.50 bn as of 31 December 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 GMEC 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 ₱49.23 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 31 December 2016 to ₱ 48 mn as of 31 December 2017) due to the de-recognition of the derivative liability related to the loan prepayment of GNPower 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) DTL decreased by 13% (from ₱1.04 bn in 2016 to ₱913 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 the Company

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 ₱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 31 December 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.

Financial Ratios

Current assets decreased by 8% in 2017 as compared to 2016, accompanied by corresponding increase in current liabilities of 50%. The current ratio as of year-end of 2017 was 1.38x, compared to 2.25x at year-end 2016.

Consolidated debt to equity ratio at year-end 2017 was at 1.92:1, as compared to 2.18:1 as of year-end 2016, owing to the Group's growth in equity and substantial debt paid down during 2017.

MANAGEMENT

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board. The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The Company currently has nine directors, three of whom are Independent Directors. Below are the profiles of the directors and officers for 2020-2021 with their corresponding positions, offices, and business experience held for the past five years. The directors were elected during AboitizPower's Annual Stockholders' Meeting held on 27 April 2020, to serve for a term of one year, and until their successors are duly elected and qualified.

<p>ERRAMON I. ABOITIZ Chairman of the Board of Directors</p> <p><u>Age:</u> 64</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Member – Board Executive Committee (Chairman of the Committee since 21 May 2018 and Member since 01 January 2020) – Board Audit Committee (since 01 January 2020) – Board Corporate Governance Committee (since 17 May 2010)</p>	<p>Mr. Erramon I. Aboitiz was appointed as Chairman of the Board of AboitizPower effective 01 January 2020. He has been a Director of the Company since 13 February 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>MIKEL A. ABOITIZ Vice Chairman of the Board of Directors</p> <p><u>Age:</u> 66</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u></p>	<p>Mr. Mikel A. Aboitiz was appointed Vice Chairman of AboitizPower effective 1 January 2020. He has been a Director since 13 February 1998, and was the Company's Chairman of the Board from September 2018 to December 2019.</p> <p>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,</p>

<p>Member – Board Corporate Governance Committee (since 11 December 2019)</p> <p>– Board Executive Committee (since 21 May 2018)</p>	<p>since December 2018; and Trustee and Chairman of Ramon Aboitiz Foundation, Inc. (RAFI).</p> <p>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.</p>
<p>ENRIQUE M. ABOITIZ Director</p> <p><u>Age:</u> 67</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman – Board Risk and Reputation Management Committee (since 16 May 2011)</p> <p>Member – Board Executive Committee (since 11 December 2018)</p>	<p>Mr. Enrique M. Aboitiz has served as Director of the Company since 18 May 2009. He was Chairman of the Board of Directors from 2009 to May 2018, and Vice Chairman from December 2018 to December 2019. On 11 December 2018, Mr. Aboitiz was appointed the Chairman of the Board of AEV, a publicly-listed company. He is also the Vice Chairman of ACO.</p> <p>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.</p>
<p>EMMANUEL V. RUBIO Director President and Chief Executive Officer</p> <p><u>Age:</u> 56</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman – Board Executive Committee (since January 1, 2020)</p> <p>Member – Board Risk and Reputation Management Committee (since 01 January 2020)</p>	<p>Mr. Emmanuel V. Rubio was appointed as President and Chief Executive Officer and Director of AboitizPower effective 01 January 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.</p> <p>Mr. Rubio is currently Chairman of the SN AboitizPower Group; 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 GNPower Mariveles Energy Center Ltd. Co. (GMEC) and GNPower 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.</p> <p>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.</p>

	<p>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.</p>
<p>JAIME JOSE Y. ABOITIZ Director Executive Vice President – Chief Operating Officer</p> <p><u>Age:</u> 59</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Member – Board Risk and Reputation Management Committee (01 September 2018) – Board Executive Committee (21 May 2018)</p>	<p>Mr. Jaime Jose Y. Aboitiz was Director of AboitizPower from 2004 to April 2007, and was re-elected as Director on 18 May 2009. He was appointed as the Company’s Executive Vice President – Chief Operating Officer effective 01 January 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.</p> <p>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), STEAG, Hedcor Group; and Director of ARI, Cotabato Light, Davao Light, Enerzone Companies, SFELAPCO, Aboitiz Land, Inc. (AboitizLand), Tsuneishi Heavy Industries (Cebu), Inc. (THICI), Visayan Electric Company, Inc. (Visayan Electric), Apo Agua Infraestructura, Inc. (Apo Agua), and CEDC. 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 is also Chairman of the Board and President of TPI. He holds directorship and management positions in GMEC and its holding company.</p> <p>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.</p>
<p>DANEL C. ABOITIZ Director</p> <p><u>Age:</u> 39</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Member – Board Audit Committee (since 28 January 2020)</p>	<p>Mr. Danel C. Aboitiz was appointed as Director of AboitizPower on 11 December 2018, and as Senior Vice President – Government Relations and Regulatory Affairs of AboitizPower effective 01 January 2020.</p> <p>Mr. Aboitiz is also Director of PEC, Cebu Energy, STEAG Power, Abovant, RP Energy, and STEAG. He holds directorship and management positions in GMEC and GNPD and their holding companies.</p> <p>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.</p>

	<p>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.</p> <p>He is not connected with any government agency or instrumentality. He is not a Director of any other publicly-listed company.</p>
<p>ROMEO L. BERNARDO Lead Independent Director</p> <p><u>Age:</u> 66</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman – Board Corporate Governance Committee (11 December 2018) Member – Board Audit Committee (since 19 May 2008) – Board Risk and Reputation Management Committee (since 18 May 2015) – Board Related Party Transactions Committee (since 15 May 2017)</p>	<p>Mr. Romeo L. Bernardo was elected Lead Independent Director of AboitizPower on 15 May 2017. He has been an Independent Director of the Company since 19 May 2008.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>CARLOS C. EJERCITO Independent Director</p> <p><u>Age:</u> 75</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u></p>	<p>Mr. Carlos C. Ejercito, has been an Independent Director of AboitizPower since 19 May 2014.</p> <p>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.</p>

<p>Chairman – Board Audit Committee (since 19 May 2014)</p> <p>Member – Board Risk and Reputation Management Committee (since 19 May 2014)</p> <p>– Board Corporate Governance Committee (since 19 May 2014)</p> <p>– Board Related Party Transactions Committee (since 15 May 2017)</p>	<p>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.</p> <p>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.</p> <p>Mr. Ejercito is a certified public accountant. He is not connected with any government agency or instrumentality.</p>
<p>ERIC RAMON O. RECTO Independent Director</p> <p><u>Age:</u> 57</p> <p><u>Citizenship:</u> Filipino</p> <p>Committee Memberships:</p> <p>Chairman – Board Related Party Transaction Committee (since 21 May 2018)</p> <p>Member – Board Audit Committee (since 21 May 2018)</p> <p>– Board Corporate Governance Committee (since 21 May 2018)</p> <p>– Board Risk and Reputation Management Committee (since 21 May 2018)</p>	<p><i>Mr. Eric Ramon O. Recto</i> was elected as Independent Director of AboitizPower on 21 May 2018.</p> <p>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.</p> <p>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.</p> <p>Mr. Recto earned his Bachelor of Science degree in Industrial Engineering from the University of the Philippines-Diliman. He</p>

	<p>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.</p>
<p>MARIA VERONICA C. SO Group Treasurer</p>	<p>Ms. Maria Veronica C. So, 47 years old, Filipino, was appointed as AboitizPower’s Group Treasurer effective 01 January 2020. She is also Group Treasurer and First Vice President – Group Treasurer of AEV.</p> <p>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 1 April 2019.</p> <p>Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017.</p> <p>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.</p>
<p>LIZA LUV T. MONTELIBANO Senior Vice President/Chief Financial Officer/Corporate Information Officer <i>Ex-Officio Member</i> – Board Risk and Reputation Management Committee <i>Ex-Officio Member</i> – Board Executive Committee</p>	<p>Ms. Liza Luv T. Montelibano, 44 years old, Filipino, was appointed as Senior Vice President/Chief Financial Officer/Corporate Information Officer on 16 May 2016.</p> <p>Ms. Montelibano joined the Company as Chief Financial Officer-Power Generation Group on 2 January 2014 until she was promoted as First Vice President/ Chief Financial Officer/ Corporate Information Officer on 18 May 2015.</p> <p>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, SEZ, AboitizPower International Pte. Ltd., and Archipelago Insurance Pte. Ltd. She holds a management position in GMEC and its holding company.</p> <p>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.</p> <p>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</p>

	connected with any government agency or instrumentality. She is not a director of a publicly-listed company.
<p>JOSEPH TRILLANA T. GONZALES First Vice President – General Counsel and Compliance Officer <i>Ex-Officio Member</i> – Board Corporate Governance Committee</p>	<p>Mr. Joseph Trillana T. Gonzales, 53 years old, Filipino, was appointed General Counsel of AboitizPower on 01 January 2015. He was appointed as the Company’s First Vice President – General Counsel and Compliance Officer and <i>Ex-officio</i> member of the Board Corporate Governance Committee on 01 March 2018.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>MANUEL ALBERTO R. COLAYCO Corporate Secretary</p>	<p>Mr. Manuel Alberto R. Colayco, 51 years old, Filipino, has been Corporate Secretary of AboitizPower since 01 March 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 11 July 2016 and was appointed as AEV’s Corporate Secretary and Compliance Officer on 01 March 2018.</p> <p>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.</p>

	<p>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.</p>
<p>MAILENE M. DE LA TORRE Assistant Corporate Secretary</p>	<p>Ms. Mailene M. de la Torre, 38 years old, Filipino, was appointed Assistant Corporate Secretary of AboitizPower on 24 November 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.</p> <p>Ms. de la Torre is also the Corporate Secretary and Assistant Corporate Secretary of various Subsidiaries of the Aboitiz Group.</p> <p>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.</p>
<p>SAMMY DAVE A. SANTOS Assistant Corporate Secretary</p>	<p>Mr. Sammy Dave A. Santos, 35 years old, Filipino, was appointed Assistant Corporate Secretary of AboitizPower on 05 November 2019. He is currently an Associate General Counsel for Governance and Compliance Team of AEV since July 2017.</p> <p>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).</p> <p>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</p>

	<p>the Law Firm of Quiason Makalinta Barot Torres Ibarra Sison & Damaso from 2014 to 2016.</p> <p>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.</p>
<p>MARNIE F. MAÑALAC Data Privacy Officer <i>Ex-Officio Member</i> – Board Risk and Reputation Management Committee</p>	<p>Ms. Marnie F. Mañalac, 53 years old, Filipino, was appointed as Data Privacy Officer effective 01 January 2020. She is concurrently Vice President for Risk and Organizational Performance Management of the Company. Ms. Mañalac also assumed the position of <i>Ex-officio</i> 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.</p> <p>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.</p> <p>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.</p>
<p>SATURNINO E. NICANOR, JR. Group Internal Audit Head</p>	<p>Mr. Saturnino E. Nicanor, Jr., 57 years old, Filipino, was appointed as Group Internal Audit Head of AboitizPower on 26 July 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.</p> <p>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.</p>

*Mr. Joseph Trillana T. Gonzales will be replaced by Ms. Ma. Consolacion C. Mercado as the Company's Compliance Officer on 01 January 2021.

Period in which the Directors 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 predecessor in office.

Significant Employees

AboitizPower considers the contribution of every employee important to the fulfillment of its goals.

Family Relationships

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.

Involvement in Certain Legal Proceedings as of 30 September 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 until 30 September 2020, which would put to question his/her ability and integrity to serve AboitizPower and its stockholders.

Parent Company

AboitizPower's parent company is AEV. As of 30 September 2020, AEV owns 77.00% of the voting shares of AboitizPower. In turn, ACO owns, as of 30 September 2020, 48.59% of the voting shares of AEV.

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.

CORPORATE GOVERNANCE

AboitizPower's commitment to corporate governance is deeply embedded in the way it runs its business. With new investors and stakeholders both domestic and international involved in the business, the Company seeks to uphold the highest standards in the conduct of its business. The Company intends to continue to maintain and develop its generational corporate reputation by further committing to its "triple bottom line" focus of "People, Profit and Planet."

At the helm of corporate governance in AboitizPower is the Board of Directors, who are mindful of their role of providing leadership and stewardship to the Company, with the intent of ensuring sustainability and longevity as an enterprise. The role of the Board is to represent and protect the interests of the owners of the business and other key external stakeholders, regardless of category, within the boundaries of the Company's corporate charter, and all relevant statutes and legal regulations and rules.

The Company has been consistently recognized locally and within the ASEAN Region as among the Philippines' best managed companies and has also been cited by, among others, the Philippines' Institute of Corporate Directors and the ASEAN Capital Markets Forum for its commitment to good corporate governance, being one of the region's top performers in the ASEAN Corporate Governance Scorecard.

In 2020, the Company's leadership team continues its efforts to create long-term value for all stakeholders, and to drive change for a better world by advancing business and communities. It adopted new protocols and improved existing systems and policies to protect the rights of its shareholders, safeguarded shareholders' equitable treatment, continuously recognized the value and participatory role of all stakeholders, and practiced the appropriate level of transparency and improved corporate disclosures.

Shareholder Rights and Equitable Treatment

The rights of shareholders are of paramount importance to the Company. The goal is to ensure the protection of shareholder interests and concerns through the free exercise of shareholder rights. Among the rights of these shareholders, regardless of the number of shares they own, are to receive notices of and to attend shareholders' meetings; to participate and vote on the basis of the one-share, one-vote policy; nominate and elect Board members (including via cumulative voting); inspect corporate books and records; vote in person or in absentia through proxy; receive dividends; and ratify corporate action.

In the conduct of its annual shareholder meetings, all shareholders receive notices not less than 28 days from the date of the meeting, and all agenda items to be discussed and decided upon during the said meeting are set out in the notices and no new agenda items are taken up during the conduct of the meeting. The rationale of agenda items which are submitted to the stockholders for their approval are included in the notices to shareholders' meetings.

In addition, AboitizPower ensures timely disclosure to shareholders regarding their respective businesses, and that shareholders receive dividends in accordance with established dividend policies.

Lastly, the Board Secretariat has adopted certified Board protocols and procedures under the ISO 9001:2015 Management Board and System to ensure the effectiveness of Board and shareholders' commitments. This includes coordination with stock transfer agents to ensure appropriate responses to and timely resolution of shareholders' queries and requests.

Compliance with Governance Policies

AboitizPower has a Revised Manual of Corporate Governance ("Revised Manual") and a Code of Ethics and Business Conduct ("Code of Ethics") to guide the attainment of its corporate goals and the implementation of its strategies. The Revised Manual is generally aligned to the principles and recommendations laid down by SEC under the Corporate Governance Code for Publicly-Listed Companies ("CG Code") to further strengthen the Company's corporate governance practices. The Board of Directors regularly reviews the Revised Manual to

ensure that the same remains relevant and responsive to the needs of the organization. Any amendments to the Revised Manual are promptly submitted to SEC for confirmation and approval.

The Revised Manual is supported by various company policies that are regularly reviewed and issued by the Board of Directors including the Code of Ethics. Both companies ensure that their respective Code of Ethics is cascaded to new team members as part of their onboarding processes. Team members are also required to review the Code sign an affirmation that they have read and understood the Code of Ethics. In order to support this annual exercise, an e-learning module on the Group's Code of Ethics was developed and rolled out every year. As part of the Group's commitments in the Code of Ethics, all team members are expected to act professionally, fairly, and with integrity in all of their business dealings, and to comply with all applicable laws and regulations, including those against bribery and corruption.

The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board of Directors, management and employees to the Revised Manual, the Code of Ethics, other company policies, and existing laws and regulations. The Compliance Officer also ensures the implementation of the Company's policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Compliance Officer regularly reports to the Board Corporate Governance Committee the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies.

In addition, to support the implementation of its Manual and Code of Ethics, the Company has a Whistleblowing Policy. Through this policy, allegations of violations of the Manual, the Code of Ethics, or of other illegal conduct can be reported through an independent whistleblowing portal. Matters reported through the whistleblowing platform are discussed by the Board Corporate Governance Committee and, if necessary, escalated to the entire Board of Directors.

There are no incidents of non-compliance from the Revised Manual as of the date of this report. There were also no corruption-related incidents reported in the period covered.

Board of Directors

The AboitizPower Board of Directors is at the helm of the Group's corporate governance framework. Independent from management, the Board is committed to serve and promote long-term success, and to secure the Company's sustained growth, competitiveness and sustainability. They perform the crucial role of articulating and assessing the Company's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business direction of the Company's businesses are soundly established and are in line with the overall Group's goals and strategy. In line with best practices, the Board of Directors is responsible in establishing and monitoring the Group's commitment to the principles embodied in environment, social and governance matters ("ESG"). And in performing these functions, the members of the AboitizPower Board, individually and collectively, are expected to act consistently with the Aboitiz core values. In 2020, the Chairman of AboitizPower, Mr. Erramon I. Aboitiz is a Non-Executive Director.

Board's Participation

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the Directors. Attendance during board meetings are closely monitored and reported by the Compliance Officer to SEC and PSE, as well as in the Company's IACGR.

In 2019, the Board of Directors held 7 meetings (Board and Annual Stockholders Meeting). Board and Board Committees also met on various occasions in the performance of their mandate as indicated in the Revised Manual and relevant Board Charters. Below is a summary of the attendance of the Directors:

Aboitiz Power Corporation							
	ASM	BOD/ ORG	Board Executive Committee	Board CG Committee	Board Risk & Reputation mngt. Committee	Board Audit Committee	Board RPT Committee
Number of Meetings	1	6	4	2	2	5	2
MIKEL A. ABOITIZ	C 0/1	C 5/6	–	M 2/2	M 2/2	M 5/5	–
ENRIQUE M. ABOITIZ	VC 1/1	VC 6/6	M ¾	–	C 1/2	M 2/5	–
ERRAMON I. ABOITIZ	M 1/1	M 6/6	C 4/4	M 2/2	–	–	–
LUIS MIGUEL O. ABOITIZ	M 1/1	M 5/6	M ¾	–	–	–	–
JAIME JOSE Y. ABOITIZ	M 1/1	M 6/6	M 4/4	–	M 2/2	–	–
DANEL C. ABOITIZ	M 1/1	M 5/6	–	–	–	–	–
CARLOS C. EJERCITO	M 1/1	M 6/6	–	M 2/2	M 2/2	C 5/5	C 2/2
ROMEO L. BERNARDO	M 1/1	M 6/6	–	C 2/2	M 2/2	M 5/5	M 2/2
ERIC RAMON O. RECTO	M 1/1	M 5/5	–	M 2/2	M 2/2	M 4/5	M 2/2
MANUEL ALBERTO R. COLAYCO	CS 1/1	CS 5/5	CS 4/4	CS 2/2	–	–	CS 2/2
SUSAN V. VALDEZ	–	–	–	EO 2/2	EO 1/2	–	–
JOSEPH TRILLANA T. GONZALES	–	–	–	CO/ EO 2/2	–	–	–
LIZA LUV T. MONTELIBANO	–	–	EO 4/4	–	EO 2/2	–	–
EMMANUEL V. RUBIO	–	–	EO 4/4	–	–	–	–
FELINO M. BERNARDO ²⁶	–	–	EO ¾	–	–	–	–
SATURNINO N. NICANOR	–	–	–	–	–	CAE 5/5	–

Legend:

C – Chairman, VC – Vice Chairman, M – Member, CS – Corporate Secretary, CCO – Chief Compliance Officer, CAE – Chief Audit Executive, EO – Ex-Officio

Board Committees

The different Board committees - Audit, Corporate Governance, Risk and Reputation Management, Related Party Transactions, and Executive Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate of each Board committee, including key accomplishments in 2019, are described below:

- a. The **Board Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise the majority of the voting members of the Board Corporate Governance Committee.

In 2019, the Board Corporate Governance Committee has continued to (i) review and monitor the Company's compliance with new laws and regulations (the Revised Corporation Code, various SEC issuances, among others), (ii) reviewed and updated the Manual to align with the best practices in the Integrated Annual Corporate Governance Report and the ASEAN Corporate Governance Scorecard, (iii) ensured that the nomination, selection, election, remuneration, and assessment of each Company's Directors and Officers are aligned with the Manual, and (iv) established a Board oversight and management framework in addressing the environmental, social, and governance issues material to the Group.

²⁶ Mr. Felino M. Bernardo was Ex-Officio member of the Board Executive Committee for the year 2019.

- b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise the majority of the members of the Board Audit Committee, including its Chairman. In 2019, the Board Audit Committee continued to provide oversight over each company's financial reporting policies, practices and controls, and over the internal and external audit functions necessary for making good audit-related decisions.
- c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk management related matters for the Group. In 2019, the Board Risk and Reputation Committee has continued to identify, monitor, and manage the Group's top risks.
- d. The **Board Related Party Transaction Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliated, directors and officers. In 2019, the Board RPT Committees has approved the Revised RPT Policy of each Company in compliance with the SEC memorandum circular on Material RPTs. In addition, the Board RPT Committee continued to (i) review and approve each company's CFO Guidelines on the Implementation of the RPT Policy, which require all directors and officers to execute a certification to identify their related parties to be able to identify potential conflicts of interest, (ii) ensured that related-party transactions are taken on an arm's-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval. Except for the presence of the AEV and AboitizPower CFOs as resource persons, management is not invited to and has no participation in the RPT Committee.
- e. The **Executive Committee** assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2019 IACGR and Integrated Annual Report, which will be available at www.aboitzpower.com.

Disclosure and Transparency

Pursuant to its commitment to transparency and accountability, AP's website, www.aboitzpower.com has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also submitted an Integrated Annual Corporate Governance Report (IACGR) to the SEC the PSE. A copy of the Company's 2019 IACGR is available for download at the Company's website www.aboitzpower.com

SUSTAINABILITY AND ENVIRONMENT, SOCIAL, AND GOVERNANCE PRACTICES

Sustainable business practices have enabled the Aboitiz Group to operate commercially for 100 years. A key component of AboitizPower's ESG strategy is to find a balance between business expansion with sustainability initiatives. It looks at a triple-bottom line to measure the impact of its activities not only on profit but also on people and the planet. In line with this, the Company continues to strengthen its commitment to ESG practices.

Indices and Ratings

FTSE International Limited and Frank Russell Company has independently assessed AboitizPower based on the FTSE4Good criteria. The Company satisfied the requirements to become a constituent of the FTSE4Good Index Series. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices, and is used by a wide variety of market participants to create and assess responsible investment funds and other products.

In 2020, AboitizPower received an ESG Rating of “BB” from MSCI ESG Research LLC, an ESG-ratings company. The MSCI ESG Ratings ranks global public and private companies on a scale of “AAA” (leader) to “CCC” (laggard), based on exposure to industry-specific ESG risks and the ability to manage such risks in relation to its peers.

The company’s recent CSA by the highly regarded RobecoSAM group, now part of S&P Global, has shown marked improvements in AboitizPower’s ESG performance compared to last year. Our absolute score improved by 74%, while our percentile ranking in our global peer group improved from 25th percentile to 54th percentile.

Moreover, the company continues to be recognized as a constituent company in the FTSE4Good Index Series in 2020. AboitizPower has sustained its rating in the FTSE4Good Index Series since 2018. The FTSE4Good Index Series, created by global index provider FTSE Russell, measures the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

AboitizPower is also ESG-rated by RobecoSAM, Sustainalytics, and CDP.

Focus Areas

AboitizPower’s goal is to grow profitably, while partnering with its stakeholders to create shared value, and minimizing its environmental impact. The Company conducts a report in compliance with the sustainability reporting initiatives of its parent company, AEV.

The Company’s focus areas on its ESG reports are team member engagement, talent development, Occupational Health and Safety (“OHS”), diversity and inclusion, Corporate Social Responsibility (CSR), customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, biodiversity and conservation, financial growth, financial returns, and ISO certification.

Currently, AboitizPower is compliant with the sustainability reporting initiatives of its parent company. Its report has been prepared in accordance with GRI Standards: Core Option, and its key performance indicators are aligned with the United Nations’ 17 Sustainable Development Goals (UN SDG).

United Nations Sustainable Development Goals

The Aboitiz Group is one of the first Philippine businesses to support the UN SDG. AboitizPower, has, or expects to have, direct, significant, and profitable contributions to UN SDG or Affordable and Clean Energy, through its total net sellable capacity of 1,316 MW as of 31 March 2020.

AboitizPower submits its sustainability report through the consolidated report that its parent company, AEV, publishes annually. AEV began publishing its first sustainability report in 2009, being one of the few Philippine publicly-listed companies to publish and submit a report on its sustainability impacts and performances to the SEC.

Sustainable Finance

In February 2016, Asian Development Bank (“ADB”) provided a credit enhancement to its Subsidiary, APRI, for its Tiwi-MakBan geothermal energy facilities. The issuance by APRI of the ₱10.7 bn (U.S.\$225 million) local currency bond was in addition to a direct loan from ADB of ₱1.8 bn (U.S.\$37.7 million). ADB’s credit enhancement was in the form of a guarantee of 75% of the principal and interest on the bond. The Climate Bond, which was certified by the Climate Bonds Initiative, was the first issuance of its kind in Asia.

Corporate Social Responsibility

AboitizPower and its Business Units contribute to social development programs in education, enterprise development, and environment implemented by the Aboitiz Group through its social development arm, Aboitiz Foundation. These CSR program projects are also aligned with the Aboitiz Group’s core competencies and are made scalable nationwide in order to deliver long-term benefits to targeted communities and beneficiaries. In

2019, Aboitiz Foundation spent ₱382 mn on projects that impacted 747,582 beneficiaries, including over ₱164 mn on education, over ₱85 mn on environmental projects, over ₱52 mn on enterprise development and over ₱81 mn on other projects.

Beyond Compliance

The Aboitiz Group's brand promise of advancing business and communities extends beyond compliance to Applicable Laws. The Aboitiz Group is committed to stakeholder-focused environmental management projects like the A-Park nationwide reforestation partnership with the Department of Environment and Natural Resources (DENR), Philippine Business for Social Progress (PBSP), and RAFI; the Race to Reduce (R2R) resource efficiency initiative with the National Youth Commission, Globe Telecoms, and the active participation of Aboitiz team members (employees); the Aboitiz Cleanergy Park with DENR and LGU in Davao City; and the Cleanergy Center in Laguna.

On resource efficiency, the Company continuously monitors its consumption of power, water, and paper together with its Business Units. To bring the resource efficiency mindset to the Team Members, the Company ran its version of the No Impact Project global initiative titled Aboitiz No Impact Challenge, which displaced a total of 205 mn grams of carbon equivalent by voluntarily participating in simple lifestyle choices that promote wellness while reducing carbon footprint.

In 2018, Aboitiz Power launched the Wealth Out of Waste Framework. The developed waste management framework aims to increase efficiency, engagement and revenue. The framework allows us to identify gaps and consolidate our existing efforts in a single direction, thus maximizing our positive impact both internally and externally.

On Biodiversity programs, the Aboitiz Cleanergy Park known as an urban-based biodiversity conservation site is now home to critically endangered Hawksbill Turtle (*Eretmochelys imbricata*), endemic and migratory birds and other marine species. Since the park's public launch in 2015, it has released 4,811 pawikan hatchlings. The Aboitiz Cleanergy Park is an eight-hectare ecological preserve located in Sitio Punta Dumalag, Matina Aplaya, Davao City.

Lastly, on Sustainability Education program, the Cleanergy Center located in the compound of the Tiwi-Makban geothermal power plant in Laguna and Batangas has welcomed more than 45,808 visitors who discovered how AboitizPower contributes to the Philippines' renewable energy program. Visitors, mostly students, Government executives, and representatives of foreign institutions, enjoy interactive displays and learning materials devoted to sustainable ways of generating and consuming energy.

The 650-square meter Cleanergy Center is the first energy education facility of AboitizPower, which is focused on environmental awareness and renewable energy education through the use of audio-visual presentations, interactive displays, and a tour of a working geothermal power plant. Through AboitizPower, the Aboitiz Group aims to provide energy solutions that leave a lighter impact on Earth's climate and its limited resources.

EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued to AboitizPower's Chief Executive Officer and other highly compensated executive officers, as well as other officers and directors during the last two completed fiscal years and the ensuing fiscal year, is 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 - Chairman				
2. EMMANUEL V. RUBIO - President and Chief Executive Officer (President & CEO starting Jan 1, 2020)				
3. LIZA LUV T. MONTELIBANO - Chief Financial Officer/Corporate Information Officer				
4. LUIS MIGUEL O. ABOITIZ** - Executive Vice President & Chief Strategy Officer				
5. JOSEPH TRILLANA T. GONZALES - 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 31 August 2018), Juan Antonio E. Bernad (retired on 31 December 2018), Emmanuel V. Rubio, Jaime Jose Y. Aboitiz, and Christopher B. Sangster (separated on 05 November 2019).

** Mr. Luis Miguel O. Aboitiz retired on 30 April 2020.

The 2014 Amended By-Laws of the Company, as approved by SEC on 16 May 2014, defined corporate officers as follows: Chairman of the Board, the Vice Chairman, the Chief Executive Officers, President, 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 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.

Compensation of Directors

Standard Arrangements

Following the 22 April 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/members 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 31 December 2019 is as follows:

Name of Director	Total Compensation Received as a Director ²⁷
MIKEL A. ABOITIZ²⁸ <i>Chairman of the Board of the Board</i>	₱4,520,000.00
ENRIQUE M. ABOITIZ²⁹ <i>Vice Chairman of the Board of the Board</i>	₱2,950,000.00
ERRAMON I. ABOITIZ³⁰ <i>President and Chief Executive Officer</i>	₱2,620,000.00
LUIS MIGUEL O. ABOITIZ³¹ <i>Director</i> <i>Executive Vice President – Chief Strategy Officer</i>	₱2,330,000.00
JAIME JOSE Y. ABOITIZ <i>Director</i> <i>Executive Vice President and Chief Operating Officer – Power Distribution Group</i>	₱2,710,000.00
DANEL C. ABOITIZ³² <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

²⁷ 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 01 January to 31 December 2019.

²⁸ Mr. Mikel A. Aboitiz was Chairman of the Board until 31 December 2019. He was appointed Vice Chairman on 01 January 2020. He became a member of the Board Governance Committee on 11 December 2019 only. He was a member of the Board Audit Committee and Board Risk and Reputation Management Committees until 31 December 2019.

²⁹ Mr. Enrique M. Aboitiz was Vice Chairman of the Board until 31 December 2019. Effective 01 January 2020, he is Director of AboitizPower. He was a member of the Board Audit Committee until 31 December 2019.

³⁰ Mr. Erramon I. Aboitiz was President and Chief Executive Officer of AboitizPower, until his appointment as Chairman of the Board on 01 January 2020. He was Chairman of the Board Executive Committee until 31 December 2019, until his replacement by Mr. Emmanuel V. Rubio. Mr. Aboitiz currently sits as member of the Board Executive Committee and Board

³¹ Mr. Luis Miguel O. Aboitiz was Director of AboitizPower and Member of the Executive Committee until 31 December 2019, until his replacement by Mr. Emmanuel V. Rubio on 01 January 2020. He held the position of Executive Vice President-Chief Strategy Officer of AboitizPower until his retirement effective on 30 April 2020, and is no longer a director or Board Committee member of the Company.

³² Mr. Danel C. Aboitiz was appointed as a Member of the Board Audit Committee, effective 28 January 2020. He was also appointed Senior Vice President – Government Relations and Regulatory Affairs beginning 01 January 2020.

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.

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.

Warrants and Options Outstanding

To date, AboitizPower has not granted any stock options to its directors or officers.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of 30 September 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) ³³ 32nd Street, Bonifacio Global City, Taguig City (Stockholder)	Aboitiz Equity Ventures Inc. ³⁴	Filipino	5,657,530,774 (Record and Beneficial)	76.88%
Common	2. PCD Nominee Corporation (Filipino) ³⁵ 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers ³⁶	Filipino	1,062,498,057 (Record)	14.44%
Common	3. PCD Nominee Corporation (Foreign) ³⁷ 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers ³⁸	Non-Filipino	358,712,386 (Record)	4.87%

As of 30 September 2020, the following entities own 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) 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati (Stockholder)	PCD participants acting for themselves or for their customers	Filipino	952,828,956 (Record)	16.92 %

³³ AEV is the parent company of AboitizPower.

³⁴ 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.

³⁵ 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.

³⁶ 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 owns more than 5% of the Company's common shares.

³⁷ *Supra* note 3.

³⁸ *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) 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Non-Filipino	380,410,257 (Record)	6.76 %

Security Ownership of Management as of 30 September 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 Affairs	4,081,636	Direct	Filipino	0.06%
		459,160	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	Maria 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%

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	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	126,694,581			1.72%

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.

Changes in Control

There are no arrangements that may result in a change in control of AboitizPower during the period covered by this report.

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 (“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.

For detailed discussion on related party transactions, please refer to Note 32 or page 98 of the Consolidated Financial Statements.

DESCRIPTION OF DEBT

As of the date of this Prospectus, AboitizPower has the following outstanding indebtedness:

AboitizPower ₱10 Billion Fixed Rate Bonds due 2021 and 2026

On 10 September 2014, AboitizPower issued fixed-rate bonds (the “2014 Bonds”) in two series: (a) Series A Bonds, with a term of seven (7) years from issue date and in the aggregate amount of ₱6,600,000,000.00, and (b) Series B Bonds, with a term of twelve (12) years from issue date in the aggregate amount of ₱3,400,000,000.00. The Series A 2014 Bonds had an optional redemption on the fifth (5th) year and one (1) quarter from issue date, and on the sixth (6th) year from issue date. On the other hand, the Series B 2014 Bonds had an optional redemption on the seventh (7th) year from issue date, the eighth (8th) year from issue date, the ninth (9th) year from issue date, the tenth (10th) year from issue date, and the eleventh (11th) year from issue date. BPI Capital Corporation (“BPI Capital”) acted as the Issue Manager and Lead Underwriter while Bank of the Philippine Islands – Asset Management Group was appointed as Trustee.

The 2014 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2014 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2014 Bonds shall be coursed through the PDTC as Registrar. Transfer and/or settlement of the 2014 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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 thereof) incurred for the purpose of financing the purchase, lease or development of such asset;
 - b. 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;
 - c. 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;
 - d. 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;

- e. 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;
- f. 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;
- g. 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;
- h. 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
- i. any Lien created over or affecting any asset acquired by any affiliate after the date of the trust agreement, if:
 - j. the Lien was not created in contemplation of the acquisition of that asset by such affiliate;
 - k. the principal amount secured has not been increased in contemplation of, or since the acquisition of that asset by such affiliate; and
 - l. the Lien is removed or discharged within twelve (12) months of the date of the acquisition of such asset;
- m. 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;
- n. 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;
- o. 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;
- p. 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 the trust agreement; and
- q. 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 5.2 (a) (c), (d), (e), (h), and (m) above, it shall refer to any Person in which the Issuer has investment, whether direct or indirect.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2014 Bonds are current and updated; and
3. Maintenance of Financial Ratios. AboitizPower shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the AboitizPower’s year-end audited financial statements. As of 31 December 2017, the Net Debt to Consolidated Equity Ratio of AboitizPower is 0.04 and is compliant with the covenant under the 2014 Bonds.

AboitizPower ₱3 Billion Fixed Rate Bonds due 2027

On 3 July 2017, AboitizPower issued fixed-rate bonds (the “2017 Bonds”), with a term of ten (10) years from issue date and in the aggregate amount of ₱3,000,000,000.00. The 2017 Bonds had an optional redemption on the seventh (7th) year, eighth (8th), and ninth (9th) year from issue date. BPI Capital Corporation (“BPI Capital”) acted as the Sole Issue Manager and Sole Underwriter while Bank of the Philippine Islands – Asset Management Group was appointed as Trustee.

The 2017 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2017 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2017 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2017 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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;
 - b. 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;
 - c. 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;

- d. 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;
- e. 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;
- f. 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;
- g. 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;
- h. 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;
- i. 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;
- j. 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;
- k. 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 the trust agreement; and
- l. 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 the trust agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2017 Bonds are current and updated; and

3. Maintenance of Financial Ratios. Under the 2017 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

AboitizPower ₱10.2 Billion Fixed Rate Bonds due 2024 and 2028

On 12 October 2018, AboitizPower issued fixed-rate bonds (the “2018 Bonds”), Series B and Series C bonds, with an aggregate amount of ₱10 bn and an oversubscription option ₱5 bn of which ₱0.2 bn was exercised. 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 arrear 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 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 is listed with PDEX.

The 2018 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2018 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2018 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2018 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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;
 - b. 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;
 - c. 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;

- d. 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;
- e. 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;
- f. 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;
- g. 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;
- h. 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;
- i. 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;
- j. 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;
- k. 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 the trust agreement; and ^[1]_{SEP}
- l. 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 5.2aiiiiii), (iv), (v), and (xii) of the trust agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2018 Bonds are current and updated; and

3. Maintenance of Financial Ratios. Under the 2018 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

AboitizPower ₱7.25 Billion Fixed Rate Bonds due 2026

On 14 October 2019, AboitizPower issued fixed-rate bonds (the “2019 Bonds”), Series D bonds, with a principal amount of ₱7 bn and an oversubscription option ₱5 bn, of which ₱250 mn was exercised. The Series D bonds have an interest rate of 5.2757% per annum, and will mature in 2026. Interest is payable quarterly in arrear on January 14, April 14, July 14, and October 14 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 as and First Metro Investment Corporation as Joint Issue Managers; BDO Capital & Investment Corporation, First Metro Investment Corporation, China Bank Capital Corporation, PNB Capital and Investment Corporation, and SB Capital Investment Corporation 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 “D” bonds received the highest possible rating of PRS “Aaa” from PhilRatings and is listed with PDEX.

The 2019 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 5.2 (a) of the trust agreement for the 2019 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2019 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2019 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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;
 - b. 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;

- c. 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;
- d. 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;
- e. 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;
- f. 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;
- g. 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;
- h. 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;
- i. 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;
- j. 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;
- k. 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 the trust agreement; and
- l. 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 5.2aiiiiii), (iv), (v), and (xii) of the trust agreement, it shall refer to any Person in which the Issuer has investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2018 Bonds are current and updated; and

3. Maintenance of Financial Ratios. Under the 2019 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

AboitizPower ₱9.55 Billion Fixed Rate Bonds due 2022 and 2025

On 19 June 2020, AboitizPower issued fixed-rate bonds (the “2020 Bonds”), Series “E” and Series “F” bonds, with an aggregate amount of ₱6 bn and an oversubscription option ₱3.55 bn which was fully exercised. The Series “E” bonds have an interest rate of 3.125% per annum, and will mature in 2022, while the Series “F” bonds have an interest rate of 3.935% per annum, and will mature in 2025. Interest is payable quarterly in arrear on January 6, April 6, July 6, and October 6 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital, China Bank Capital Corporation, and First Metro Investment Corporation as the Joint Issue Managers and Joint Lead Underwriters, BDO Unibank, Inc. - Trust & Investments Group as Trustee, and PDTC as the Registry and Paying Agent for the transaction. The Series “E” and Series “F” bonds received the highest possible rating of PRS “Aaa” from PhilRatings and are listed with PDEX.

The 2020 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of AboitizPower 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 AboitizPower pursuant to Section 4.1 (k) of the trust agreement for the 2020 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the 2020 Bonds shall be coursed through PDTC as Registrar. Transfer and/or settlement of the 2020 Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

AboitizPower is subject to the following negative covenants, among others:

1. Encumbrances - AboitizPower 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:
 - a. 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;
 - b. 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;

- c. 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;
- d. 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;
- e. 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;
- f. 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;
- g. 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;
- h. 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;
- i. 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;
- j. 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;
- k. 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 the trust agreement; and
- l. 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 the trust agreement, it shall refer to any Person in which AboitizPower has an investment, whether direct or indirect, in.

2. Declaration and Payment of Cash Dividends/Issuance of Share. AboitizPower 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 2020 Bonds are current and updated; and

3. Maintenance of Financial Ratios. Under the 2020 Bonds, AboitizPower is not required to maintain any financial ratios. However, 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.

INDEPENDENT AUDITORS AND COUNSEL

Legal Matters

All legal opinions/matters in connection with the issuance of the First Tranche Bonds will be passed upon by the Legal Management Services of AEV, the parent company of the Company, and Romulo Mabanta Buenaventura Sayoc & de los Angeles (“Romulo”) for the Company; and Picazo Buyco Tan Fider & Santos (“Picazo”), for the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. Neither Romulo nor Picazo have any direct interest in the Company.

Romulo and Picazo may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Romulo and Picazo provide such services to its other clients.

Independent Auditors

The consolidated financial statements of the Company as at 31 December 2019 and 2018 and for each of the three years in the period ended 31 December 2019 have been audited by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The partner-in-charge is Maria Veronica Andresa R. Pore.

External Audit Fees and Non-Audit Related Services

The following table sets out the aggregate fees billed for each of the last two (2) fiscal years for the professional services rendered by the Company’s external auditors:

Fee Type	2019	2018
Audit Related		
Audit Fees	₱502,000.00	₱456,680.00
Audit Related Fees	50,000.00	45,668.00
Total	₱552,000.00	502,348.00
Non-Audit Related		
Financial and Tax Due Diligence Fees	4,000,000.00	4,465,779.00
Bond Related Fees	6,600,000.00	6,600,000.00
Total	10,600,000.00	11,065,779.00
Total Audit and Non-Audit Fees	₱11,152,000.00	₱11,568,127.00

SGV was engaged by the Company to audit its annual financial statements. In 2019, the Company also engaged SGV to conduct post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the ₱12 bn Series D 2019 Bonds. The Company also engaged SGV to provide financial and tax due diligence in 2019 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.

Board Audit Committee

In giving effect to its duly approved charter, the Board Audit Committee of the Company provides assistance to the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing guidance relating to:

1. the adequacy and efficiency of the Company's system of internal controls, governance and risk management processes;
2. the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliances;
3. the annual independent audit of the Company's financial statements and the external auditors' qualifications and independence;
4. due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and
5. providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

The chairperson of the Board Audit Committee is Mr. Carlos C. Ejercito. The members are Romeo L. Bernardo, Eric Ramon O. Recto, Danel C. Aboitiz and Erramon I. Aboitiz.

As part of this process, SyCip Gorres Velayo & Co. reports to the Board Audit Committee. The Board Auditing Committee is required to ensure that corporate accounting and reporting practices of the Company are in accordance with all legal requirements and are of the highest quality.

TAXATION

The statements herein regarding taxation are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the First Tranche Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the First Tranche Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the First Tranche Bonds.

As used in this section, the term “resident” alien” refers to an individual whose residence is within the Philippines and who is not a citizen thereof. On the other hand, a “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien engaged in trade or business in the Philippines”; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a “non-resident alien not engaged in trade or business within the Philippines”. A “domestic corporation” is created or organized under the laws of the Philippines while a “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines. A “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines.

Taxation of Interest

On 1 January 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Act, took into effect. The TRAIN Act amended provisions of the National Internal Revenue Code (“Tax Code”) including provisions on income tax, documentary stamp tax, estate tax, and donor’s tax, among others.

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the First Tranche Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the First Tranche Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the First Tranche Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the First Tranche Bonds is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements:

1. 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, and has not been revoked, amended or modified;

- 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) GOCC; 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 Issuer, 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 Issuer.

2. 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 the warranting of the Bondholder’s entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer, the Registrar, and the Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer, the Registrar, and the 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
3. 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 (1), (2) and (3) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

The foregoing notwithstanding, the Issuer, the Registrar and the Paying Agent 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.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of First Tranche Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

Value-Added Tax

Gross receipts derived by dealers in securities from the sale of the First Tranche Bonds in the Philippines equivalent to the gross selling price less acquisition cost of the First Tranche Bonds sold, shall be subject to a 12% value-added tax. "Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less: 5%

Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less: 5%

Maturity period is more than five years: 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the First Tranche Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Tax

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the First Tranche Bonds, at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

Taxation on Sale or Other Disposition of the First Tranche Bonds

Income Tax

Ordinary asset – The gain is included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens or resident foreign individuals, or non-resident alien engaged in trade or business in the Philippines effective January 1, 2018 until December 31, 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective January 2, 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident alien not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

Capital asset – Gains shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve (12) months prior to the sale, only 50% of gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of twelve (12) months or less, 100% of gain is included.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Bonds are subject to a 30% income tax. Gross income derived by non-resident foreign corporations on the sale or other disposition of the Bonds is subject to a 30% income tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized from the sale, exchange or retirement of bonds, debentures and other certificate of indebtedness with a maturity of more than five (5) years are not subject to income tax.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the First Tranche Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. A Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of ₱250,000.00 exempt gift.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the First Tranche Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the First Tranche Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the First Tranche Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes unless the transfer of property is made in the ordinary course of business (*i.e.*, a transaction which is *bona fide*, at arm's length, and free from any donative intent), in which case, it will be considered as made for an adequate and full consideration in money. .

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the First Tranche Bonds, trading the First Tranche Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the First Tranche Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the First Tranche Bonds, documentary stamp tax is payable anew.

REGULATORY FRAMEWORK

The information in this section has been derived from various government and private publications or obtained from communications with various government agencies unless otherwise indicated and has not been prepared or independently verified by the Company or the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners or any of their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the Philippines.

EPIRA

Since the enactment of the Electric Power Industry Reform Act (“EPIRA”) in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Through the EPIRA, the Government began to institute major reforms with the goal of fully privatizing all aspects of the power industry. The principal objectives of the EPIRA are:

1. to ensure and accelerate the total electrification of the country;
2. to ensure the quality, reliability, security and affordability of the supply of electric power;
3. to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;
4. to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;
5. to ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
6. to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
7. to assure socially and environmentally compatible energy sources and infrastructure;
8. to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;
9. to provide for an orderly and transparent privatization of the assets and liabilities of NPC;
10. to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and
11. to encourage the efficient use of energy and other modalities of demand side management.

With a view to implementing these objectives, the Department of Energy (“DOE”), in consultation with the relevant government agencies, electric power industry participants, non-government organizations, and electricity consumers, promulgated the law’s Implementing Rules and Regulations (“IRR”) outlining its policy on 27 February 2002.

The policy governs the relations between, and respective responsibilities of, the different electric power industry participants as well as the particular governmental authorities involved in implementing the structural reforms in the industry, namely, the DOE, NPC, the National Electrification Administration (“NEA”), Energy Regulatory Commission (“ERC”) and Power Sector Assets and Liabilities Management Corporation (“PSALM”).

Reorganization of the Electric Power Industry

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four sectors: (1) the generation sector; (2) the transmission sector; (3) the distribution sector; and (4) the supply sector. The goal is for the generation and supply sectors to be fully competitive, while the transmission and distribution sectors will remain regulated as public utilities. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

The Generation Sector

The EPIRA provides that power generation is not a public utility operation. Thus, generation companies are not required to secure legislative franchises. However, generation companies must obtain a Certificate of Compliance (“COC”) from the ERC, as well as health, safety and environmental clearances from the appropriate government agencies under existing laws.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP agreements of NPC, which exclude the assets devoted to missionary electrification through the NPC Small Power Utilities Group (“SPUG”). NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

Generation companies are also subject to the ERC’s rules and regulations on abuse of market power and anti-competitive behavior. Generation companies are required to submit financial statements to determine abuse of market power and anti-competitive behavior. The ERC may impose fines and penalties for violation of the EPIRA and the Implementing Rules and Regulations policy on market power abuse, cross-ownership and anti-competitive behavior.

The goal of the EPIRA is for the generation sector to be open and competitive, with the private sector expected to take the lead in introducing additional generation capacity. Generation companies will compete either for contracts with various suppliers, electric cooperatives and private distribution utilities, or through spot sale transactions in the Wholesale Electricity Spot Market (“WESM”). Competition will be based largely on pricing, subject to availability of transmission lines to wheel electricity to the Grid and/or buyers. Recovery by distribution utilities of their purchased power cost is subject to review by the ERC to determine the reasonableness of the cost and to ensure that the distribution utilities do not earn any revenue therefrom. While generation charges are intended to be passed through to customers by distribution utilities, the process is not automatic. Upon commencement of Retail Competition and Open Access, generation rates, except those intended for the Captive Markets, will cease to be regulated.

Open Access is defined as the system of allowing any qualified person the use of electric power transmission and distribution system and associated facilities. On the other hand, Retail Competition refers to the provision of electricity to the contestable market by licensed suppliers through Open Access. Lastly, Captive Markets are electricity end-users who do not have the choice of a supplier of electricity.

In line with the Government’s policy to promote competition within the generation sector, and additionally, to lessen the debt of NPC, the EPIRA required the privatization of all generation assets of the NPC. The EPIRA created PSALM, which is charged with the privatization of the assets of NPC.

Currently, PSALM has already privatized thirty-one (31) generating plants with a total rated capacity of 4,601.43MW and has successfully transferred a total contracted capacity of 3,607.52MW to Independent Power Producer Administrators (“IPPAs”).

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

Requirement of Public Offering for Generation Companies

Under Section 43(t) of the EPIRA, the ERC was mandated to issue rules and guidelines under which, among others, generation companies which are not publicly listed shall offer and sell to the public a portion of not less than 15% of their common shares of stock.

ERC Resolution No. 9, Series of 2011, adopted the rules to implement Section 43(t) of the EPIRA. Under the resolution, generation companies, among others, which are not publicly listed are required to sell to the public a portion of not less than 15% of their common shares of stock. If the authorized capital stock of a generation

company is fully subscribed, such company must increase its authorized capital stock by 15% or sell or cause the sale of 15% of its existing subscribed capital stock in order to comply with the public offering requirement under the EPIRA.

According to Resolution No. 9, which took effect on 29 June 2011, any offer of common shares of stock for sale to the public through any of the following modes may be deemed as a public offering for purposes of compliance with the public offering requirement under the EPIRA: (1) listing on the PSE; and (2) listing of the shares of stock in any accredited stock exchange or direct offer of the required portion of a company's capital stock to the public. For generation companies registered with the BOI under the Omnibus Investments Code, the public offering requirement may be complied with by a direct offer of the required portion of the registered enterprise's shares of stock to the public or through its employees through an employee stock option plan (or any plan analogous thereto), provided such offer is deemed feasible and desirable by the BOI.

However, the offer of common shares through an employee stock option plan is not considered a public offering since the offer is limited only to the employees of the generation companies or the DUs and not to the general public. The offer to employees may be considered public offering only when the generation company or distribution utility is a registered enterprise under the Omnibus Investment Code. Further, the public offering requirement does not apply to: (i) self-generation facilities, (ii) generation companies and distribution utilities already listed on the PSE, (iii) generation companies and distribution utilities whose holding companies are already listed on the PSE, (iv) generation companies and distribution utilities which are organized as partnerships, and (v) electric cooperatives which have no common shares of stock.

On 4 June 2019, the ERC issued Resolution No. 4 amending Resolution No. 9, Series of 2011. The new resolution maintained the previous rule that companies already listed with the PSE are already deemed in compliance of the 15% public offering requirement. Under Resolution No. 4, Series of 2019, the following modes shall be deemed to be public offerings:

1. Listing on the PSE;
2. In accordance with the 2015 IRR of the SRC:
 - a. Publication in any printed material distributed in the Philippines;
 - b. Public presentations;
 - c. Advertisements or announcements on radio, television, electronic communications, information communication technology, or any other forms of communications; and
 - d. Distribution of flyers, brochures, or any offering material in a public or commercial place, or through prospective purchasers through the portal system, information communication technology and other means of information distribution.
3. Listing of any shares of stock in any accredited stock exchange or direct offer to the public or the employees of an entity registered with the BOI, when deemed feasible and desirable by the latter.

ERC Resolution No. 4, Series of 2019 also provides that generation companies under a Build-Operate-Transfer Scheme must comply with the 15% public offering requirement. Further, it requires that the sale of securities to the public must comply with the SRC and its IRR.

The public offering by existing companies shall be made within five years from the effectivity of ERC Resolution No. 9, Series of 2011, or until 29 June 2016. The five-year period was extended up to 29 June 2017 pursuant to ERC Resolution No. 18, Series of 2016. For new companies, however, the five-year period is counted from the issuance by the ERC of their respective COCs. The period for compliance has further been extended pursuant to ERC Resolution No. 10, Series of 2017 for another year, or until the resolution of the petition filed by the Private Electric Power Operators Association regarding the clarification on whether the registration of common shares at the SEC may be considered as a mode of public offering is resolved, whichever comes earlier. On 21 June 2018, the ERC issued Resolution No. 14, Series of 2018 which further extended the period for compliance until 29 December 2018.

The Transmission Sector

With the turn-over of the control, operation and management of the grid to the private concessionaire on 14 January 2009, the National Grid Corporation of the Philippines ("NGCP") together with the National Transmission

Corporation (“TransCo”) (which, under law, remains the owner of the transmission assets), comprise the transmission sector. The principal function of TransCo is to ensure and maintain reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code. TransCo is also mandated to provide open and non-discriminatory access to its transmission system to all electricity users.

The transmission of electricity is subject to transmission wheeling charges. Inasmuch as the transmission of electric power is a regulated public utility business, transmission wheeling charges, even under the concessionaire arrangement, are subject to regulation and approval by the ERC.

The EPIRA also requires the privatization of TransCo through an outright sale of, or the grant of a concession over, the transmission assets while the subtransmission assets of TransCo are to be offered for sale to qualified distribution utilities. In December 2007, NGCP, comprising a consortium of Monte Oro Grid Resources, Calaca High Power Corporation and State Grid Corporation of China, won the concession contract to operate, maintain and expand the TransCo assets with a bid of U.S.\$3.95 billion. NGCP was officially granted the authority to manage and operate the country’s sole transmission system on 15 January 2009. Ownership of all transmission assets, however, remained with TransCo.

The Grid Code establishes the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the Philippine grid, or the high-voltage backbone transmission system and its related facilities. The Grid Code identifies and provides for the responsibilities and obligations of three key independent functional groups, namely: (a) the grid owner, or TransCo; (b) the system operator, or NGCP as the current concessionaire of TransCo; and (c) the market operator, or PEMC. These functional groups, as well as all users of the grid, including generation companies and distribution utilities, must comply with the provisions of the Grid Code as promulgated and enforced by the ERC.

The Distribution Sector

The distribution of electric power to end-users may be undertaken by private distribution utilities, electric cooperatives, LGUs presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from Congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All distribution utilities are also required to obtain a Certificate of Public Convenience and Necessity (“CPCN”) from the ERC to operate as a public utility.

All distribution utilities are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Distribution Code (which provides the rules and regulations for the operation and maintenance of distribution systems), the Distribution Services and Open Access Rules and the performance standards set out in the IRR of the EPIRA, which took effect on 22 March 2002.

The distribution sector is and will continue to be regulated by the ERC, with distribution wheeling charges, as well as connection fees from its consumers, subject to ERC approval. Likewise, the retail rate imposed by distribution utilities for the supply of electricity to its captive customers is subject to ERC approval. In addition, as a result of the Government’s policy to promote free competition and Open Access, distribution utilities are required to provide universal and non-discriminatory access into their systems within their respective franchise areas following commencement of retail Open Access.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection and use of the electric distribution systems in the Philippines.

The Distribution Code defines the technical aspects of the working relationship between the distributors and all the users of the distribution system, including distribution utilities, embedded generators and large customers. All such electric power industry participants in distribution system operations are required to comply with the provisions of the Distribution Code as promulgated and enforced by the ERC.

The Supply Sector

The supply of electricity refers to the sale of electricity directly to end-users or Contestable Customers. The supply of electricity to the Contestable Market is not considered a public utility operation and will not require a legislative franchise, although it is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to the Contestable Market to obtain a license from the ERC in accordance with the ERC's rules and regulations.

Retail Competition and Open Access ("RCOA") started on 26 June 2013. Since then, Contestable Customers (end-users with demand above the 1MW threshold) may choose where to source their electric power requirements and can negotiate with suppliers for their electricity. By June 2017, the threshold was intended to be dropped to 750kW per hour to allow more establishments to benefit from competition among power producers. However, as discussed in further detail below, by virtue of a Temporary Restraining Order ("TRO") issued by the Supreme Court, the lowering of the threshold to 750kW is suspended pending resolution of the case filed before the said court.

Role of the ERC

With a view towards the establishment of a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market, the ERC was created pursuant to the EPIRA as an independent quasi-judicial body charged with regulating the electric power industry. The ERC replaced the former Energy Regulatory Board, and plays a critical role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice and penalizing abuse of market power by industry participants.

Among the primary powers and functions of the ERC are:

1. to determine, fix and approve, after conducting public hearings, transmission and distribution and wheeling charges, and retail rates, and to fix and regulate the rates and charges to be imposed by distribution utilities and their captive End-users, including self-generating entities;
2. to grant, revoke, review or modify the CPCNs, COCs required of generation companies and the licenses required of suppliers of electricity in the Contestable Market;
3. to enforce a Grid Code and a Distribution Code, which shall include performance standards, the minimum financial capability standards, and other terms and conditions for access to and use of transmission and distribution facilities;
4. to enforce the rules and regulations governing the operations of the WESM, the activities of the WESM operator and other WESM participants to ensure a greater supply and rational pricing of electricity;
5. to ensure that the electric power industry participants and NPC functionally and structurally unbundle their respective business activities and rates and to determine the levels of cross-subsidies in the existing retail rates until the same is removed in accordance with the different sectors;
6. to set a lifeline rate for marginalized end-users;
7. to promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among others, their technical and financial capability and creditworthiness;
8. to determine the electricity end-users comprising the Contestable and Captive Markets;
9. to fix user fees to be charged by Transco for ancillary services to all electric power industry participants or self-generating entities connected to the Grid;
10. to monitor and adopt measures to discourage/penalize abuse of market power, cartelization and any anti-competitive or discriminatory behavior by any electric power industry participant;
11. to review and approve the terms and conditions of service of Transco or any distribution utility or any changes therein;
12. perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry;
13. have the original and exclusive jurisdiction over all cases contesting rates, fees, fines and penalties imposed in the exercise of its powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy sector relating to the foregoing powers, functions and responsibilities;
14. act on applications for cost recovery and return on Demand-Side Management projects;
15. verify the reasonable amounts and determine the manner and duration for the full recovery of stranded debts and stranded contract costs of NPC and the distribution utilities; and

16. handle consumer complaints and ensure promotion of consumer interests.

Role of the DOE

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

1. Prepare and update annually the Philippine Energy Plan and the Philippine Power Development Program, and thereafter, integrate the latter into the former;
2. ensure the reliability, quality and security of supply of electric power;
3. exercise supervision and control over all Government activities pertaining to energy projects;
4. encourage private investments in the electricity sector and promote the development of indigenous and renewable energy sources for power generation;
5. facilitate reforms in the structure and operations of distribution utilities for greater efficiency and lower costs;
6. promote incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;
7. educate the public (in coordination with NPC, ERC, NEA and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and
8. establish the WESM in cooperation with electric power industry participants, and to formulate rules governing its operations.

The DOE supervises the operation of the Wholesale Electricity Spot Market of the Philippine Electricity Market Corporation. The Philippines fosters a liberal competitive environment for market players under each segment within the power structure.

Role of the Joint Congressional Energy Commission

The Joint Congressional Power Commission created pursuant to the EPIRA consists of fourteen (14) members selected from the members of the Philippine Senate and the House of Representatives. On 12 April 2019, Republic Act No. 11285 or the Energy Efficiency and Conservation Act (“EEC”) was signed into law. Under this law, the Joint Congressional Power Commission was renamed to the Joint Congressional Energy Commission (“JCEC”).

Its responsibilities and functions include, among others, the following:

1. Set the guidelines and overall framework to monitor and ensure the proper implementation of the EPIRA;
2. Endorse the PSALM initial privatization plan for approval by the President of the Philippines;
3. Ensure transparency, require the submission of reports from government agencies concerned on the conduct of public bidding procedures regarding privatization of NPC’s generation and transmission assets;
4. Review and evaluate the adherence of industry participants to the objectives and timelines under the EPIRA;
5. Submit periodic reports to the President of the Philippines and Congress; and
6. Recommend necessary remedial legislation or executive measures to correct the inherent weaknesses in the EPIRA.

The initial term of the JCEC was 10 years from the effectivity of the EPIRA, or only until 26 June 2011. However, since key structural changes introduced in the EPIRA have yet to be carried out as well as the need to oversee the implementation of the Renewable Energy Act, the Philippine Congress issued Joint Resolution No. 1 on 26 July 2010 (which was passed by the Senate and the House of Representatives on 6 June 2011 and approved by the President of the Philippines on 21 June 2011) extending the term of the JCEC for another period of 10 years from 26 June 2011.

Role of PEZA

The PEZA was created under Section 11 of RA No. 7916, otherwise known as “The Special Economic Zone Act of 1995” (the “PEZA Act”). “Ecozones” or “Special Economic Zones” refer to selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by Presidential Proclamations. An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones and tourist/recreational centers. PEZA has authority over “Ecozone Utilities Enterprises” which refers to business entities within an Ecozone that is duly registered with and/or franchised/licensed by PEZA to act as contractors/operators of light and power systems, water supply and distribution systems, communications and transportation systems within an Ecozone and other similar or ancillary activities as may be determined by PEZA’s board of directors. Ecozone Utilities Enterprises are entitled to the following incentives: (a) exemption from national and local taxes and in lieu thereof payment of a special tax rate of 5.0% on gross income; (b) additional deductions for training expenses; (c) incentives provided under R.A. 6957 as amended by R.A. 7718, otherwise known as the Build Operate and Transfer Law, subject to such conditions as may be prescribed by PEZA’s board; and (d) other incentives available under the Omnibus Investments Code of 1987.

Section 12 (c) of the PEZA Act grants PEZA’s board the power to regulate and undertake the establishment, operation and maintenance of utilities in an Ecozone and to fix just, reasonable and competitive rates therefor. With the subsequent enactment of the EPIRA, the ERC was vested with the power to regulate the distribution of electricity and to oversee generation companies.

On 11 March 2004, the ERC and PEZA entered into a Memorandum of Agreement and agreed to cooperate and coordinate efforts to oversee the operations of power generation and distribution utilities within Ecozones. The agreement provides that PEZA must register all new generation utilities enterprises for power to be supplied exclusively to economic zone locator enterprises operating within Ecozones as well as self-generation facilities of economic zone locator enterprises, and endorse the same to the ERC for the issuance of the required COC. Existing power generation utilities, including entities with self-generation facilities, must apply for the issuance of a COC with the ERC. PEZA-registered power generation utilities enterprises and economic zone locator enterprises that own generation facilities are required to comply with the same technical, financial and environmental requirements and/or standards of the Philippine Grid Code and the Philippine Distribution Code.

In a memorandum by the Department of Justice to the Office of the President dated 5 February 2007, the Secretary of Justice opined that the repealing clause of the EPIRA did not repeal Section 12 (c) of the PEZA Act, which grants PEZA the power to regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in Ecozones and to fix rates therefor. However, it has been opined that the repealing clause clearly refers to Section 12 (c) considering that the provision repealed by the EPIRA does not have a paragraph (c). However, the EPIRA did expressly repeal Section 5(f) of RA No. 7227, the Bases Conversion and Development Act of 1992, which provides that the Bases Conversion and Development Authority (whose operating and implementing arm is the SBMA) is vested with the power to construct, own, lease, operate and maintain public utilities as well as infrastructure facilities within former U.S. military bases in the Philippines which includes the SBFZ.

Competitive Market Devices

Wholesale Electricity Spot Market

A significant change introduced by the EPIRA is the organization and establishment of the WESM. The WESM shall provide a venue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. The WESM will also provide a venue for establishing merit order dispatch for generation companies whether or not they have bilateral contracts.

The EPIRA mandates the DOE to establish the WESM within one (1) year from its effectivity and directs the DOE and the electric power industry participants to formulate detailed rules therefor. In June 2002, the DOE, in cooperation with electric power industry participants, promulgated detailed rules for the WESM. These rules provide a mechanism to set electricity prices that are not covered by bilateral contracts between electricity buyers and sellers.

On 18 November 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non-profit corporation with membership comprising of an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM. The PEMC was tasked to undertake the preparatory work for the establishment of the WESM pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules.

WESM in Luzon, Visayas, and Mindanao

The WESM in Luzon started its commercial operations on 26 June 2006, while WESM in Visayas started on 26 December 2010. The WESM has been operating ever since with the following framework:

1. Bid-based
2. Gross pool
3. Net settlements
4. One-hour intervals
5. Locational marginal price
6. Mandatory market

Under DOE's draft Department Circular, "Declaring the Launch of the WESM in Mindanao and Providing for Transition Arrangements," the initial target launch of the WESM in Mindanao was 26 June 2017, subject to the fulfillment of the following criteria:

1. All systems and procedures including all interfaces with the participants and service providers necessary for the operation of the WESM in the Mindanao grid are in place and pursuant with the requirements set under the WESM Rules;
2. The Trial Operations Program was implemented successfully commencing on 26 February 2017 with the System Operator and on 26 March 2017 with the Market Participants;
3. The forecasting, scheduling, dispatch, pricing, metering, and settlement processes of the WESM are fully operational in the Mindanao grid;
4. Training programs shall have been conducted for the WESM Mindanao Trading Participants;
5. The price determination methodology for the enhanced WESM design has been approved by the ERC and duly published; and
6. The Market Dispatch Optimization Model has been certified as compliant with the WESM Rules by an independent auditor.

The DOE conducted consultations until March 2017 with WESM in Mindanao for its initial launch on 26 June 2017. However, the DOE encountered difficulties and was scheduled to launch the WESM in Mindanao on 26 January 2020. On 11 January 2020, the DOE announced that the commencement in operations of the WESM will be delayed due to the pending rules in pricing.

The WESM is guided by the WESM Rules and Manuals, where any change is duly approved by the DOE. The Price Determination Methodology, meanwhile, goes through the ERC approval process.

Interim Mindanao Electricity Market (IMEM)

The DOE issued Department Circular No. 2013-05-0008 "Promulgating the Interim Mindanao Electricity Market Implementing Rules". Correspondingly, DOE also issued DC No. 2013-09-0020 approving pertinent IMEM Manuals.

The IMEM has the following features:

1. Day-ahead pricing and scheduling;
2. Zonal pricing
3. IMEM is for available resource capacity after taking out bilateral contract quantities
4. In-Day Market is for imbalances or deviation from day-ahead schedules only

5. Deviations from day-ahead schedule will be subject to penalties and incentives

The IMEM started on 03 December 2013 and the first IMEM billing period ended on 25 December 2013. The first IMEM billing period has not been fully settled and succeeding billing periods were still not billed by PEMC.

The implementation of IMEM was suspended in early 2014.

Open Access and Retail Competition

Under the EPIRA, the conditions for the commencement of the Open Access and Retail Competition are as follows:

1. Establishment of the WESM;
2. Approval of unbundled transmission and distribution wheeling charges;
3. Initial implementation of the cross subsidy removal scheme;
4. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
5. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP administrators.

Under the Open Access and Retail Competition provision, an eligible contestable customer, which is defined as an end-user with a monthly average peak demand of at least 1 MW for the preceding 12 months, will have the option to source their electricity from eligible suppliers that have secured a RES license from the ERC.

Prior to the implementation of the RCOA, the distribution utility exclusively procures energy on behalf of its customers, and delivers the energy through its distribution wires. With RCOA, competing RES will do the buying and selling of electricity, and have the distribution utility deliver the energy for them through the distribution utility's existing distribution wires. The Contestable Customers will have more choices in pricing and power supply contracting, thereby getting the best deal in terms of price and value for money.

Commencement of Open Access

In June 2011, ERC declared 26 December 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However, after careful deliberation, the ERC acknowledged that not all the necessary rules, systems and infrastructures required for the implementation of the Open Access and Retail Competition have been put in place to meet the contemplated timetable for implementation. In October 2011, the ERC announced the deferment of the Open Access Date. In September 2012, the ERC declared the start of Open Access on 26 December 2012. Open Access commercial operations under an interim development system have been implemented starting 26 June 2013.

The implementation of Open Access enabled Aboitiz Power to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. Aboitiz Power has two wholly-owned Subsidiaries, AESI and AdventEnergy, that are RES entities. Open Access allowed AESI and AdventEnergy to enter into contracts with eligible contestable customers. Moreover, Open Access facilitated Aboitiz Power to contract with other RES companies.

On 17 December 2012, the ERC promulgated the transitory rules for the implementation of RCOA.

With the purpose of ensuring quality, reliable and affordable electricity under a regime of free and fair competition, the DOE and the ERC issued the following circulars and resolutions to promote customer choice and foster competition in the electricity supply sector:

- a) DOE Circular No. DC2015-06-0010- Providing Policies to Facilitate the Full Implementation of Retail Competition and Open Access (RCOA) in the Philippine Electric Power Industry ("DOE Circular");
- b) ERC Resolution No. 05, Series of 2016 - A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor ("ERC Resolution No. 5");

- c) ERC Resolution No. 10, Series of 2016 - A Resolution Adopting the Revised Rules for Contestability (“ERC Resolution No. 10”);
- d) ERC Resolution No. 11, Series of 2016 - A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market (“ERC Resolution No. 11”); and
- e) ERC Resolution No. 28, Series of 2016 - Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016 entitled Revised Rules for Contestability (“ERC Resolution No. 28”).

The above resolutions/circulars required electricity end-users with an average monthly peak demand of at least one MW to secure retail supply contracts with licensed retail electricity suppliers on or before 26 February 2017.

On 21 February 2017, the Supreme Court issued a temporary restraining order (“TRO”) against the enforcement of several orders and regulations promulgated by the ERC and the DOE in relation to RCOA, particularly those compelling Contestable Customers to enter into a retail supply contracts with any of the RES accredited by the DOE and the ERC by 26 February 2017.

Notwithstanding the TRO issued by the Supreme Court, electricity end-users with average peak demands of one MW and 750 kW may still choose their retail electricity supplier on a voluntary basis.

ERC Resolution No. 22 Series of 2013

ERC issued revised licensing regulation for RES companies operating in the Retail Supply Segment on 25 November 2013. Items amended include the following:

1. Restriction for Generator, IPP administrators and distribution utilities affiliates in securing license as a RES Company;
2. Transfer of live Retail Supply Contracts (“RSCs”) for RES with expired license to another licensed RES;
3. Determination of full retail competition to be made by ERC not later than 25 June 2015;
4. Contracted capacities of RES affiliates to be included in the grid limitations imposed on Generation Companies;
5. End-user affiliate RES limited to supplying up to fifty percent (50%) of its total contestable customer affiliates;
6. RES companies are limited to procuring up to fifty (50%) of its generation requirements from affiliate Generation Companies;
7. Annual submission of five-year Business Plan; and
8. Submission of live Retail Supply Contracts for review by the ERC.

Since Resolution 22 Series of 2013 limits the retail suppliers and creates non-assurance of renewal of RES license for existing retailers, the Retail Electricity Suppliers Association challenged its legality at the Pasig RTC. The Supreme Court, however, enjoined the hearing of the case and allowed the DOE and ERC to implement the Resolution. On 29 November 2017, the DOE issued Department Circular No. DC 2017-12-0014 which provides for policies on the implementation of RCOA for RES in the Philippine Electric Power Industry.

The ERC subsequently mandated Contestable Customers to enter into a RES supply contract with a RES by 26 December 2016 or be meted a penalty of either disconnection or payment of a 10% premium on their contract price or the WESM price, whichever is higher. The deadline was later extended to 27 February 2017.

On 21 February 2017, or six (6) days before the extended deadline, the Supreme Court issued a TRO which in effect suspended the deadline for the mandatory migration. On 29 November 2017, the DOE issued Department Circular No. DC 2017-12-0013 which provides for policies on the implementation of RCOA for Contestable Consumers in the Philippine Electric Power Industry. Bayan Muna has filed an intervention in the Supreme Court, seeking to clarify whether the TRO covered portions of Department Circular No. DC 2017-12-0013.

As of 29 September 2020, the Energy Regulatory Commission is proposing a new timeline for the implementation of RCOA.

Reserve Market

The DOE issued Department Circular No. DC2013-12-0027, “Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market” dated 02 December 2013. The said Department Circular sets the responsibility of the Philippine Electricity Market Corporation (PEMC), NGCP, NEA and all WESM Members with regard to the operation of the Reserve Market.

The trial operations started on 26 February 2014, and PEMC is still reviewing its results before certifying market readiness. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC under ERC Case # 2007-004RC.

On 26 March 2014, the DOE declared the commercial launch date of the Reserve Market on 26 May 2014, subject to the approval by the ERC. It also directed the implementation of the Central Scheduling and Dispatch of Energy and Contracted Reserves which aims to provide better monitoring of all available generation capacity in both energy and reserve and provide more preparations to the participants for the eventual commercial operation of the Reserve Market. The launch was deferred pending regulatory approval.

On 02 December 2014, the DOE approved the adoption of the Protocol for the Central Scheduling and Dispatch of Energy and Contracted Reserves as well as the WESM Market Manual on the Protocol. The implementation of the Protocol shall immediately cease upon the commercial operation of the Reserve Market or upon declaration of its cessation by the DOE.

On 12 November 2015, the DOE declared the commercial operation of the Central Scheduling and Dispatch of Energy and Contracted Reserves in the WESM.

Unbundling of Rates and Removal of Subsidies

The EPIRA mandates that generation, distribution and wheeling charges be unbundled from retail rates and that rates reflect the respective costs of providing each service. The EPIRA also states that cross-subsidies shall be phased out within a period not exceeding three (3) years from the establishment by the ERC of a universal charge, which shall be collected from all electricity end-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one (1) year if it determines there will be material adverse effect upon the public interest or an immediate, irreparable, and adverse financial effect on a distribution utility.

These arrangements are now in place, in satisfaction of the conditions for open access and retail competition.

The EPIRA likewise provides for a socialized pricing mechanism called a lifeline rate to be set by the ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users will be exempt from the cross-subsidy removal for a period of ten years, unless extended by law.

Implementation of PBR

On 13 December 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates for privately-owned distribution utilities entering 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 the ERC and used by the 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.

The ERC has also implemented a 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 the ERC, such as the: (i) average duration of power outages, (ii) average time of restoration to customers and (iii) average time to

respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Cotabato Light's 2nd Regulatory Period ended on 31 March 2013. A reset process should have been initiated eighteen (18) months prior to the start of the 3rd Regulatory Period covering 01 April 2013 to 31 March 2017. The reset process, however, has been delayed due to the issuance of an Issues Paper on the Implementation of PBR for Distribution Utilities under the RDWR by the ERC in 2013. This paper aims to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

In March 2013, Visayan Electric and Davao Light filed their rate translation application for the fourth regulatory year from 01 July 2013 to 30 June 2014. The ERC set the distribution, supply and metering charges of Davao Light and Visayan Electric in its Decisions dated 24 June 2013. In the case of Visayan Electric, since its implementation of the rate translation in the third regulatory year was delayed by five months, recovery for the under-recovery was included in its MAP recalculation for the fourth regulatory year. A motion for reconsideration was filed by Visayan Electric on 26 July 2013 for the ERC to amend its rate design to fully achieve the correct Annual Revenue Requirement for the fourth regulatory year. The said motion was decided upon by the ERC in an Order dated 09 December 2013 (docketed 16 January 2014) modifying the approved rates in the previous Decision. The under-recoveries arising therefrom may be recovered in the next rate filing under the K-factor (correction factor) of the Maximum Average Price formula.

For SEZ's and SFELAPCO's second regulatory year covering 01 October 2012 to 30 September 2013, SEZ was able to implement the new rate schedule in January 2013 while SFELAPCO's implementation began in April 2013. Consequently, the resulting under-recoveries from the lag starting from 01 October 2012 were included by SFELAPCO and SEZC as under-recoveries in its rate filings in the third regulatory year. The said applications are under the ERC's review as of year-end 2013. SEZC and SFELAPCO entered its fourth regulatory year on 01 October 2014.

Competitive Selection Process

On 11 June 2015, DOE issued Department Circular No. DC2015-06-008 (the "2015 DOE Circular") which mandated all distribution utilities to undergo a competitive selection process ("CSP") in securing Power Supply Agreements ("PSA") 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 30 June 2015.

On 20 October 2015, the ERC issued ERC Resolution No. 13, Series of 2015 ("ERC CSP Rules") as the guidelines for the implementation of the 2015 DOE Circular. Under the ERC CSP Rules, a PSA may only be entered into by direct negotiation if the CSP fails twice. The CSP requirement would not apply to PSAs already filed with the ERC for approval as of the effectivity of the ERC CSP Rules. 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 07 November 2015.

Subsequently, the ERC issued ERC Resolution No. 1, Series of 2016 which, restated extended the date of the effectivity of the CSP requirement from 07 November 2015 to April 30, 2016. It further stated that all PSAs executed on or after said date would be required, without exception, to comply with the provisions of the ERC CSP Rules.

The validity of ERC CSP Rules and ERC Resolution No. 1 was challenged before the Supreme Court on the ground that the ERC, in issuing the said resolutions, amended the 2015 DOE Circular and effectively postponed the date of effectivity of the CSP requirement. On 03 May 2019, the Supreme Court issued a ruling declaring a section in the ERC CSP Rules and ERC Resolution No. 1 as void ab initio. As a consequence, all PSAs submitted to the ERC after the effectivity of the CSP on or after 30 June 2015 shall undergo the CSP.

During the pendency of the said case, on 01 February 2018, the DOE issued Department Circular No. DC2018-02-003 (“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.” The 2018 DOE Circular revoked the authority of ERC to issue supplemental guidelines to implement the CSP and instead issued its own set of guidelines (“DOE CSP Rules”). 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 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 Corporation 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 09 February 2018.

On 09 September 2019, Bayan Muna party-list filed a petition for certiorari and prohibition with application for the issuance of a writ of preliminary injunction and/or temporary restraining order in the Supreme Court alleging that DOE Circular No. DC2018-02-003, which amended DOE Circular No. DC2015-06-0008 and allowed power distribution utilities to appoint a third party to conduct CSP on PSAs, is void for violating certain provision in EPIRA and the Constitution. Supreme Court has directed DOE, ERC, and the respondent power distribution utilities to file their respective comments. As of the date of this Prospectus, Supreme Court has yet to issue a decision on the Bayan Muna petition.

Reduction of Taxes and Royalties on Indigenous Energy Resources

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the implementing rules and regulations, President Arroyo enacted Executive Order No. 100 to equalize the taxes among fuels used for power generation. This mechanism, however, is yet to be implemented.

Government Approval Process

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not being required to secure a franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a COC from the ERC to operate facilities used in the generation of electricity. A COC is valid for a period of five years from the date of issuance.

In addition to the COC requirement, a generation company must comply with technical, financial and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued “Guidelines for the Financial Standards of Generation Companies,” which sets the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC. For COC applications and renewals, the guidelines require the submission to the ERC of, among other things, comparative audited financial statements, a schedule of liabilities, and a five-year financial plan. For the duration of the COC, the guidelines also require a generation company to submit to the ERC audited financial statements and forecast financial statements for the next two fiscal years, among other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be a ground for the imposition of fines and penalties.

The ERC also governs the approval process for PSAs between distribution utilities and power suppliers. Under ERC Resolution No. 38, Series of 2006, Rule 20 (B), the ERC specified that the procedures for Applications for Approval of Power Supply Contract other than those covered by the Guidelines for the Setting and Approval of Electricity Generation Rates and Subsidies for Missionary Electrification Rates (ERC Res. No. 11, Series of 2005). Aside from the regulatory certificates from the SEC, BOI, DOE, and the like, the ERC also requires additional documentary support for PSA approval. For instance, they require financial data such as debt-to-equity ratios,

project costs, annual interests, weighted average cost of capital, bank loans, to name a few. The ERC also requires a specification of the cash flow on the initial costs, operating & maintenance expenses, Minimum Energy Offtake, fuel costs, and the like. In addition, technical and economic characteristics of the generating plant such as the kWh generation (basis of maintenance allowance), installed capacity, mode of operation, and dependable capacity, also need to be presented for ERC approval.

Both resolutions specify that ERC must render a decision within 90 days from the date of filing of the application. If no decision is rendered within the 90-day period, the PSA shall be deemed approved, unless the extension of the period is due to extraordinary circumstances

Upon the introduction of RCOA, the rates charged by a generation company will no longer be regulated by the ERC, except rates for Captive Markets (which are determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and LGU authorities, relating to, among others, site acquisition, construction, operation, including environmental licenses and permits. See the section entitled "*Environmental Laws*" below.

Retail rates charged by Retail Suppliers to Contestable Customers will not require ERC approval, only the retail rates charged by Distribution Utilities to their Captive Customers will be subject to the approval of ERC.

ENVIRONMENTAL LAWS

The Philippine Environmental Impact Statement System and Environmental Compliance

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to comply with the Philippine Environmental Impact Statement System ("EIS System") and obtain an ECC prior to commencement. The Department of Environment and Natural Resources, through its regional offices or through the Environmental Management Bureau, determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the Environmental Management Bureau while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination to the proper Department of Environment and Natural Resources regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandatory.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The Initial Environmental Examination refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

To strengthen the implementation of the EIS System, the Office of the President of the Philippines issued Administrative Order ("A.O.") No. 42 in 2002, providing the streamlining of the ECC application processing and approval procedures. Pursuant to A.O. 42, the DENR promulgated DENR AO No. 200330, also known as the IRR for the Philippine EIS System, in 2003.

Under the IRR, only projects that pose potential significant impact to the environment would be required to secure ECCs. In determining the scope of the EIS System, two factors are considered, namely: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

Specifically, the criteria used to determine projects covered by the EIS System are as follows:

- a. Characteristics of the project or undertaking
 - i. size of the project;
 - ii. cumulative nature of impacts compared to other projects;
 - iii. use of natural resources;
 - iv. generation of wastes and environment related nuisance; and
 - v. environment related hazards and risk of accidents.

- b. Location of the project
 - i. vulnerability of the project area to disturbances due to its ecological importance endangered or protected status;
 - ii. conformity of the proposed project to existing land use, based on approved zoning or on national laws and regulations; and
 - iii. relative abundance, quality and regenerative capacity of natural resources in the area, including the impact absorptive capacity of the environment.

- c. Nature of the potential impact
 - i. geographic extent of the impact and size of affected population;
 - ii. magnitude and complexity of the impact; and
 - iii. likelihood, duration, frequency, and reversibility of the impact.

The ECC of a project not implemented within five years from its date of issuance is deemed expired. The proponent must reapply for a new ECC if it intends to still pursue the project. The reckoning date of project implementation is the date of ground-breaking, as stated on the proponent's work plan submitted to the Environmental Management Bureau ("EMB").

While the terms and conditions of an EIS or an Initial Environmental Examination may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an Initial Environmental Examination was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the Department of Environment and Natural Resources to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not be later than the initial construction phase of the project. The Environmental Monitoring Fund shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

In order to address air pollution from mobile and stationary sources, equipment that emit or may emit air pollutants may only be operated upon obtaining a Permit to Operate from the DENR. An application for a Permit to Operate must be filed for each source emitting regulated air pollutants, but facilities having more than one source may group the sources under a single permit application.

Philippine Clean Water Act

In 2004, Republic Act No. 9275, or the “Philippine Clean Water Act of 2004,” was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country’s water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective LGU, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

Philippine Clean Air Act

R.A. 8749 or “The Philippine Clean Air Act of 1999” is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under this, the DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market-based instruments, and setup a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking. To implement this law, the Government is promoting energy security through policies on energy independence, sustainability, and efficiency. These involve:

- a) increasing oil and gas exploration;
- b) strengthening of the PNOC to spearhead the development of indigenous energy resources and building global partnerships and collaborative undertakings;
- c) pursuing the development of renewable energy such as geothermal, wind, solar, hydropower, and biomass, and the vigorous utilization of the cleaner development mechanism and the emerging carbon market;
- d) expanding the use of natural gas; and
- e) adopting energy efficiency promotion strategies.

The Philippine Clean Air Act of 1999 requires enterprises that operate or utilize air pollution sources to obtain an Authority to Construct or a Permit to Operate from the DENR with respect to the construction or use of air pollutants. The issuance of said permits seek to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

In support of this legislation, PHINMA Petroleum is participating in oil and gas exploration and development of renewable energy sources.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills. Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution has the primary responsibility of conducting clean-up operations at its own expense.

The Toxic Substances and Hazardous and Nuclear Waste Control Act

R.A. No. 6969 or “The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990,” regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

Hazardous wastes are substances brought into the country without any safe commercial, industrial, agricultural or economic usage. On the other hand, toxic wastes are substances that are poisonous and have carcinogenic, mutagenic, or teratogenic effects on human or other life forms.

Ecological Solid Waste Management Act

R.A. No. 9003 or “The Ecological Solid Waste Management Act of 2000” provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The same law mandates all, especially, the LGUs, to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport and storage of solid waste.

The National Solid Waste Management Commission, together with other government agencies and the different LGUs, are responsible for the implementation and enforcement of the said law.

RENEWABLE ENERGY ACT OF 2008

RA No. 9513, otherwise known as the Renewable Energy Act of 2008 (the “RE Law”) was approved in 2008. The RE Law provides for the acceleration and development of renewable resources. It aims to increase the utilization of renewable energy which will provide enhanced market and business opportunities for the renewable energy generation subsidiaries of Aboitiz Power.

The RE Law became effective on 31 January 2009. The RE Law stipulates the acceleration and development of renewable resources. Its policy is to increase the utilization of renewable energy which will provide enhanced market and business opportunities for the renewable energy generation subsidiaries of AboitizPower.

DOE Department Circular No. 2009-05-0008, or the Rules and Regulations Implementing RA No. 9513, was issued on 25 May 2009. However, to fully implement the RE Law, the Renewable Portfolio Standards, the RE Market and the changes in the WESM Rules for intermittent generation should still be implemented.

In 2017 and 2018, DOE issued Department Circular Nos. DC2017-12-0015 and DC2018-08-0024, which prescribed the rules and guidelines governing the establishment of the RPS for On-Grid and Off-Grid Areas (“RPS Rules”), respectively. On 4 December 2019, DOE promulgated Department Circular No. DC2019-12-0016 or the “Renewable Energy Market Rules.”

FINANCIAL AND OTHER INFORMATION

The following pages set forth AboitizPower's unaudited interim condensed consolidated financial statements as at 30 September 2020 and for the nine (9) months ended 30 September 2020 and 2019; and the Company's audited consolidated financial statements as at 31 December 31, 2019, 2018, and 2017, and for each of the three (3) years in the period ended 31 December 2019.

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