



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

**First Tranche:  
₱4,000,000,000.00 Fixed Rate Bonds Due 2026  
with an Oversubscription Option  
of ₱4,000,000,000.00  
3.8224% 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 Agents  
East West Banking Corporation  
SB Capital Investment Corporation  
Union Bank of the Philippines

The date of this Final Prospectus is 26 February 2021

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS 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.**



(A corporation duly organized and existing under Philippine laws)

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

This Prospectus relates to 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 Debt Securities Program, AboitizPower is offering a principal amount of ₱4,000,000,000.00 (the “Base Offer”), with an oversubscription option of ₱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 16 March 2021 (the “Issue Date”). The First Tranche Bonds shall have a term of five (5) years from the Issue Date, or maturing on 16 March 2026, with a fixed interest rate of 3.8224% per annum and an optional redemption on the third and fourth anniversary of such First Tranche Bonds 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 16 March, 16 June, 16 September, and 16 December 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 61 of this Prospectus).

The First Tranche Bonds shall be redeemed 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 62 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 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 Bonds (see “Description of the Offer” – “Ranking” on page 61 of this Prospectus).

Each tranche of the Bonds will be rated by Philippine Rating Services Corporation (“PhilRatings”). The First Tranche Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings on 18 December 2020. PRS Aaa is the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. A Stable Outlook means that the rating is likely to be maintained or to remain unchanged in the next twelve months.

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 are 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 redemption of the (a) 5.2050% Series A Bonds, with a term of seven (7) years from issue date on 10 September 2014 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 on 10 September 2014 in the aggregate amount of ₱3,400,000,000.00 issued by AboitizPower on 10 September 2014 (collectively, the “2014 Bonds”), which are discussed further in the section entitled “Use of Proceeds” on page 49 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 18 December 2020, AboitizPower filed the 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 Debt Securities Program 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 Debt Securities Program, in one or more subsequent tranches under Rule 8.1.2 of the Implementing Rules and Regulations of the SRC.

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, offering of, and the First Tranche Bonds as may be required by Applicable Law. 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 36 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 it/he/she has not relied on the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners or any person affiliated therewith in its/his/her investigation of the accuracy of any information found in this Prospectus or in its/his/her 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 36 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 32<sup>nd</sup> Street, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines with telephone number (+632) 8886-2800.

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



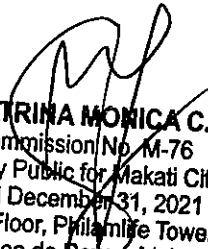
ABOITIZ POWER CORPORATION  
By:

A handwritten signature in black ink, appearing to read 'Emmanuel Y. Rubio', written over a vertical line that extends downwards from the 'By:' label.

EMMANUEL Y. RUBIO  
President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this 26 February 2021, affiant exhibiting to me his Philippine Passport No. P3162364B issued in DFA Manila on 13 September 2019.

Doc. No. 245 ;  
Page No. 50 ;  
Book No. 1 ;  
Series of 2021.



**ATTY. KATRINA MONICA C. GAW**  
Commission No. M-76  
Notary Public for Makati City  
Until December 31, 2021  
21st Floor, Philamlife Tower  
8767 Paseo de Roxas, Makati City  
Roll No. 73344  
PTR No. 8533289 / 4-Jan-2021 / Makati City  
IBP No. 135501 / 17-Dec-2020 / Makati City  
Admitted June 19, 2019

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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 36 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 (the “2014 Series A Bonds”); 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 (the “2014 Series B Bonds”)
AA Thermal	AA Thermal, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has a beneficial interest and over which ACO, 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 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	Refers to SNAP-Benguet’s 105-MW Ambuklao HEPP located in Bokod, Benguet and 140-MW Binga HEPP in Itogon, Benguet

Anti-Money Laundering Laws of the Philippines	RA No. 9160, as amended by RA No. 9194, RA No. 10167, and RA No. 11521, and BSP Circular Nos. 251, 253, 279, 527, 564, 608, 612, and 706, and all other amendatory and implementing law, regulation, jurisprudence, notice, or order of any Government Authority body relating thereto
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 Aboitiz 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 AC Plant	The 74.8-MW Bakun run-of-river HEPP of LHC located in Ilocos Sur
Banking Day	Any day other than Saturday, Sunday and public holidays, on which commercial banks in Taguig City and Makati City and the Philippine Clearing House Corporation are generally open for the transaction of business; 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 ₱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 HEPP 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 the relevant time, in the Register of Bondholders as the registered owner of the First Tranche Bonds
Bonds	The unsecured fixed-rate Peso-denominated retail bonds in the 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
CREATE Bill	Senate Bill No. 1357 or the Corporate Recovery and Tax Incentives for Enterprises Act
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 or the Program	The shelf registration of AboitizPower in the aggregate principal amount of up to ₱30,000,000,000.00						
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						
Early Redemption Premium	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 First Tranche Bonds being redeemed:						
	<table border="0"> <thead> <tr> <th style="text-align: center;">Optional Redemption Dates</th> <th style="text-align: center;">Early Redemption Premium</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3 years from Issue Date and every Interest Payment Date thereafter before the 4<sup>th</sup> anniversary of the Issue Date</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td style="text-align: center;">4 years from Issue Date and every Interest Payment Date thereafter before Maturity Date</td> <td style="text-align: center;">0.25%</td> </tr> </tbody> </table>	Optional Redemption Dates	Early Redemption Premium	3 years from Issue Date and every Interest Payment Date thereafter before the 4 <sup>th</sup> anniversary of the Issue Date	1.00%	4 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	0.25%
Optional Redemption Dates	Early Redemption Premium						
3 years from Issue Date and every Interest Payment Date thereafter before the 4 <sup>th</sup> anniversary of the Issue Date	1.00%						
4 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	0.25%						
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 ERC
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 Base Offer of ₱4,000,000,000.00, with an Oversubscription Option of ₱4,000,000,000.00
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 26 February 2021 entered into between the Company and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners in relation to First Tranche Bonds
Issue Date	16 March 2021, 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 HEPP 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 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
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 2 March 2021 and ending at 5:00 p.m. on 8 March 2021 or on such other dates as the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 ₱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 TMI, which has a total generating capacity of 200 MW
PB 118	Power Barge Mobile 1 owned and operated by TMI, which has 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
PLC	Publicly Listed Company
Pmax	Maximum power point
Power Partners	Power Partners Ltd. Co.
PPA	Power Purchase Agreement
PPE	Property, Plant, Equipment
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 or the Registrar	Philippine Depository & Trust Corp.
Registration Statement	The application for the registration of securities filed with the SEC on 18 December 2020 as required under the SRC
Registry and Paying Agency Agreement	Agreement dated February 26, 2021 entered into between the Company and the Registrar and Paying Agent in relation to the First Tranche Bonds
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	Return-on-Rate 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	Institutions who are authorized under Philippine law to act as such and whose role is to help facilitate the sale and distribution of the First Tranche Bonds. The Selling Agents for this Offer are each of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, East West Banking Corporation, SB Capital Investment Corporation, and Union Bank of the Philippines.
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 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 Debt Securities Program 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
TCFD	Task Force on Climate-Related Financial Disclosures
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 incurrance 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 26 February 2021 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
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 PSE.*

### **The Offering**

AboitizPower is offering the First Tranche Bonds with a Base Offer of ₱4,000,000,000.00, with an Oversubscription Option of ₱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 Debt Securities Program 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.

### **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 real estate. 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.<sup>1</sup> Moreover, AboitizPower has the second largest distribution utility, in terms of captive customer connections and energy sales<sup>2</sup>, the second largest (in terms of number of customers) and third largest (in terms of share in total retail market demand) RES company.<sup>3</sup> 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.<sup>4</sup>

For a full discussion, please refer to the section on “*The Company*” on page 78 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 76.88% of the outstanding capital stock of AboitizPower as of 31 December 2020.

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<sup>1</sup> Based on ERC Resolution No. 02, dated 12 March 2020

<sup>2</sup> Based on DOE’s Distribution Development Plan 2016-2025

<sup>3</sup> ERC Competitive Retail Electricity Market Monthly Statistical Data as of November 2020

<sup>4</sup> 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 29 December 2020, the Company’s market capitalization was at ₱195.37 bn.

For a full discussion, please refer to the section on “*The Company*” on page 78 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”.

The Group adopted PFRS 16, *Leases*, using the modified retrospective approach with the initial date of application of 01 January 2019. Amounts presented in the balance sheets and statements of income as of, and for the years ended, 31 December 2018 and 2017 are based on PAS 17, *Leases*; IFRIC 4, *Determining whether an Arrangement contains a Lease*; SIC-15, *Operating Leases-Incentives*; and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The comparative financial information for accounts affected by the adoption of PFRS 16 may not be comparable to the information presented as of, and for the year ended, 31 December 2019. Please refer to Note 2 of the Group’s audited consolidated financial statements, which are included as an Annex to this Prospectus, for the effect of the adoption of PFRS 16.

Prospective Bondholders should read the summary financial information below together with 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 178 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)
<b>ASSETS</b>					
<b>Current Assets</b>					
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
<b>Total Current Assets</b>	<b>82,007,596</b>	<b>76,896,785</b>	<b>88,708,607</b>	<b>67,961,596</b>	<b>73,649,187</b>
<b>Noncurrent Assets</b>					
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
<b>Total Noncurrent Assets</b>	<b>322,100,002</b>	<b>333,572,572</b>	<b>300,953,569</b>	<b>293,515,403</b>	<b>283,357,707</b>
<b>TOTAL ASSETS</b>	<b>₱404,107,598</b>	<b>₱410,469,357</b>	<b>₱389,662,176</b>	<b>₱361,476,999</b>	<b>₱357,006,894</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Short-term loans	₱13,491,814	₱10,335,420	₱11,546,560	₱4,717,300	₱4,155,600
Current portions of:					
Long-term debts	16,771,434	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
<b>Total Current Liabilities</b>	<b>₱64,186,859</b>	<b>₱51,390,469</b>	<b>₱46,815,020</b>	<b>₱49,312,291</b>	<b>₱32,802,506</b>



	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)	December 31, 2017 (Audited)	December 31, 2016 (Audited; As Restated)
<b>Noncurrent Liabilities</b>					
Noncurrent portions of:					
Long-term debts	₱161,970,413	₱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
<b>Total Noncurrent Liabilities</b>	<b>₱211,238,135</b>	<b>₱225,435,877</b>	<b>₱206,270,489</b>	<b>₱188,186,244</b>	<b>₱211,995,168</b>
<b>Total Liabilities</b>	<b>₱275,424,994</b>	<b>₱276,826,346</b>	<b>₱253,085,509</b>	<b>₱237,498,535</b>	<b>₱244,797,674</b>
<b>Equity Attributable to Equity Holders of the Parent</b>					
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
<b>Non-controlling Interests</b>	<b>7,445,930</b>	<b>8,100,021</b>	<b>8,863,751</b>	<b>8,582,094</b>	<b>7,094,801</b>
<b>Total Equity</b>	<b>128,682,604</b>	<b>133,643,011</b>	<b>136,576,667</b>	<b>123,978,464</b>	<b>112,209,220</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱404,107,598</b>	<b>₱410,469,357</b>	<b>₱389,662,176</b>	<b>₱361,476,999</b>	<b>₱357,006,894</b>

## 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
<b>OPERATING REVENUES</b>	<b>₱81,129,541</b>	₱94,681,034	₱125,635,157	₱131,572,084	₱119,391,303	₱89,163,269
<b>OPERATING EXPENSES</b>	<b>₱61,852,466</b>	₱72,447,796	₱96,779,283	₱95,075,402	₱85,217,574	₱62,852,969
<b>FINANCIAL INCOME (EXPENSES)</b>						
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)
	<b>₱(10,074,605)</b>	₱(9,187,530)	₱(12,755,943)	₱(11,202,073)	₱(10,320,768)	(6,620,476)
<b>OTHER INCOME (EXPENSES)</b>						
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	2,517,714	2,303,792	3,483,387	(1,292,311)	(1,704,000)	1,669,212
	<b>₱4,227,682</b>	₱5,116,150	₱7,297,349	₱3,064,514	₱2,993,864	₱5,310,422
<b>INCOME BEFORE INCOME TAX</b>	<b>13,430,152</b>	18,161,858	23,397,280	28,359,123	26,846,825	25,000,246
<b>PROVISION FOR INCOME TAX</b>	<b>4,785,682</b>	2,508,604	3,215,498	2,925,623	3,858,398	3,496,140
<b>NET INCOME</b>	<b>₱8,644,470</b>	₱15,653,254	₱20,181,782	₱25,433,500	₱22,988,427	₱21,504,106
<b>ATTRIBUTABLE TO:</b>						
Equity holders of the parent	₱7,005,701	₱13,454,957	₱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
	<b>₱8,644,470</b>	₱15,653,254	₱20,181,782	₱25,433,500	₱22,988,427	₱21,504,106
<b>EARNINGS PER COMMON SHARE</b>						
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	<b>₱0.95</b>	₱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
<b>NET INCOME ATTRIBUTABLE TO:</b>						
Equity holders of the parent	<b>₱7,005,701</b>	₱13,454,957	₱17,322,677	₱21,707,603	₱20,416,442	₱20,002,582
Non-controlling interests	<b>1,638,769</b>	2,198,297	2,859,105	3,725,897	2,571,985	1,501,524
	<b>₱8,644,470</b>	₱15,653,254	₱20,181,782	₱25,433,500	₱22,988,427	₱21,504,106
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(3,172,294)</b>	(2,692,211)	(2,615,179)	1,060,998	378,492	71,222
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,472,176</b>	₱12,961,043	₱17,566,603	₱26,494,498	₱23,366,919	₱21,575,328
<b>ATTRIBUTABLE TO:</b>						
Equity holders of the parent	<b>₱4,376,837</b>	₱11,232,967	₱14,947,290	₱22,602,094	₱20,617,187	₱20,124,770
Non-controlling interests	<b>1,095,339</b>	1,728,076	2,619,313	3,892,404	2,749,732	1,450,558
	<b>₱5,472,176</b>	₱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 265 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 84 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 86 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
- Stranded Asset 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 36 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 2 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 are estimated to be ₱3,943,270,375, or ₱7,895,635,375 assuming the full exercise of the Oversubscription Option. Proceeds of the Offer will be used by the Issuer to fund the redemption of the 2014 Bonds as more specifically described in the section entitled “Use of Proceeds” on page 49 of this Prospectus.

	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)		
<b>Short-term debt</b>			
Short-term loans	13,492	13,492	13,492
Current portions of:			
Long-term debt	16,771	16,771	16,771
Lease liabilities	6,540	6,540	6,540
Total short-term debts	36,803	36,803	36,803
<b>Long-term debts – net of current portion</b>			
Non-current portions of:			
Long-term debt	161,970	161,970	161,970
Lease liabilities	33,974	33,974	33,974
The issue of Bonds	–	3,943	7,896
Total long-term debts	195,944	199,887	203,840
<b>Equity</b>			
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	361,430	365,373	369,326

## 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) the 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 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 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	:	Each Tranche of 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 Base Offer of ₱4,000,000,000.00 and an Oversubscription Option of ₱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 Base Offer in the principal amount of ₱4,000,000,000.00, and an Oversubscription Option of ₱4,000,000,000.00 under the Issuer’s Debt Securities Program.  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 Debt Securities Program and may be issued in tranches within Shelf Period.  The Oversubscription Option is exercisable by the Joint 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 redemption of the 2014 Bonds as more specifically described in the section entitled “Use of Proceeds” on page 49 of this Prospectus.
Issue Price	: 100% of face value
Manner of Distribution	: Public Offering
Offer Period	: The Offer shall commence at 9:00 a.m. on 2 March 2021 and end at 5:00 p.m. on 8 March 2021, or on such other date as the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may agree upon.
Issue Date	: 16 March 2021, 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 : Five (5) years from the Issue Date, or maturing on 16 March 2026, 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 3.8224% per annum

Interest Payment Date : The Interest shall be paid quarterly in arrear on 16 March, 16 June, 16 September, and 16 December of each year commencing on 16 June 2021, 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 Early Redemption Premium)
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%

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 PRS Aaa with a Stable Outlook 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 risk 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 quarantine protocols, and onsite infections have also significantly affected the project milestones, and are anticipated to persist given the new COVID-19 variants. Nonetheless, the Regulatory Affairs and External Relations, and Compliance teams of the concerned Business Units have been closely coordinating with the relevant Government Authority in relation to these COVID-19 protocols.

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 Applicable 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 Applicable Law or changes in the application or interpretation of Applicable Law 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.

This team, among others, actively participates 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 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 25<sup>th</sup> to 54<sup>th</sup> 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 through 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 continually improved. AboitizPower keeps pace with current information security threat landscape, solutions, and best practices to further strengthen prevention, detection, and comprehensive response to information 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. See “Recent Developments” on page 48 for a discussion of the unscheduled outage of Unit 1 of the GMEC plant in Mariveles, Bataan.

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 the 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-event evaluations 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:

- The growing multi-sectoral negative action against coal has led many financial institutions to restrict investments in coal projects. The following are important considerations of the Company’s existing portfolio and strategic project pipeline, where coal concentration in particular will significantly be reduced by the year 2030:
  - (a) Financing and re-financing risk in terms of the Company’s inability to borrow money to fund future coal projects and, while banks are still willing to lend, the cost of project financing tends to be more expensive. Regulatory pressure is also increasing with the DOE Memorandum dated 22 December 2020 (Advisory on the Moratorium and Endorsements for Greenfield Coal-Fired Power Projects in line with Improving the Sustainability of the Philippines’ Electric Power Industry) which became effective on 27 October 2020; 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. Inability to fill up 100% capacity due to the reluctance or withdrawal of some insurance markets to insure coal has prompted the Company to increase the retention of captive insurance. 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.
- 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:

- Regular monitoring of the Company's cash position;
- Issuance of retail bonds;
- Maintaining good relationships with the banks;
- Exploring alternative risk transfer options and operationalizing self-retention strategies; and
- 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 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 31 December 2020, the Philippine Department of Health ("DOH") reported 474,064 total cases of COVID-19 nationwide with 9,244 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 plants.

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 COVID-19 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 team members and selected essential team members, 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 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 AboitizPower's Regulatory Affairs and 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.

### **Stranded Asset Risk**

Stranded assets are investments that are not able to sustain a viable economic return and/or which are likely to see their economic life curtailed due to a combination of technology, regulatory and/or market changes. There can be no assurance that the adoption of new safety, health, mining and environmental laws and regulations, new interpretations of existing laws, increased governmental scrutiny of safety, health, mining and environmental laws or other developments in the future will not result in the Company and its Subsidiaries from being required to upgrade, supplement or relocate its facilities and having to incur additional capital expenditures or operating expenses to address the risk of potential stranded generation assets. In the event that future laws are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilizing fossil fuels, certain capital expenditures or operating expenses or financing costs may not be fully recoverable.

The Philippines is a party to the 2015 Paris Agreement signed by almost 200 nations, which aims to keep the increase in global average of temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. Recently promulgated implementing rules and regulations by the DOE on "Renewable Portfolio Standards" also mandate electric power industry participants (such as generation companies, distribution utilities and electric cooperatives) to source or produce a portion of their electricity requirements from eligible renewable energy resources and undertake competitive selection processes ("CSP") in sourcing renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the Company to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

The Company is cognizant of the regulatory and market drivers in the shift towards green and sustainable business transformations. AboitizPower and its Subsidiaries are guided by its sustainability framework that looks into environmental, social and governance risks including climate-related risks of its value chains. The Company's strategy has long considered environmental sustainability as one of its key pillars and, to date, together with its partners, the Company is the largest private renewable energy operator in the country with 1,544 MW in installed capacity.

AboitizPower's growth strategy remains aligned with the energy trilemma – balancing the three pillars of energy security, energy equity, and environmental sustainability. Over the last decade, the growth in energy demand has necessitated a focus on energy security and energy equity - the provision of reliable, and affordable energy for a growing economy. Having addressed energy security and energy equity via the presence of sufficient baseload capacity, AboitizPower has begun to shift focus back to environmental sustainability, and rebalancing its energy portfolio. This transition is included in the Company's sustainability agenda, with the Company targeting a mix of 50% thermal and 50% renewable energy capacity by 2030 from its current mix of 73% thermal (which are

conventional or combustion power plants such as coal or fuel fired plants), and 27% renewable (which do not rely on fossil fuels).

Further, to properly assess the potential and extent of the above-mentioned risks, AboitizPower, through its holding company, AEV, signed up to become the first Philippine supporter of the international Task Force on Climate-Related Financial Disclosures (“TCFD”) in early 2020. This is a voluntary commitment to adopt a defined governance structure on identifying and addressing physical and transition risks associated with climate change, as well uncovering opportunities, and improving disclosures to provide clear and reliable information to stakeholders. Under SEC Memorandum Circular No. 4, series of 2019 on the Sustainability Reporting Guidelines for Publicly-Listed Companies (“PLCs”), there is a three-year period under which PLCs can comply, which includes the adoption of the TCFD reporting template.

### **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 facets 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 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 on going 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 62 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 assigned rating organization.

### **Suitability of Investment**

Each Prospective Bondholder of 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.

## RECENT DEVELOPMENTS

On 24 February 2021, GMEC informed AboitizPower of an unscheduled outage of unit 1 of its plant in Mariveles, Bataan. The outage is attributable to damage found in a portion of the boiler of GMEC's unit 1. The procurement of the necessary services for restoration works is underway, and, based on AboitizPower's assessment as of date, completion of said works and unit 1's return to service are targeted by the third quarter of 2021, but may take up to year-end 2021. GMEC's insurance brokers and adjusters have been informed, and the parties are currently undergoing the process of filing the insurance claims. Coordination with regulators and other keystakeholders is also ongoing. The GMEC plants represent about 13% of the total installed capacity under AboitizPower's market control of 3,850 MW. Unit 1 of the GMEC plant delivers a net sellable capacity of 247 MW, which represents approximately 7% of AboitizPower's total attributable net sellable capacity of 3,494 MW.

## 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
Issue Management and Underwriting Fees <sup>5</sup>	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, Printing Cost, etc.)	390,000
<b>Estimated net proceeds of the Issue</b>	<b>₱ 3,942,812,675</b>

*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
Issue Management and Underwriting Fees <sup>6</sup>	31,200,000
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, Listing Fee, Printing Cost, etc.)	390,000.00
<b>Estimated net proceeds of the Issue</b>	<b>₱7,895,302,675</b>

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.

<sup>5</sup> Inclusive of GRT

<sup>6</sup> 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
Redemption of the 2014 Series A Bonds Maturing in 2021	₱ 3.9 bn	September 2021

Oversubscription Option is Fully Exercised

	With Oversubscription	Timing of Disbursement
Redemption of the 2014 Series A Bonds Maturing in 2021	₱ 6.6 bn	September 2021
Partial Funding for the Early Redemption of the 2014 Series B Bonds Originally Maturing in 2026	₱ 1.3 bn	September 2021
<b>Total</b>	<b>₱7.9 bn</b>	

\* Sum figures will differ due to rounding effect

**Redemption of the 2014 Series A Bonds Maturing in 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 were used by the Issuer to replenish working capital, other general corporate requirements, and to partially fund certain projects. 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 redemption of the 2014 Series A Bonds maturing in September 2021.

**Partial Funding for the Early Redemption of the 2014 Series B Bonds Originally Maturing in 2026**

On 10 September 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 B Bonds were used by the Issuer to replenish working capital, other general corporate requirements, and to partially fund certain projects. 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 early redemption of the 2014 Series B Bonds originally maturing in September 2026.

The 2014 Series B Bonds may only be redeemed 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 2014 Series B Bonds of the early redemption 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 early redemption of the 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.

The interest rate of the First Tranche Bonds of 3.8224% per annum was based on the 3-day simple average of the 5-year PHP BVAL Reference Rate, as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time) on the dates of February 22, February 23, and February 24, 2021, plus a final spread per annum of 90 basis points.

## 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 ₱4,000,000,000.00 with an Oversubscription Option of ₱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 Debt Securities Program 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 26 February 2021, 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:

<b>Joint Issue Managers and Joint Lead Underwriters</b>	<b>Commitment</b>
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
<b>Total</b>	<b>₱4,000,000,000.00</b>

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 the 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, Joint Lead Underwriters, and Joint Bookrunners 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 30 September 2020, on an unaudited basis, it had total assets of ₱4.2 bn, total liabilities of ₱0.6 bn and total equity of ₱3.60 bn.

BPI Capital is the wholly-owned investment banking subsidiary of the Bank of the Philippine Islands and is duly licensed by the SEC to engage in the underwriting and distribution of securities. BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placement, project finance and loan syndication. It began operations as an investment house in December 1994.

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 31 December 2020, 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, Joint Lead Underwriters, and Joint Bookrunners are authorized to organize a syndicate of soliciting dealers and/or selling agents for the purpose of the Offer; provided, however, that the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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, Joint Lead Underwriters, and Joint Bookrunners 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, Joint Lead Underwriters, and Joint Bookrunners 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 the Anti-Money Laundering Laws of the Philippines, 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 2 March 2021 and end on 8 March 2021 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; 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 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 bearing the wet-ink signature of the Applicant's signatory 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 and Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Applicant's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Applicant is not doing business in the Philippines; provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Applicant on the interest payments to such Applicant; 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 Applicant claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

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 Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner.

## **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 Manager, Joint Lead Underwriter, and Joint Bookrunner, 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 without interest by the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner 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 without interest by the issuance by the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner 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 Manager, Joint Lead Underwriter, and Joint Bookrunner 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 Manager, Joint Lead Underwriter, and Joint Bookrunner; 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.

## **Register 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. A 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 register of bondholders ("Register of Bondholders") to be maintained by the Registrar. AboitizPower will cause the Register of Bondholders 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 Register of Bondholders.

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 Bondholders 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 with an aggregate principal amount of ₱4,000,000,000.00, with an Oversubscription Option of an aggregate principal amount of ₱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 26 February 2021 (the “Trust Agreement”) entered into between the Issuer and BDO Unibank Inc. - Trust and Investments Group (the “Trustee”), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the 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 26 February 2021 (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 five (5) years from the Issue Date or on 16 March 2026 (“Maturity Date”), unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below, provided that, if such Maturity Date falls on a day that is not a Banking Day, the Maturity Date shall be the immediately succeeding Banking Day, without adjustment to the amount of interest to be paid.

The Registrar and Paying Agent 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 Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the First Tranche Bonds purchased by each applicant in the Offer 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

Register of Bondholders 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 Aaa with a Stable Outlook by Philratings. PRS Aaa is the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. A Stable Outlook means that the rating is likely to be maintained or to remain unchanged in the next twelve months.

The rating and Outlook were assigned given the following key considerations: (1) significant levels of cash flows and financial flexibility in relation to debt service requirements; (2) adequate capital structure, supported by the healthy increase in retained earnings; (3) diversified portfolio, with good growth prospects; (4) experienced management team; and (5) given that electricity is an essential need, the power industry is seen to be relatively more stable amidst increasing economic uncertainty caused by the COVID-19 pandemic.

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**

#### **Register of Bondholders**

The Issuer shall cause the Register of Bondholders 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 Register of Bondholders. 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](http://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 3.8224% per annum, payable quarterly in arrear starting on 16 June 2021 for the first interest payment date, and 16 March, 16 June, 16 September, and 16 December of each year while the First Tranche Bonds are outstanding (each an “Interest Payment Date”), or the immediately succeeding Banking Day, if such Interest Payment Date is not a Banking Day, without any adjustment in the amount due. 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:

<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of Early Redemption Premium)</b>
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, 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 that is imposed under an Early Redemption, anything in the Trust Agreement or in the First Tranche Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.2 of the Trust Agreement, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2 under the same Trust Agreement.

## **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 and associations 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, for subsequent interests due and subject to the requirements of new or amendatory regulations, 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 bearing the wet-ink signature of the Bondholder’s signatory should be submitted to the 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 and Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder’s legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

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 Early Redemption Premium, 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, 31 December 2019, 31 December 2018, 31 December 2017, and 31 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 178 of this Prospectus.

	30 September 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Interest Coverage Ratio <sup>7</sup>	Not measured on an interim basis	2.83	3.53	3.60	4.78
Return on Common Equity <sup>8</sup>	Not measured on an interim basis	14.50%	20.20%	21.00%	22.60%
Current Ratio <sup>9</sup>	1.28	1.53	1.89	1.38	2.25
Debt to Equity Ratio <sup>10</sup>	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.

<sup>7</sup> Earnings Before Interest and Taxes divided by Interest Expense

<sup>8</sup> Net Income after Tax divided by Total equity adjusted for cash dividends

<sup>9</sup> Current Assets divided by Current Liabilities

<sup>10</sup> Total liabilities divided by total stockholders' equity

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.
5. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal, or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs.
6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of 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 Registrar and Paying Agent 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 and 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 through the Registrar and Paying Agent or any other agent appointed by the Trustee in connection with the First Tranche Bonds, subject to any other provision of the Trust Agreement and the Registry and Paying Agency 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 Paying Agent, and each such Person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by the Trustee and the 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 and Paying Agent in relation to the First Tranche Bonds shall require the conformity of the Trustee. The Registrar and Paying Agent 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 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, 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. The Issuer shall authorize the Registrar and Paying Agent to provide the Trustee with the list of Bondholders for purposes of calling a meeting of the Bondholders.

### **Notice of Meetings**

The Trustee may at any time call a meeting of the Bondholders, or the Majority Bondholders 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 Paying Agent and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting, including the cost of the venue and other related expenses for the meeting, shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

### **Failure of Trustee to Call a Meeting**

In case at any time the Issuer, pursuant to a resolution of its Board, or the Majority Bondholders 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 Majority Bondholders 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. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and Paying Agent and shall be held free and harmless for such reliance.

### **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.

In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of the Trust Agreement.

The Trustee shall report regularly to the Bondholders any non-compliance by the Issuer with the Trust Agreement and, to the best of Trustee's knowledge, any development with respect to the Issuer based on official

disclosures to the PDEX, PSE, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, PSE, SEC, or other regulatory agencies; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the First Tranche Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation.

The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificate of Indebtedness for the total issuance of the First Tranche Bonds.

The Trustee shall promptly and faithfully carry out the instructions or decisions of the Bondholders issued or reached in accordance with Section 11 of 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 curing or waiver of any Event of Default which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of an Event 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 its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. The Trustee may appoint agents to perform or institute the necessary actions in the exercise of such rights and powers.

The Trustee shall inform the Bondholders of any event, breach of representations and warranties, and Event of Default within a reasonable period from the time that the Trustee learns or is informed of such event.

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

Upon written request by the Issuer no later than 11:30 a.m. on a Banking Day, the Trustee shall send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under the Trust Agreement. If required, a copy of such notice shall be sent to the Registrar.

The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.

### **Amendment or 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**

### **Waiver of Preference**

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

### **Notice**

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

*If to the Issuer:*

Aboitiz Power Corporation  
Attention: Maria Veronica C. So  
Subject: AboitizPower Bonds Due 2026  
Address: 32nd Street, Bonifacio Global City,  
1634 Taguig City, Metro Manila  
Telephone No. +632 8886 2789  
E-mail: veronica.so@aboitiz.com  
With copy to: aev.tsg@aboitiz.com

*If to the Trustee:*

BDO Unibank, Inc. Trust and Investments Group  
Attention: Michael G. Munsayac/ Rachele C. Mendiola  
Subject: AboitizPower Bonds Due 2026  
Address: 15<sup>th</sup> Floor South Tower, BDO Corporate Center, 7899 Makati  
Avenue, Makati City  
Facsimile: +6328784270  
E-mail: Munsayac.michael@bdo.com.ph/rcm@bdo.com.ph

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

BDO Capital & Investment Corporation  
Attention: Barbara May M. Billano  
Subject: AboitizPower Bonds Due 2026  
Address: 20<sup>th</sup> Flor, South Tower, BDO Corporate Center, 7899 Makati  
Avenue, Makati City  
E-mail: quimpo.jose@bdo.com.ph

BPI Capital Corporation  
Attention: Reinier A. Llige  
Subject: AboitizPower Bonds Due 2026  
Address: 11<sup>th</sup> Floor, Ayala North Exchange Building, Ayala Avenue corner  
Salcedo Street, Makati City  
E-mail: rallige@bpi.com.ph

China Bank Capital Corporation  
Attention: Michael L. Chong  
Subject: AboitizPower Bonds Due 2026  
Address: 28<sup>th</sup> Floor, BDO Equitable Tower, 8751 Paseo de Roxas St., Makati  
City  
E-mail: mlchong@chinabank.ph

First Metro Investment Corporation  
Attention: Luis Martin E. Villalon  
Subject: AboitizPower Bonds Due 2026  
Address: 45<sup>th</sup> Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. Dela  
Costa St., Makati City  
Facsimile: +632 840 3706  
E-mail: martin.villalon@firstmetro.com.ph

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

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) reputable surface mailing service; (iii) reputable overnight courier service (postage prepaid); (iv) electronic mail; (v) by one-time publication in a newspaper of general circulation in the Philippines; (vi) personal delivery to the address of record in the Register of Bondholders; or (vii) disclosure through the online disclosure system of the PDEx. The Trustee shall rely on the Register of Bondholders provided by the Registrar and Paying Agent in determining the Bondholders entitled to notice.

All notices to Bondholders shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing if transmitted by a reputable surface mailing service; (iii) upon the next business day, if sent by reputable overnight courier service; (iv) on the date of transmission, if transmitted by electronic mail; provided, that no bounce mail, error or send failure notification is received by the sender; (v) on date of publication; (vi) on date of delivery, for personal delivery; or (vii) on the date of posting through the online disclosure system of PDEx, as applicable.

### **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 and 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.

### **Successors and Assigns**

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

### **Validity of Provisions**

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

### **Venue**

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

### **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.

### **Non-Reliance**

Each Bondholder represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or willful misconduct.

### **Non-coverage of PDIC**

The Bondholders understand and acknowledge that investments in the First Tranche Bonds are 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.

### **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" or the "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 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 second largest in terms of customers, and third largest in terms of share in total retail market demand (based on share in total retail market demand presented in the ERC Competitive Retail Electricity Market Monthly Statistical Data as of November 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 control<sup>11</sup>. AboitizPower is listed on the PSE and as of 29 December 2020, AboitizPower had a market capitalization of ₱195.37 bn, with a common share price of ₱26.55 per share.

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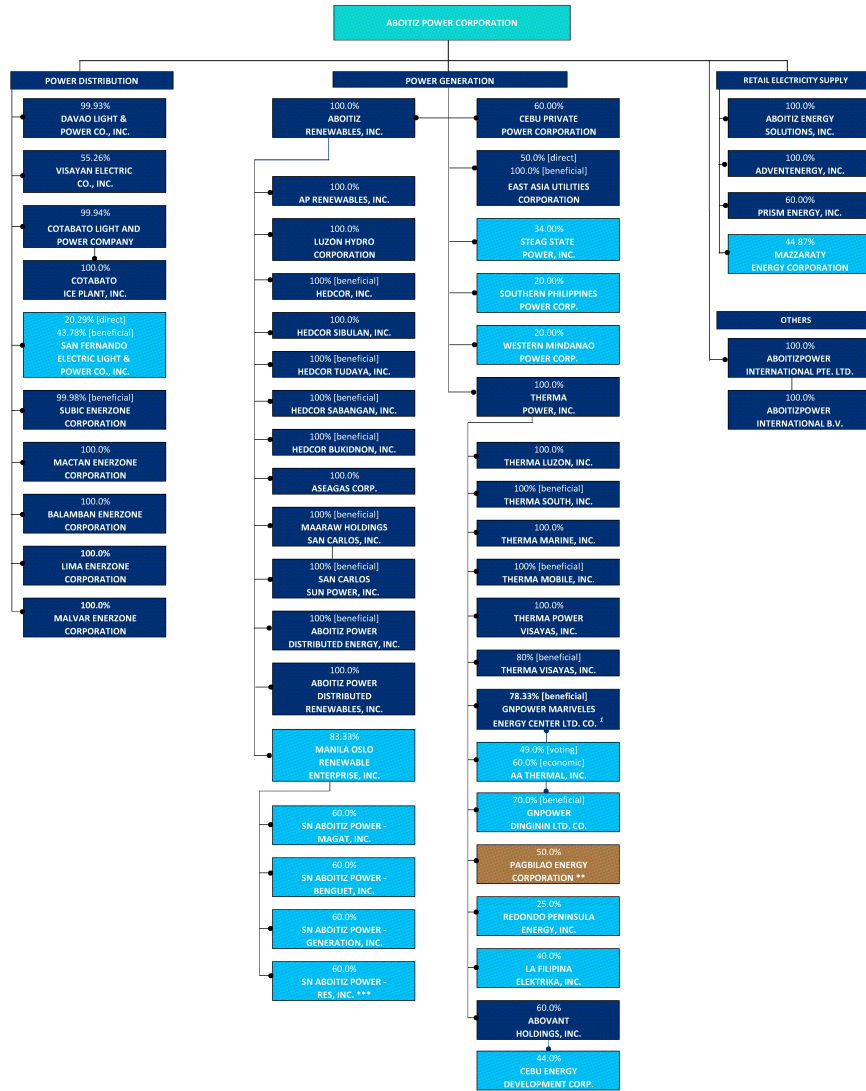
<sup>11</sup> Based on ERC Resolution No. 02-2020 dated 12 March 2020.



# Brief History of AboitizPower and its Significant Subsidiaries

**ABOITIZ POWER CORPORATION**  
**CONGLOMERATE MAPPING**  
 As of December 31, 2020

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



\*\* Joint Operations  
 \*\*\* Engages in retail electricity supply business  
 1 Formerly, GNPower 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 31 December 2020, AEV owns 76.88% 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"> <li>(i) An effective 55% equity interest in Visayan Electric;</li> <li>(ii) 100% equity interest in each of Davao Light and Cotabato Light;</li> <li>(iii) An effective 64% ownership interest in SEZ; and</li> <li>(iv) An effective 44% ownership interest in SFELAPCO.</li> </ul>
	As part of the reorganization of the power-related assets of the Aboitiz Group, the Company: <ul style="list-style-type: none"> <li>(i) Acquired 100% interest in MEZ and 60% interest in BEZ from AboitizLand; and</li> </ul>

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 Plant 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. (Sacasan) when the former acquired SunE Solar equity interest in Sunedison Philippines.

Sacasan 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 02 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 a more balanced 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 second largest in terms of number of customers and third largest in terms of share in total retail market demand (ERC Competitive Retail Electricity Market Monthly Statistical Data as of November 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 Hydroelectric Power Plant Complex, 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 "*Renewable Energy Act of 2008*" on page 263 of this Prospectus.

The above-mentioned tax holidays are affected by the CREATE Bill. See the section entitled "*Effects of Existing or Probable Government Regulations on the Business*" on page 126 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 Power<sup>12</sup>. 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 31 December 2020, the Company's portfolio ratio will be close to a 50:50 Cleanenergy (renewable energy and natural gas) and thermal capacity mix at the end of the current decade.

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<sup>12</sup> 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 31 December 2020:

Plant Name	Installed Capacity <sup>13</sup>	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Management Company	Off-takers
Ambuklao	105	105	52.5	SNAP-Benguet	WESM
Bakun	74.8	74.8	74.8	Luzon Hydro Corporation	NPC (2026)
Benguet 1-11	32.4	52.5	52.5	Hedcor, Inc	FIT / Bilaterals
Binga	140	140	70	SNAP-Benguet	WESM / ASPA
Davao 1-5	4.5	4.6	4.6	Hedcor, Inc.	Distribution Utility (Davao Light)
Magat	380	388	194	SNAP-Magat	WESM / Coops / ASPA
Manolo Fortich	72.8	68.8	68.8	Hedcor Bukidnon	FIT
Sibulan (A, B and Tudaya A)	52.2	49.1	49.1	Hedcor Sibulan	Distribution Utility
Sabangan	15	14	14	Hedcor Sabangan	FIT
Maris Main Canal 1	8.5	8.5	4.3	SNAP-Magat	FIT
Tudaya (B)	8.1	7	7	Hedcor Tudaya	FIT
Tiwi - Makban	627.8	290	290	APRI	Bilaterals/WESM
Sacasun (San Carlos)	23.4	46	46	San Carlos Sun Power, Inc.	WESM
STEAG Power Plant (Mindanao)	210	210	71.4	STEAG Power	NPC (2031)
Mariveles Project	632	632	495	GMEC	Bilaterals/WESM
TSI Plant (Davao)	301.4	260	260	TSI	Bilaterals
Pagbilao	700	700	700	TLI	Bilaterals / WESM
Pag3	420	388.4	194.2	PEC	TLI
Cebu Energy (Toledo)	246	216	57	CEDC	Bilaterals
TVI Plant (Cebu Coal)	353.9	300	240	TVI	Bilaterals/WESM
CPPC Plant (Cebu Oil)	64	64	38.4	CPPC	Distribution Utility (Visayan Electric)
Bunker Cotabato	4	4.5	4.5	Cotabato Light	Distribution Utility (Cotabato Light)
SPPC Plant (General Santos)	0	55	11	SPPC	NPC (2016)
EAUC Plant (Mactan)	43.5	43.5	43.5	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	202.2	200	200	TMO	ASPA/WESM

<sup>13</sup> 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 <sup>13</sup>	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Management Company	Off-takers
Naga	N/A	39.27	39.3	TPVI	WESM
WMPC (Zamboanga)	107	100	20	WMPC	Bilaterals
Total	5,020.8*	4,652.9*	3,493.8*		

\*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	-
SNAP-Magat	1,151	2,054	2,379	1,324	3,817	6,608	7,182	8,298
SNAP-Benguet	1,401	1,975	2,085	989	4,644	6,065	6,070	6,996
TLI	4,869 8	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 31 December 2020, AboitizPower's renewable energy portfolio comprises attributable net sellable capacity of approximately 928.55 MW in operation, divided into 46 MW of solar, 592.55 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.<sup>14</sup>

The table below summarizes the Company’s renewable power generation companies and key information as of 31 December 2020:

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 Sal- angan	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
SNAP-Benguet	60%	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	53	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/AS PA
SNAP-Magat	60%	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	8.59	4.25	FIT
<b>Total</b>				<b>1,248.89</b>	<b>928.55 MW</b>	

<sup>14</sup> 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 74.8-MW run-of-river hydropower Bakun AC Plant located in Amilongan, Alilem, Ilocos Sur. LHC was incorporated on 14 September 1994.

The Bakun AC Plant was constructed and operated under the Government’s BOT scheme. Energy produced by the Bakun AC 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 AC Plant will be purchased by NPC for a period of 25 years from February 2001. The PPA also requires LHC to transfer the Bakun AC 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 63.13 MW.

The electricity generated from Hedcor’s hydropower plants are taken up by AESI, 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 152 GWh of Cleanergy.

### **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, and issued Provisional Authorities to Operate which are each valid for one (1) year from 08 February 2021 to 08 February 2022 for Sibulan Hydro A and 23 November 2020 to 23 November 2021 for Sibulan Hydro B. 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 73.3 MW located in Manolo Fortich, Bukidnon. The company was incorporated on 17 January 2011.

The Manolo Fortich plants are 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 1 plant is selling under the FIT mechanism through a REPA with Transco, while the Manolo Fortich 2 plant is selling through a RESA with various host 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. A Provisional Authority to Operate was issued by the ERC valid for one (1) year from 28 November 2020 to 28 November 2021. SNAP-Magat is ARI’s joint venture with SN Power, a large Norwegian hydropower company with projects and operations in Asia, Africa, and Latin America. SNAP-Magat is 60% owned by MORE, while the remaining 40% equity interest is owned by SN Power. ARI owns 83.84% of 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 were uprated by 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, 388 MW (compared to its nameplate capacity of 360 MW).

The 8.5-MW Maris hydro is the first power plant constructed by the SNAP Aboitiz Power Group. It broke ground in late 2015 and was completed in November 2017. Maris hydro is a run-of-river hydro plant that utilizes the water coming from Magat hydro that goes into the Maris re-regulating dam located downstream of Magat, before flowing into the Maris Main (South) Irrigation Canal. As a run-of-river hydro, Maris hydro was able to avail of the FIT fiscal incentive granted by ERC.

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 Plant 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 31 December 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 Plant 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 latest COC reflects Binga's latest uprating raising its capacity 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 convey 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.

The ERC issued a Provisional Authority to Operate for the MakBan Geothermal Complex valid from 30 November 2020 to 30 November 2021, and for the Tiwi Geothermal Complex valid from 12 December 2020 to 12 December 2021.

### ***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 09 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 04 December, 2017, AboitizPower acquired 100% effective equity ownership in Sacasun.



As of 31 December 2020, 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 2020, one of SN Aboitiz Power-Gen’s most significant project is the proposed 390-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (which is currently on hold due to market constraints), and the 20-MW Olilicon hydropower plant (the “Alimit Project”).

The Alimit Project completed its feasibility study phase and has secured agreements with its host municipalities, namely Aguinardo, 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.

To contribute to its mandate of adding capacity to SN Aboitiz Power Group’s portfolio, SN Aboitiz Power-Gen’s 20-MW Magat Battery Energy Storage System (“Magat BESS”) Project was approved to move to the pre-construction phase in 2020. Pertinent permits, contractual agreements, and other technical studies were completed in the same year. Approval to move to the construction phase will be sought in 2021.

Building on its experience in the installation of a pilot-scale floating photovoltaic (FPV), SN Aboitiz Power-Gen completed the pre-feasibility study and commenced the detailed feasibility study for a commercial scale application of the FPV in the Magat Reservoir in 2020. The Group is targeting completion of the study by November 2021.

SN Aboitiz Power-Gen continues to explore and screen potential energy storage and renewable energy projects in the Philippines. SN Aboitiz Power-Gen was incorporated on 10 March 2011.



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 as of 31 December 2020:

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
<b>Coal Group</b>						
TLI	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/WESM
PEC	50%	Pagbilao 3 (Luzon)	Coal-fired	388	194	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)
<b>Oil Group</b>						
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 <sup>15</sup> (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
<b>Total</b>				<b>3,403*</b>	<b>2644*</b>	

\* Sum figures will differ due to rounding effect

<sup>15</sup> ASPA will commence in 2021.

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

On 14 July 2020, TMO and NGCP executed an ASPA, which has been issued a Provisional Approvals to Operate by the ERC.

### **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 WESM.

### **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. AboitizPower beneficially owns 60% of CPPC.

### **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 2008.

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, but not the obligation, to receive the transfer of Pag1 and Pag2 at the end of the energy conversion agreement. Over the years, TLI’s capacity was contracted to various cooperatives, private distribution utilities, directly connected customers, and to affiliate RES.

### **Pagbilao Energy Corporation (“PEC”)**

PEC owns and operates the 420-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 on 18 September 2015 and 02 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 2x150 MW CFB coal-fired power plant located in Barangay Bato, Toledo City, Cebu. TVI’s units 1 and 2 started operating on 15 April 2019 and 15 August 2019, respectively. TVI has PSAs with Visayan Electric and RES affiliates – AESI, AdventEnergy, and Prism Energy, 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.

#### **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.

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 (power plant) 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 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.

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 14 October 2020, GMEC successfully completed the change of its partnership name to GNPower Mariveles Energy Center Ltd. Co with the SEC.

### **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, 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.).

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. With the AA Thermal acquisition in 2019, as of 31 December 2020, AboitizPower owns 70% effective partnership interest in GNPD.

GNPD is co-developed by Power Partners, AC Energy, and TPI.

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.

### **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 served 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 31 December 2020, are shown in the table below:

<b>Distribution Utility</b>	<b>AboitizPower % Ownership</b>	<b>Franchise Term</b>	<b>Franchise Expiry</b>
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

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
Malvez	100%	25 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 was 38% as of 30 September 2020, compared to 23% as of 30 September 2019 and 24% as of 31 December 2019. The Distribution Utilities had a total customer base of 1,068,820 as of 30 September 2020, compared to 1,030,726 as of end-2019 and 995,828 in 2018.

The table below summarizes the key operating statistics of the Distribution Utilities for year-end 2018, and 2019, and third quarter 2020:

Company	Electricity Sold (MWh)			Peak Demand			No. of Customers		
	3Q 2020	2019	2018	3Q 2020	2019	2018	3Q 2020	2019	2018
Davao Light	2,476,991	2,633,920	2,468,192	452	454	421	440,304	420,666	404,574
Cotabato Light	170,363	173,114	165,409	32	31	31	45,044	43,449	41,681
Visayan Electric	3,119,850	3,500,781	3,159,032	583	601	547	462,699	450,088	437,823
SFELAPCO	686,694	714,948	665,425	134	140	134	116,293	112,091	107,536
SEZ	262,393	329,633	423,939	56	62	100	3,477	3,473	3,343
MEZ	99,927	117,433	123,276	21	22	22	87	87	85
BEZ	92,771	101,885	100,554	28	27	27	29	34	31
LEZ	242,455	249,394	224,175	49	44	39	882	834	755
MALVEZ	158	51	N/A	0.12	0.06	N/A	5	4	N/A
<b>Total</b>	<b>7,151,602</b>	<b>7,821,159</b>	<b>7,330,002</b>	<b>1,355</b>	<b>1,382</b>	<b>1,320</b>	<b>1,068,820</b>	<b>1,030,726</b>	<b>995,828</b>

#### 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 31 December 2020, Visayan Electric's systems loss is at 6.69%. This includes a feeder loss of 4.54%.

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.

As of 31 December 2020, Davao Light's systems loss is at 7.88%. This includes a feeder loss of 5.08%, which is below the Government-mandated feeder loss cap of 6%.

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 31 December 2020, Cotabato Light's systems loss is at 8.88%. This includes a feeder loss of 8.24%, which is above the Government-mandated feeder loss cap of 6%. 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 31 December 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%.

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 31 December 2020, SEZ's systems loss is at 3.20%. This includes a feeder loss of 2.60%, which is below the Government-mandated feeder loss cap of 6%.

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 31 December 2020, MEZ's total systems loss is at 0.93%. This includes a feeder loss of 0.42%, which is below the Government-mandated feeder loss cap of 6%.

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 31 December 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%.

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 31 December 2020, LEZ's total systems loss is at 5.37%. This includes a feeder loss of 0.68%, which is below the Government-mandated feeder loss cap of 6%.

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.

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 25 December 2020, AESI supplied retail electricity to a total of 205 customers with a total consumption of 2,027.20 mn kWh.

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 25 December 2020, AdventEnergy supplied retail electricity to 68 customers with a total consumption of 1,057.29 mn 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 25 December 2020, Prism Energy supplied retail electricity to 43 customers with a total energy consumption of 179.92 mn 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 December 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.

## 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, 2019, and 2018 are as follows:

	2020	2019	2018
OPERATING REVENUE	₱81,130	₱94,681	₱100,105
OPERATING INCOME	₱19,277	₱22,233	<b>₱27,755</b>
TOTAL ASSETS	₱404,108	₱404,785	<b>₱375,738</b>

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 for the nine months ended 30 September 2020, 2019, and 2018 are as follows:

	2020		2019		2018	
Power Generation	₱54,950	55%	₱63,683	53%	₱64,085	54%
Power Distribution	32,161	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	99,986	100%	120,149	100%	120,001	100%
Less: Eliminations	(18,856)		(25,468)		(19,896)	
Net Revenue	₱81,130		₱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:

<b>Business Unit</b>	<b>As of 31 December 2020</b>		<b>As of 31 December 2019</b>	
	<b>SAIFI (frequency)</b>	<b>SAIDI (minutes)</b>	<b>SAIFI (frequency)</b>	<b>SAIDI (minutes)</b>
Visayan Electric	1.97	222.7	2.46	229.26
Davao Light	2.84	236.74	7.12	539.51
Cotabato Light	0.20	17.52	1.26	5.24
SEZ	9.38	428.9	7.94	518.42
MEZ	0.8.	15.92	0.14	5.21
BEZ	3.18	71.87	3.52	87.85
LEZ	2.70	336.05	0.88	420.27
SFELAPCO	5.01370	191.6073	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 December 2020 were 6.84% for Visayan Electric, 7.88% for Davao Light, 8.88% for Cotabato Light, 3.2% for SEZ, 0.93% for MEZ, 0.44% for BEZ, 5.22% for LEZ, and 4.98% 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) as of 31 December 2020 was 1.97 interruptions per customer at Visayan Electric, 2.84 interruptions per customer at Davao Light, 0.20 interruptions per customer at Cotabato Light, 9.83 interruptions per customer at SEZ, 0.80 interruptions per customer at MEZ, 3.18 interruptions per customer at BEZ, 2.7 interruptions per customer at LEZ, and 15.08 interruptions per customer at SFELAPCO. For the same period in 2019, the number of minutes of sustained outages was 222.7 minutes per customer at Visayan Electric, 236.74 minutes per customer at Davao Light, 17.52 minutes per customer at Cotabato Light, 428.9 minutes per customer at SEZ, 71.87 minutes per customer at BEZ, 15.92 minutes per customer at MEZ, 336.05 minutes per customer at LEZ, 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: 17% hydropower, 8% geothermal, 1% solar, 58% coal, and 16% 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, TMO, and TPVI 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 both the performance and blending coal requirements of Pag 1 and 2. Likewise, a three-year coal supply contract for Pag 3 was signed in 2019.

TVI entered into a long-term coal supply agreement with one of its established coal sources after its successful test firing of another source of coal. Nevertheless, sourcing and evaluation of other coal sources are ongoing for supply diversification and security.

Likewise, TSI has annual coal supply contracts for its coal plant in Davao. It applies the same sourcing strategy as that of TLI and TVI where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. GNPD, 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 SMCPC 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:

<b>Distribution Utility</b>	<b>Valid until</b>
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 pages 84 and 86 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 TeM Energy, The Electricity Generating Public Company Limited (EGCO), and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power

Corporation, AC Energy, First Gen Corporation, DMCI Holdings, Inc., MGen, and SMC Global Power.

Based on ERC Resolution No. 02, Series of 2020, AboitizPower is the second largest generation company by attributable installed capacity (3,840 MW). The largest is SMC Global Power (5,025 MW), a Subsidiary of San Miguel Corporation which was founded in 1890 and which, through time, has built strong stakeholder relationships and enjoyed long-running commercial success. The third largest is First Gen Corporation (3,521 MW), which prides itself as one of the leading suppliers of renewable energy in the Philippines.

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.<sup>16</sup> The main strength of this largest player is its association with the country's largest distribution utility, MERALCO, and the goodwill that comes from its size and dominance.

### **Retail Electricity Supply Business**

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of November 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 33.03%. AboitizPower, through its RES companies, has the third-largest market share at 20.47%,<sup>17</sup> with contracted capacity of 841.75 MW<sup>18</sup> 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,<sup>19</sup> 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.

### **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.

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<sup>16</sup> Based on ERC's Competitive Retail Electricity Market Report released in November 2020.

<sup>17</sup> Excluding SFELAPCO which is 20.284% owned by AboitizPower.

<sup>18</sup> Excluding SFELAPCO which is 20.284% owned by AboitizPower.

<sup>19</sup> Based on ERC's Competitive Retail Electricity Market Report released in November 2020.

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 265 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 as of 31 December 2020 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 Hydro	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 Hydro	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 Hydro	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 Hydro	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 Hydro	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 Hydro – 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 Hydro – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 2 Hydro – Unit 2			200 kW			
		Talomo 2 Hydro – Unit 3			200 kW			
COC No. 16-05-M-00063M*	Hedcor, Inc.	Talomo 2A Hydro – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 2A Hydro – Unit 2			200 kW			
COC No. 16-05-M-00064M*	Hedcor, Inc.	Talomo 2B Hydro	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 Hydro – 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 (FLS) Hydro Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay Hydro	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 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-00328L	Hedcor, Inc.	Lon-oy Hydro	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
Provisional Authority to Operate	Hedcor, Inc.	La Trinidad Hydro	Hydroelectric Power Plant	La Trinidad Benguet	20.4 MW	Hydro	October 6, 2020 to October 6, 2021	October 6, 2020
Provisional Authority to Operate	Hedcor Sibulan, Inc.	Sibulan A Hydro – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	February 2020 to February 2021	February 2020
		Sibulan A Hydro – Unit 2			8.164 MW			
Provisional Authority to Operate	Hedcor Sibulan, Inc.	Sibulan B Hydro – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	November 2020 to November 2021	November 2020
		Sibulan B Hydro – Unit 2			13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1 Hydro	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 Hydro	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 Hydro – 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 Hydro – Unit 2			2.775 MW	Hydro		
Provisional Authority to Operate	Hedcor Sabangan, Inc.	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	September 28, 2020 to September 28, 2021	September 28, 2015
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1 Hydro	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 Hydro	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		
Provisional Authority to Operate	SNAP - Magat (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	November 29, 2020 to November 28, 2021	November 18, 2020
		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		320 Kw	Diesel		
COC No. 18-04-M-00150L	SNAP – Magat	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	SNAP – Benguet	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 - March 11, 2022	March 9, 2017
		Binga – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Diesel Auxiliary Generator Set		330.40 KW	Diesel		
COC No. 16-08-M-00087L	SNAP – Benguet	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			

Title of Document		Power Plant						
	Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
		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	Phvidec 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	Phvidec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	September 5, 2019 – September 4, 2024	March 25, 2015
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	November 30, 2020 to November 2021	November 18, 2020
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	November 30, 2020 to November 2021	November 18, 2020
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	November 30, 2020 to November 2021	November 18, 2020
		Makban – Sto. Tomas, Plant E			20.0 MW			
Provisional Authority to Operate	AP Renewables, Inc.	Plant C, Unit 6	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	December 16, 2020 to December 16, 2021	December 16, 2020



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. 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
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao,	420 MW	Coal	February 20, 2018 – February 19,	February 20, 2018

Title of Document		Power Plant						
Issued under the Name of	Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance	
		Power Plant	Blackstart	Quezon	1.04 MW	Diesel	2023	
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	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	
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	Notarized on 15 May 2003. Term of the DMSA is 25 years.	Valid until 15 May 2028

DU	Franchise	Term	Expiry
	and joint venture of AEV- Davao Light		

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 as of 31 December 2020.

#### **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
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

Trademarks	Owner	Date Filed	Registration No./Date Issued	Description	Status
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	19 October 2001	4-2001-007900 13 January 2006 Mark renewed on 13 January 2016	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 representation of the letter "S" taking the shape of a flame (the company	In use

Trademarks	Owner	Date Filed	Registration No./Date Issued	Description	Status
				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	4-2019-502913  20 February 2020	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., SN Aboitiz Power-Magat, Inc. and	10 October 2018	4-2018-00018076	Application for the logo "SN ABOITIZ POWER GROUP" in black, grey and white	In use

Trademarks	Owner	Date Filed	Registration No./Date Issued	Description	Status
	SN Aboitiz Power-Benguet, Inc.				
SN ABOITIZ POWER-BENQUET, INC.	SN Aboitiz Power-Benguet, Inc.	30 April 2014	4-2014-00005209 29 December 2016	Application for the Logo "SN ABOITIZ POWER-BENQUET, 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.

<b>Trademarks</b>	<b>Owner/Applicant</b>	<b>Country of Application</b>	<b>Status</b>
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	Registered
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	Registered
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 Got 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	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.

### Effects 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	UCME20	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
SPUG21 (NEA22, 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 1.00	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 1.00	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.

<sup>20</sup> Universal Charge of Missionary Electrification

<sup>21</sup> Small Power Utilities Group

<sup>22</sup> National Electrification Administration

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 the 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.

Moreover, the Senate approved Senate Bill No. 1357 on the third and final reading on 26 November 2020. Senate Bill No. 1357, also known as the “Corporate Recovery and Tax Incentives for Enterprises Act” (“CREATE Bill”), is the counterpart bill of the CITIRA Bill in the Senate. The salient features of the CREATE Bill are as follows:

1. Effective 01 July 2020, lowering the income tax rate to 25% for domestic corporations and foreign corporations, and to 20% for domestic corporations with net taxable income not exceeding ₱5 mn and with total assets (excluding land) of not more than ₱100 mn;
2. Lowering the Minimum Corporate Income Tax rate to 1% effective 01 July 2020 to 30 June 2023;
3. Tax exemption on foreign-sourced dividends subject to certain conditions;
4. Repeal of the Improperly Accumulated Earnings Tax;
5. Repeal of the 5% GIT incentive and providing for a 10-year transitory period for all firms that are currently availing of the 5% GIT;
6. Providing fiscal incentives for activities included in the Strategic Investment Priority Plan, provided that the category of incentives shall be based on the location and industry of the registered project or activity; and
7. Granting the president the power to modify the mix, period or manner of availment of incentives or craft a financial support package for a highly desirable project or a specific industrial activity.

The CREATE Bill is currently pending with the Bicameral Conference Committee.

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 ₱110 mn but not more than ₱275 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 ₱110 mn to ₱275.0 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) <sup>23</sup>	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

<sup>23</sup> 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 Law 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. RA No. 9316 - 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 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.

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. Through its Decision dated 20 August 2020, which was promulgated on 29 December 2020, the ERC approved with modification the Price Determination Methodology proposed by PEMC. This includes the approval of the following changes to the market features, among others:

1. Five (5)-minute dispatch interval;
2. Ex-ante pricing only for energy and reserves for every 5-minute dispatch interval;
3. One (1) hour settlement interval for settlement purposes based on weighted average of 5-minute ex-ante prices;
4. Automatic pricing re-runs; and
5. Removal of Pmin constraint in the Market Dispatch Optimization Model.



**(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 starting 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. ERC engaged the services of Royal Asia Appraisal Corporation to consult in this regard. In January 2020, ERC requested the private distribution utilities to submit actual or historical expenditure covering the lapsed period. Unfortunately, due to the lockdown and quarantine restrictions, as well as unresolved clarifications as to what has to be provided to the ERC, private distribution utilities were not able to provide the data within the timeframe given by ERC.

In view of this, the ERC issued show cause orders, all dated 29 October 2020, against Cotabato Light (docketed as ERC Case No. 2020-097 SC), Visayan Electric (docketed as ERC Case No. 2020-098 SC), Davao Light (docketed as ERC Case No. 2020-104 SC), and SEZ (docketed as ERC Case No. 2020-107 SC), requesting the foregoing private

distribution utilities to explain why they should not be penalized for the incomplete submission of the data requested by the ERC.

On 07 January 2021, the AboitizPower Distribution Utilities submitted their respective explanations, including a manifestation that all required data has been submitted as of 29 December 2020. The AboitizPower Distribution Utilities are still awaiting the ERC's resolution on the foregoing show cause orders. Should the ERC find against such Distribution Utilities, the penalty for the violation shall be ₱50,000.00, pursuant to ERC Resolution No. 03, Series of 2009

**(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, 6.25% for 2019, 6.00% for 2020, and 5.50% for 2021. 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.

In December 2020, the DOE posted a draft Department Circular amending the 2018 DOE Circular. The final version has not yet been published as of 31 December 2020.

#### **(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.

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.

Other Department Circulars promulgated by the DOE in relation to the ECC are as follows:

- (a) Department Circular No. DC2020-06-0015 “Prescribing the Guidelines of the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors and Dealers of Electrical Appliances and other Energy-Consuming Products (ECP)”, which aims to empower consumers in choosing energy efficient products at the point of sale, help realize energy savings and reduction of energy consumption/bills through the use of energy efficient products; and reduce greenhouse gas emissions.
- (b) Department Circular No. DC2020-06-0016 “Prescribing the Minimum Energy Performance for Products (MEPP) covered by the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors, Dealers and Retailers of Energy-Consuming Products)”, which aims to eliminate the entry and sale of inefficient and substandard products in the local market; and reduce greenhouse gas emissions;
- (c) Department Order No. 2020-01-0001 “Organizing the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC)”; and
- (d) Department Circular No. DC2020-12-0026 “Adoption of the Guidelines for Energy Conserving Design of Buildings”, aims to encourage and promote the energy conserving design of buildings and their services to reduce the use of energy with due regard to the cost effectiveness, building function, and comfort, health, safety, and productivity of the occupants.

**(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 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 promulgated Department Circular No. DC 2020-10-0022 or the Net Metering Program for Renewable Energy System, which aims to encourage and further promote electricity End-Users' participation in the Net-Metering Program by enhancing the current policies and commercial arrangements while ensuring the economic and technical viability of the DU.

Pertinent provisions include:

- (a) Banking of Net-Metering Credits - All Net-Metering Credits shall be banked for a maximum of one (1) calendar year. Any excess of balance Net-Metering credits at the end of each calendar year shall be forfeited.
- (b) Application to Off-Grids or Isolated Grid Systems - The Net-Metering Program for End-User shall be allowed even in areas not connected to the three major national electrical transmission grids: Luzon, Visayas, Mindanao.
- (c) Publication of Hosting Capacities for Net-Metering - The distribution utilities shall publish in their website the respective Net-Metering programs, processes, and procedures, including hosting capacities on a per feeder or sector basis.
- (d) Responsibility of the Local Government Units (LGUs) - All LGUs are enjoined to strictly comply with the provisions of RA No. 11234 (EVOSS Act), RA No. 11032 (Ease of Doing Business and Efficient Government Service Delivery Act of 2018) in processing permits and licenses related to applications for Net-Metering arrangements.
- (e) Responsibility of the National Electrification Administration (NEA) - The NEA shall provide the necessary assistance in promoting the Net-Metering Program to all electric cooperatives (EC) nationwide.
- (f) Development of Net-Metering Guidebook - A guidebook on procedures and standards shall be developed by the DOE to be used by all stakeholders. The Renewable Energy Management Bureau shall prepare the Net Metering Guidebook, within six (6) months from the effectivity of this Circular.

The Net Metering Program will be effective 15 days after its publication.

#### **(m) Reliability Performance Indices**

On 16 December 2020, the ERC published on its website Resolution No. 10, Series of 2020, entitled "A Resolution Adopting the Interim Reliability Performance Indices and Equivalent Outage Days Per Year of Generating Units".

This Resolution 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, 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. It applies to all generation companies with Conventional and Non-Variable Renewable Energy Generating Plants connected to the Grid, including Embedded Generating Plants, which have an aggregated capacity of 5MW and above.

It included the requirement for the System Operator (SO) and Transmission Network Provider (TNP) to utilize the allowable planned outage days in Table 1 of the Resolution as a guide in preparing the Grid Operating and Maintenance Program. If the SO and TNP shall utilize unplanned outages beyond what is allowed in Table 1, the same shall provide a report as to the reason for such consideration.



**(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.

**(s) 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.

**(t) Green Energy Auction Policy**

On 14 July 2020, the DOE issued guidelines on the Green Energy Auction Policy (Department Circular No. 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.

**(u) 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**

AboitizPower’s generation and distribution operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address concerns relating to, among other things, air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials, and waste; workplace conditions; and employee’s exposure to hazardous substances. Standard laws and regulations that govern business operations include Clean Air Act (RA No. 9003), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Chemical Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), Philippine Environmental Impact Statement System (PD No. 1586), and Occupational Safety and Health Standards (RA No. 11058). The RE Law also added new and evolving measures that must be complied with. These laws usher in new opportunities for the Company and set competitive challenges for the businesses covered. Additional regulations such as DOE’s Energy Regulation No. 1-94 require companies to allocate funds for the benefit of host communities for the protection of the natural environment and for the benefit of the people living within the area. Further, funds are set for the management of carbon sinks and watershed areas through a nationwide reforestation program.

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 Aboitiz Power 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 Aboitiz Power 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 in 2019. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

## **Employees**

At the parent company level, AboitizPower has a total of 384 employees as of 31 December 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 31 December 2020:

Business Group	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
<b>Aboitiz Power</b>	384	73	67	69	175	0	N/A
<b>Generation Companies</b>							
Run-of-River Hydros	490	14	27	65	384	125	19 September 2022 (Hedcor)
Large Hydros	189	18	36	70	65	0	N/A
Geothermal	253	8	18	48	179	12	28 February 2022 (APRI)
Solar	5	0	0	1	4	0	N/A
Oil	482	14	41	208	219	0	N/A
Coal	1,503	27	92	323	1,061	0	N/A
<b>RES</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>N/A</b>
<b>Distribution Utilities</b>	<b>824</b>	<b>17</b>	<b>65</b>	<b>134</b>	<b>608</b>	<b>338</b>	31 December 2016* (Visayan Electric) 01 July 2024 (Cotabato Light) 15 June 2021 (Davao Light) 09 May 2024 (SFELAPCO)
<b>Total No. of Employees</b>	<b>4,135</b>	<b>171</b>	<b>347</b>	<b>919</b>	<b>2,698</b>	<b>475</b>	

\*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 November 2020 to 30 November 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 engage 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 2020 to 15 December 2021, 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 2020 to 31 July 2021.

*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 a policy period of 30 November 2020 to 30 November 2021.

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
TSI	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 2020 to 30 December 2021.

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 2020 to 20 December 2021

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\$ 97 mn including business interruption exposures with policy period of 30 December 2020 to 30 December 2021.

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’s 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 2020 to 30 December 2021. Total declared value of the properties is ₱10.8 bn, broken down as follows:

BU	Declared Values (in ₱)
Visayan Electric	₱4.102 bn
Davao Light	₱4.540 bn
Cotabato Light	₱0.785 bn
MEZ	₱0.118 bn
BEZ	₱0.131 bn
SEZ	₱0.754 bn
LEZ	₱1.158 bn



BU	Declared Values (in P)
Malvez	₱0.246 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 2020 to 30 December 2021.

*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 2020 to December 31, 2021.

*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 2020 to 30 November 2021 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 2020, about 15% of group-wide CSR programs reached the CSR 2.0 status.

The Aboitiz Group, through Aboitiz Foundation, invested a total of ₱401 mn in CSR projects and initiatives to support its communities in 2020, of which ₱265 mn was committed for its environmental programs, ₱91 mn for enterprise or livelihood programs, and ₱37 mn for other initiatives. All these are consistent with the Aboitiz Group's commitment to protecting and enhancing the 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.

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 stipulates 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 recent amendment 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. In 2020, due to the COVID-19 pandemic, DOE released a new circular which repurposed ER 1-94 funds for projects that would help alleviate the COVID-19 situation in the country. The Company has successfully downloaded about ₱153 mn-worth of ER 1-94 funds as of 17 December 2020 to about 150 host beneficiaries. About ₱504 mn-worth of outstanding ER 1-94 funds was also remitted by the DOE to the Company's beneficiaries. The remitted funds were used by the beneficiaries to build isolation facilities and purchase relief goods, medical supplies or equipment, and COVID-19 testing kits. 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. In 2020, the Company had a total of 313 scholars.

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, and services such as rewiring of classrooms. 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 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 2020, despite the tough situation, APRI supported its 111 scholars to continue their education for the academic year.

## ***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. The BRICK Facility was successfully turned over to the community in 2019. For 2021, TSI plans to train and organize a pool of brick producers and local bricklayers from the community to ensure the continuous operation of the BRICK facility.

The COVID-19 pandemic brought about restrictions in mobility, limited transport of goods, and the closing of markets, which have greatly affected the livelihood of communities. Hedcor, the run-of-river hydropower arm of AboitizPower, finds value in helping its partner communities recover through livelihood assistance. In partnership with the Aboitiz Foundation, Hedcor aided in the implementation of the ₱450,000-worth livelihood recovery program through the provision of egg machines to four different associations in Bukidnon and Davao del Sur. This initiative is part of a bigger program 'Restart: Aboitiz Foundation Recovery Program for Partner Cooperatives.' The program involves the provision of in-kind donations for livelihood recovery and training to select cooperatives nationwide. These egg machines are complete with ready-to-lay hens and rearing cages with a built-in feeding waterer. These machines can produce eggs regularly within 16 months. These collaborations include capacity-building training on leadership and values enhancement training and business continuity planning for the communities.

## ***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. Launched in 2010, the initial goal of A-Park was to plant three million trees by 2015. The Group readily surpassed that goal and raised its target to nine million trees by 2020. To date, the Aboitiz Group has already planted 11 million seedlings across the country under the said program.

Along with the A-Park, 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 2020, the Company and its partners in the community have planted a total of 1,244,399 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 100 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 939 hawksbill hatchlings to the sea, planted 13,992 mangroves, and rescued 16 pawikans.

In December 2020, the city government of Davao, the Aboitiz Group with Davao Light, GET Philippines, and QEV Technologies launched the BEST Bus project — the first fully electric, free-ride shuttle service in Mindanao, making Davao among the first pilot cities in the country. BEST stands for Business for Environmentally Sustainable Transformation, and is an initiative advocating to "be green, be digital, and be kind" for the betterment of the community. A total of seven new fully air-conditioned electric buses features an electric ramp and reserved space for PWDs were deployed.

## **COVID-19**

The Company has programs in place to help communities recover from the impact of natural disasters such as typhoons, fires, volcanic eruptions, and earthquakes, among others. While the pandemic that hit the country in 2020 was an unprecedented one, the Company made deliberate efforts to support its communities and partners through numerous initiatives and programs like donations of relief goods, testing kits and medical supplies, financial grants, and partnership with the government and private entities to create more long-term solutions for the country.

Early in March 2020, when the country went on a lockdown, the Aboitiz Group responded immediately by donating ₱100 mn to Project Ugnayan, a collaboration among local companies, as part of the Aboitiz Group's sustained efforts in assisting communities affected by the pandemic. The ₱100-million donation is part of the ₱1.5 bn Project Ugnayan raised in cooperation with the Philippine Disaster Resilience Foundation (PDRF) to purchase ₱1,000 gift certificates for around one million poor families in Greater Manila. Project Ugnayan is part of PDRF's ongoing initiatives to help poor families who were economically displaced by the ongoing Luzon enhanced community quarantine.

In August 2020, the Aboitiz Group has extended much-needed assistance to Cebu's frontliners in public hospitals and quarantine facilities as the city grapples with the Pandemic situation. The Aboitiz Group has contributed around ₱25 mn in various COVID-19 response initiatives. These include distribution of food packs and meal assistance, protective personal equipment (PPE), tents, and financial assistance to the frontliners in several hospitals and quarantine facilities around the city.

In November 2020, the Aboitiz Group also pledged doses of vaccine donations to the government as part of 'A Dose of Hope' Program (Wave 1), a tripartite initiative among the private sector, the government, and British drugmaker AstraZeneca, in support of the National Immunization Program. In January 2021, the Group also pledged additional doses for the Wave 2 of the said program. This would bring a total of 5.6 mn doses of the vaccine for the country. The tripartite initiative aims to help realize the collective goal of inoculating nearly 50 to 70 mn Filipinos in 2021. The Aboitiz Group was among the first thirty private companies to sign the deal with the national government and AstraZeneca during Wave 1 of the program.

To date, the Aboitiz Group's total contribution to the national COVID-19 response effort has reached over ₱2.2 bn (excluding various payments waived, reduced, extended, or restructured to help customers cope with the impact of COVID-19), underscoring the Aboitiz Group's sustained campaign to help address the urgent needs of frontliners and affected communities nationwide.

## **Other Initiatives**

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 2020, the center has already accommodated a total of 3,500 visitors.

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 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by the Company is leased from a third party. The Company entered into a lease

agreement with Manta Equities, Inc. for its use of administrative office space and parking space for a period of ten (10) years from 01 April 2013 to 31 May 2023 and nine (9) years and three (3) months from 01 March 2014 to 31 May 2023, respectively. Both lease contracts have an escalation rate of 5.0%. The lease payments were ₱23.60 million and ₱17.83 million for the year ended 31 December 2020 and 2019, respectively.

As of date, there are no definite agreements for acquisitions of new properties. Nevertheless, the Company continually evaluates participation in future biddings for new or existing projects, and to develop projects that become available to it, and will disclose any material transactions in accordance with applicable disclosure rules under the SRC and of the PSE.

On a consolidated basis, AboitizPower's properties, plants, 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 properties, plants, 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
<b>TOTAL</b>	<b>₱209,521,466</b>	<b>₱207,110,412</b>

Note: Values for the above table are in thousand Philippine Pesos.

Properties, plants, and equipment with carrying amounts of ₱124.00 billion and ₱126.90 billion as of December 31, 2019 and 2018, respectively, secures the Group's long-term debts. For further details, refer to Note 17 (disclosure on Long-term Debts) of the attached consolidated financial statements of AboitizPower as of 31 December 2019.

Descriptions of the principal properties of the Company's Subsidiaries as of 31 December 2019 are as follows:

Subsidiary	Description	Location/Address	Condition
APRI	Geothermal power plants	Tiwi, Albay, Caluan, Laguna; and Sto. Tomas, Batangas	In operational use, secures long-term debt
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 operational use/ Unencumbered
Hedcor Bukidnon	Hydropower plant	Maluko, Manolo, Fortich, Bukidnon	In operational use/ Unencumbered

Subsidiary	Description	Location/Address	Condition
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In operational use/Unencumbered
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In operational use/Unencumbered
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In operational use/Unencumbered
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In operational use/Unencumbered
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In operational use/Unencumbered
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In operational use/Unencumbered
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In operational use/Unencumbered
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In operational use, secures long-term debt
TVI	Land (construction of plant site in progress)	Bato, Toledo, Cebu	For plant site / secures long-term debt
GMEC	Coal-fired thermal power plants	Mariveles, Bataan	In use for operations, secures long-term debt
Cotabato Light	Industrial land, buildings/plants, equipment, and machineries	Sinsuat Avenue, Cotabato City	In operational use/Unencumbered
Davao Light	Industrial land, buildings/plants, equipment, and machineries	P. Reyes Street, Davao City and Bajada, Davao City	In operational use/Unencumbered
Visayan Electric	Industrial land, buildings/plants, equipment, and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In operational use/Unencumbered
LEZ	Industrial land, buildings/plants, equipment, and machineries	Lipa City and Malvar, Batangas	In operational use/Unencumbered
BEZ	Industrial land, buildings/plants, equipment, and machineries	Balamban, Cebu	In operational use/Unencumbered

As of date, the Company does not hold 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 2014 Series A Bonds had an optional redemption on the fifth (5<sup>th</sup>) year and one (1) quarter from issue date, and on the sixth (6<sup>th</sup>) year from issue date. On the other hand, the 2014 Series B Bonds had an optional redemption on the seventh (7<sup>th</sup>), eighth (8<sup>th</sup>), ninth (9<sup>th</sup>), the tenth (10<sup>th</sup>), and the eleventh (11<sup>th</sup>) 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 (7<sup>th</sup>) year, eighth (8<sup>th</sup>), and ninth (9<sup>th</sup>) 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 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 5.2 (a) (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 5.2 (a) (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 5.2 (a) (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 2019 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 5.2 (a) (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.

Other cases involving the Company and its Subsidiaries as of 31 December 2020 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 mn, inclusive of interests and penalties. LHC appealed the assessment to the LBAA. NPC intervened in the proceedings before the LBAA arguing that: (i) the liability for the payment of RPT over the machineries is assumed by NPC under Section 8.6(b) of the Bakun PPA dated 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 Province of Benguet to comment on LHC's petition within ten (10) days from receipt thereof.

On 09 October 2020, the Province of Benguet filed its Comment with Motion to Dismiss.

On 19 October 2020, LHC filed its Reply to Comment and Opposition to Motion to Dismiss.

An Order was received on 12 January 2021 wherein the Court denied the Motion to Dismiss filed by the Province of Benguet, as well as directing the parties to immediately manifest their conformity to the statement of undisputed facts, admitted documentary exhibits, and the statement of legal issues.

**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 31 December 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 and prayed for the issuance of a 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 to 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 31 December 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 a Manifestation and Motion adopting Meralco's Urgent Motion to Dismiss, and sought the dismissal of the cases 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. Subsequently, the CA issued a Notice of Judgment and Decision dated May 23, 2018, which denied TMO's petition for certiorari and upheld the orders issued by the ERC. On June 20, 2018, TMO filed its Motion for Reconsideration of the CA Decision dated May 23, 2018.

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 31 December 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 31 December 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. As of 31 December 2020, ERC's and Meralco's Petitions are still pending with the SC.

**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 31 December 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:

	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	₱35.00	₱23.45	₱39.20	₱33.70	₱41.80	₱37.50
Second Quarter	30.00	25.50	38.00	34.15	39.70	34.25
Third Quarter	28.25	24.30	40.35	34.10	38.20	33.45
Fourth Quarter	28.55	25.60	40.40	33.00	35.50	31.20

The closing price of AboitizPower common shares as of 24 February 2021 is ₱25.40 per share.

### Holders

As of 31 December 2020, AboitizPower has 586 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of the same date were 7,358,604,307 shares.

The top 20 stockholders of AboitizPower as of 31 December 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)	1,076,781,005	14.63%
3) PCD Nominee Corporation (Foreign)	342,501,177	4.65%
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) La Filipina Uy Gongco Corporation	3,610,000	0.05%
19) Tris Management Corporation	3,130,359	0.04%

Name	Number of Shares	Percentage
20) Tinkerbell Management Corporation	3,042,454	0.04%
<b>SUBTOTAL</b>	<b>7,195,813,382</b>	<b>97.79%</b>
<b>Other Stockholders</b>	<b>162,790,925</b>	<b>2.21%</b>
<b>TOTAL SHARES</b>	<b>7,358,604,307</b>	<b>100.00%</b>
<b>NET ISSUED AND OUTSTANDING SHARES</b>	<b>7,358,604,307</b>	<b>100.00%</b>

## Dividends

The cash dividends declared and paid by AboitizPower to common stockholders from 2018 to 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

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.

As of the date of this Prospectus, there are no contractual restrictions that limit the ability of AboitizPower to declare and pay dividends on its common shares.

## 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
	(INTERIM)		
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	1,709,968	2,812,358	3,813,962
<b>EBITDA</b>	31,058,459	34,707,402	45,005,022
<b>CASH FLOW GENERATED:</b>			
Net cash flows from operating activities	24,203,100	31,520,771	39,356,962
Net cash flows used in investing activities	(5,414,856)	(29,553,681)	(34,060,584)
Net cash flows used in financing activities	(18,418,649)	(17,358,201)	(14,376,055)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	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
<b>CURRENT RATIO</b>	1.28		1.50
<b>DEBT-TO-EQUITY RATIO</b>	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 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 11%. 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 offset by lower purchased power cost during the first nine months, as well as new capacities.
- For the first nine months ended 2020, cash and cash equivalents increased by ₱606.00 mn. 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 as 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 by subsidiaries.
- 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

Net income for the first nine months of 2020 of ₱7.01 bn, which was 48% lower than the ₱13.45 bn reported for the same period in 2019. This translated to earnings per share of ₱0.95 for the period. The Company recognized non-recurring net gains of ₱528 mn during the relevant period, compared to non-recurring net losses of ₱220 mn during the corresponding period last year, due to net foreign exchange gains on the revaluation of dollar denominated liabilities. Without the 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 also due to a decline in EBITDA due to lower demand resulting from the enforcement of COVID-related community quarantines, as well as lower water inflow. The Company also recorded additional tax expenses following the expiration of the ITH incentives of TSI and GMEC, and 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 ₱25.5 bn during the first nine months of 2020, 11% lower than the ₱28.7 bn recorded during the corresponding period last year. The variance was primarily due to reduced demand resulting from the enforcement of COVID-related community quarantines and to lower water inflow.

Capacity sold for the first three quarters of 2020 increased by 9% to 3,394 megawatts (MW) from 3,123 MW in the same period last year. This was due to increased contracting levels driven by the new capacity of Therma Visayas, Inc. and additional portfolio contracts. Despite the increase in contracting levels, the lower demand brought about by the pandemic and the prolonged outage of TSI resulted in a decline in energy sold during the first nine months of 2020 declined by 8% to 16,689 gigawatt-hours (GWh) from 18,083 GWh.

### 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 last year. Energy sales decreased by 8% to 3,994 GWh during the first three quarters of 2020 from 4,341 GWh in 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)	<b>₱13,454,957</b> _
Decrease in operating revenues	(13,551,493)
Decrease in operating expenses	10,595,330
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	213,922
Increase in provision for taxes	(2,277,078)
Decrease in income attributable to non-controlling interests	559,528
<b>Total</b>	<b>(6,449,256)</b>
Net Income Attributable to Equity Holders of the Parent (January - September 2020)	<b>₱7,005,701</b>

### **Operating Revenues**

*(14% decrease from ₱94.68 bn to ₱81.13 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 as well as lower contract rates.

These were offset by new capacities which went online in 2020.

### **Operating Expenses**

*(15% decrease from ₱72.45 bn to ₱61.85 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 first nine months of 2020 compared to the same period last year 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 last year due to interest and financing costs on AboitizPower's ₱7.25 bn and ₱9.55 bn retail bonds issued in October 2019 and July 2020 respectively and 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 same period last year. The decrease was mainly due to lower income contributions from SNAP-Magat. This was primarily driven by a reduction in volume sold due to reduced water levels.



**Other Income (Expenses) – net**

*(9% increase from ₱2.30 bn to ₱2.52 bn other income)*

The increase in other income during the first nine months of 2020 compared to the same period last year 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 from 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 the 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 adjustment 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. Customers' deposits increased by ₱259.00 mn, or 4% (from ₱6.52 bn to ₱6.78 bn). This was mainly due to the receipt of bill deposits from new customers.
- v. 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.
- vi. Long-term debt (current and non-current portions) increased by ₱770.00 mn (from ₱177.97 bn to ₱178.74 bn). This is mainly due to Parent's bond issuance. This was partly offset by principal payments made on existing loans.
- vii. 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 Power Sector Assets and Liabilities Management Corporation (PSALM).
- viii. 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 is regularly recognized.
- ix. 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.
- x. 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.

- xi. 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 the PSALM deferred adjustments and the reclassification of TVI's Other noncurrent liabilities to current.

### **Equity**

Equity attributable to equity shareholders of AboitizPower 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 power demand brought about by COVID-19 related community quarantines contributed to lower cash generated from operations during the first nine months of 2020 by ₱7.32 bn which was a 23% decrease compared to the same period last year.

Net cash flows used in investing activities decreased to ₱5.41 bn in the first nine months of 2020 from ₱29.55 bn for the same period last year, which was mainly due to the ₱24.95 bn AA Thermal acquisition taken up last year.

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 end of 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 a more balanced 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 Cleanergy (renewable energy) and thermal capacity mix by the end of the current decade.

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

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 167 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 40 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
<b>CASH FLOW GENERATED:</b>		
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)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>(9,079,677)</b>	10,889,028
Cash & Cash Equivalents, Beginning	46,343,041	35,699,631
Cash & Cash Equivalents, End	37,433,929	46,343,041
<b>CURRENT RATIO</b>	<b>1.50</b>	1.89
<b>DEBT-TO-EQUITY RATIO</b>	<b>2.07</b>	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:

<b>Consolidated Net Income Attributable to Equity Holders of the Parent for 2018</b>	<b>₱21,707,603</b>
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	<b>₱17,322,677</b>

### **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 Costs**

*(16% increase from ₱12.08 bn to ₱14.05 bn)*



Interest expense increased in 2019 due to the full-year impact of the ₱10.20 bn in retail bonds issued by the Company in October 2018 and the interest 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 ₱14.38bn 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>		
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	<b>4,356,825</b>	4,697,864
<b>EBITDA</b>	<b>51,490,894</b>	47,650,408
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	<b>37,287,900</b>	30,235,931
Net cash flows used in investing activities	<b>(7,243,119)</b>	(9,452,925)
Net cash flows used in financing activities	<b>(19,155,753)</b>	(32,122,699)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>10,889,028</b>	(11,339,693)
Cash & Cash Equivalents, Beginning	<b>35,699,631</b>	47,094,741
Cash & Cash Equivalents, End	<b>46,343,041</b>	35,699,631
<b>CURRENT RATIO</b>	<b>1.89</b>	1.38
<b>DEBT-TO-EQUITY RATIO</b>	<b>1.85</b>	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	<b>₱20,416,442</b>
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	<b>₱21,707,603</b>

### **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 Visayan Electric. 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 Visayan Electric. 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>		
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	<b>4,697,864</b>	3,641,210
<b>EBITDA</b>	<b>47,650,408</b>	38,085,726
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	<b>30,235,931</b>	29,887,980
Net cash flows used in investing activities	<b>(9,452,925)</b>	(81,380,348)
Net cash flows from/ (used in) financing activities	<b>(32,122,699)</b>	47,483,228
Net Decrease in Cash & Cash Equivalents	<b>(11,339,693)</b>	(4,009,140)
Cash & Cash Equivalents, Beginning	<b>47,094,741</b>	51,098,269
Cash & Cash Equivalents, End	<b>35,699,631</b>	47,094,741
<b>CURRENT RATIO</b>	<b>1.38</b>	2.25
<b>DEBT-TO-EQUITY RATIO</b>	<b>1.92</b>	2.18

- 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	<b>30,228,034</b>
Increase in operating expenses	<b>(22,364,605)</b>
Decrease in interest income	<b>(156,523)</b>
Increase in interest expense	<b>(3,543,769)</b>
Increase in share in net earnings of associates and joint ventures	<b>1,056,654</b>
Increase in other expense	<b>(3,373,212)</b>
Higher provision for taxes	<b>(362,258)</b>
Increase in income attributable to non-controlling interests	<b>(1,070,461)</b>
Total	<b>413,860</b>
Consolidated Net Income Attributable to Equity Holders of the Parent for 2017	<b>₱20,416,442</b>

#### **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 GMEC 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 GMEC 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 GMEC'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 avilment 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><b>ERRAMON I. ABOITIZ</b> 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)</p> <ul style="list-style-type: none"> <li>– Board Audit Committee (since 01 January 2020)</li> <li>– Board Corporate Governance Committee (since 17 May 2010)</li> </ul>	<p><b>Mr. Erramon I. Aboitiz</b> 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). 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 Alternate Member of UnionBank's Corporate Governance Committee. He is Director of Aboitiz &amp; Company, Inc. (ACO) 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 &amp; 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><b>MIKEL A. ABOITIZ</b> 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> Member – Board Corporate Governance Committee (since 11 December 2019)</p>	<p><b>Mr. Mikel A. Aboitiz</b> 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, since December 2018; and Trustee and Chairman of Ramon Aboitiz Foundation, Inc. (RAFI).</p>



<p>– Board Executive Committee (since 21 May 2018)</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><b>ENRIQUE M. ABOITIZ</b> 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) Member – Board Executive Committee (since 11 December 2018)</p>	<p><b>Mr. Enrique M. Aboitiz</b> 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><b>EMMANUEL V. RUBIO</b> 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) Member – Board Risk and Reputation Management Committee (since 01 January 2020)</p>	<p><b>Mr. Emmanuel V. Rubio</b> 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 Aboitiz Power Group and AA Thermal; Director of the Hedcor Group, MORE, Cotabato Light and Power Company (Cotabato Light), Davao Light &amp; Power Co., Inc. (Davao Light), Cebu Private Power Corporation (CPPC), Aboitiz Power Distributed Energy, Inc. (APX1), 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), Redondo Peninsula Energy, Inc. (RP Energy), and Abovant Holdings, Inc. (Abovant). 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. 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><b>JAIME JOSE Y. ABOITIZ</b>  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><b>Mr. Jaime Jose Y. Aboitiz</b> 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 STEAG State, Hedcor Group, Luzon Hydro Corporation (LHC), SNAP-Magat, Therma Group; and Director of Aboitiz Construction, Inc. (ACI), 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), CEDC, and SPPC. 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 and Director/President of MORE. 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><b>DANEL C. ABOITIZ</b>  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><b>Mr. Danel C. Aboitiz</b> 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, STEAG Power, Abovant, RP Energy, AEV CRH Holdings, Inc. (AEV CRH), and CRH Aboitiz Holdings, Inc. (CRH Aboitiz). 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><b>ROMEO L. BERNARDO</b> 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><b>Mr. Romeo L. Bernardo</b> 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><b>CARLOS C. EJERCITO</b> Independent Director</p> <p><u>Age:</u> 75</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman – Board Audit Committee (since 19 May 2014) Member – Board Risk and Reputation Management Committee (since 19 May 2014) – Board Corporate Governance Committee (since 19 May 2014) – Board Related Party Transactions Committee</p>	<p><b>Mr. Carlos C. Ejercito</b>, 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>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</p>

<p>(since 15 May 2017)</p>	<p>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 &amp; 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><b>ERIC RAMON O. RECTO</b> 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><b>Mr. Eric Ramon O. Recto</b> 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 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><b>MARIA VERONICA C. SO</b> Group Treasurer</p>	<p><b>Ms. Maria Veronica C. So</b>, 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><b>LIZA LUV T. MONTELIBANO</b> 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><b>Ms. Liza Luv T. Montelibano</b>, 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, TPI, TSI, 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 connected with any government agency or instrumentality. She is not a director of a publicly-listed company.</p>
<p><b>MA. CONSOLACION C. MERCADO</b> Compliance Officer*</p>	<p><b>Ms. Ma. Consolacion C. Mercado</b>, 42 years old, Filipino, is currently the Vice President for Legal – Energy Affairs and Compliance of the Company since September 2019. She previously served as the Company’s Vice President for Regulatory Affairs, Distribution Utility Group from July 2018 to August 2019 and Assistant Vice-President for Legal – Energy Affairs from July 2015 to June 2018.</p> <p>Ms. Mercado first joined the Aboitiz Group in 2009 as a Regulatory Lawyer. In her current role under the Energy Affairs and Compliance Team, Ms. Mercado is responsible for developing and cascading governance and legal policies to the Company and its various subsidiaries. She also ensures that contracts and agreements of the power generation, power</p>

	<p>distribution and supplier businesses across the Group are standardized, and that legal and compliance risks are managed. Ms. Mercado also has practice in the areas of corporate law, tax law, labor, and litigation.</p> <p>Ms. Mercado earned her Bachelor of Science in Business Administration and Accountancy from the University of the Philippines - Diliman and her Bachelor of Laws degree from the same university. She is a Certified Public Accountant and a member of good standing with the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.</p>
<p><b>MANUEL ALBERTO R. COLAYCO</b> Corporate Secretary</p>	<p><b>Mr. Manuel Alberto R. Colayco</b>, 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 &amp; 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 &amp; Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc &amp; 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><b>MAILENE M. DE LA TORRE</b> Assistant Corporate Secretary</p>	<p><b>Ms. Mailene M. de la Torre</b>, 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 &amp; 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><b>SAMMY DAVE A. SANTOS</b> Assistant Corporate Secretary</p>	<p><b>Mr. Sammy Dave A. Santos</b>, 36 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 the Law Firm of Quiason Makalinta Barot Torres Ibarra Sison &amp; 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><b>MARNIE F. MAÑALAC</b> Data Privacy Officer <i>Ex-Officio Member</i> – Board Risk and Reputation Management Committee</p>	<p><b>Ms. Marnie F. Mañalac</b>, 54 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-</p>

	<p>Based Costing &amp; 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><b>SATURNINO E. NICANOR, JR.</b> Group Internal Audit Head</p>	<p><b>Mr. Saturnino E. Nicanor, Jr.</b>, 58 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>

\* Ms. Ma. Consolacion C. Mercado was appointed as the Company's Compliance Officer effective on 01 January 2021 following the separation of Mr. Joseph Trillana T. Gonzales.

### **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 31 December 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 31 December 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 31 December 2020, AEV owns 76.88% of the voting shares of AboitizPower. In turn, ACO owns, as of 31 December 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, AboitizPower was in full compliance with its Amended Manual on Corporate Governance ("Manual"), Code of Ethics and Business Conduct (the "Code"), and other internal company policies. It was also compliant with the regulatory requirements and disclosures policies set by the SEC, PSE, and PDEX. The Aboitiz Group's commitment to corporate governance best practices has been consistently recognized over the years. 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, 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 is 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 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 is closely monitored and reported by the Compliance Officer to SEC and PSE, as well as in the Company’s IACGR.

In 2020, 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:

AboitizPower	Annual Stockholders' Meeting	Board/Organizational	Board Executive Committee	Board Environmental, Social and Corporate Governance Committee	Board Risk & Reputation Management Committee	Board Audit Committee	Board RPT Committee
Number of Meetings	1	8	4	2	2	5	2
Erramon I. Aboitiz	C 1/1	C 8/8	M 4/4	M 2/2	-	M 5/5	-
Mikel A. Aboitiz	VC 1/1	VC 8/8	M 2/4	M 2/2	-	-	-
Enrique M. Aboitiz	M 1/1	M 8/8	M 4/4	-	C 2/2	-	-
Emmanuel V. Rubio	M 1/1	M 8/8	C 4/4	-	M 2/2	-	-
Jaime Jose Y. Aboitiz	M 1/1	M 8/8	M 4/4	-	M 2/2	-	-
Danel C. Aboitiz	M 1/1	M 7/8	-	-	-	M 5/5	-
Romeo L. Bernardo	M 1/1	M 8/8	-	C 1/2	M 2/2	M 5/5	M 1/2
Carlos C. Ejercito	M 1/1	M 8/8	-	M 2/2	M 2/2	C 5/5	M 2/2
Eric Ramon O. Recto	M 1/1	M 8/8	-	M 2/2	M 2/2	M 5/5	C 2/2
Manuel Alberto R. Colayco	CS 1/1	CS 8/8	CS 4/4	CS 2/2	CS 2/2	CS 5/5	CS 2/2
Susan V. Valdez	-	-	-	EO 2/2	-	-	-
Joseph Trillana T. Gonzales*	CO 1/1	CO 8/8	-	EO 2/2	-	-	-
Saturnino E. Nicanor Jr.	CAE 1/1	-	-	-	-	CAE 5/5	-
Marnie F. Manalac	-	-	-	-	EO 2/2	-	-
Liza Luv T. Montelibano	CF0 1/1	-	EO 4/4	-	EO 2/2	-	-
Robert McGregor	-	-	EO 3/3	-	-	-	-
Christopher P. Beshouri	-	-	EO 3/3	-	-	-	-

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

Legend:

C- Chairman; VC – Vice Chairman; M – Member; CS – Corporate Secretary; CO – Compliance Officer; CFO – Chief Financial 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 2020, are described below:

- a. The **Board Environmental, Social and 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.

- 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. In 2020, the Audit Committee updated its Charter to improve the Company's control performance by having an adequate and effective control system.
- 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. In 2020, AboitizPower updated the RPT Certification for Directors and Officers in compliance to the Bureau of Internal Revenue Regulation No. 19-2020 on the reporting guidelines for the transactions of individuals and juridical entities with related parties. The Company also 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 chief finance officers of the Group 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 2020 IACGR and Integrated Annual Report, which will be available at [www.aboitzpower.com](http://www.aboitzpower.com).

### **Disclosure and Transparency**

Pursuant to its commitment to transparency and accountability, AP's website, [www.aboitzpower.com](http://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 2020 IACGR is available for download at the Company's website [www.aboitzpower.com](http://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 with Applicable Law. The Aboitiz Group is committed to stakeholder-focused environmental management projects like the A-Park nationwide reforestation partnership with the 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, AEV 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
<b>Chief Executive Officer and the Four Most Highly Compensated Officers:</b>				
1. <b>ERRAMON I. ABOITIZ</b> - Chairman				
2. <b>EMMANUEL V. RUBIO</b> - President and Chief Executive Officer				
3. <b>LIZA LUV T. MONTELIBANO</b> - Chief Financial Officer/Corporate Information Officer				
4. <b>LUIS MIGUEL O. ABOITIZ**</b> - Executive Vice President & Chief Strategy Officer				
5. <b>JOSEPH TRILLANA T. GONZALES</b> - General Counsel and Compliance Officer				
All above named officers as a group	<b>Actual 2020</b>	₱100,840,000.00	₱4,960,000.00	₱43,340,000.00
	Actual 2019	₱98,270,000.00	₱14,110,000.00	₱8,180,000.00
	Projected 2021	₱106,900,000.00	₱5,300,000.00	₱45,900,000.00
All other officers and directors as a group	<b>Actual 2020</b>	₱25,010,000.00	₱1,660,000.00	₱43,650,000.00
	Actual 2019	₱17,200,000.00	₱1,130,000.00	₱26,270,000.00
	Projected 2021	₱26,500,000.00	₱1,800,000.00	₱46,300,000.00

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

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 2020 is as follows:

Name of Director	Total Compensation Received as a Director <sup>24</sup>
<b>ERRAMON I. ABOITIZ</b> <i>Chairman of the Board of the Board</i>	₱6,360,000.00
<b>MIKEL A. ABOITIZ</b> <i>Vice Chairman of the Board of the Board</i>	₱2,750,000.00
<b>ENRIQUE M. ABOITIZ</b> <i>Director</i>	₱3,710,000.00
<b>EMMANUEL V. RUBIO</b> <i>Director</i> <i>President and Chief Executive Officer</i>	₱3,370,000.00
<b>JAIME JOSE Y. ABOITIZ</b> <i>Director</i> <i>Executive Vice President and Chief Operating Officer</i>	₱3,650,000.00
<b>DANEL C. ABOITIZ</b> <i>Director</i> <i>Chief Commercial and Stakeholder Engagement Officer</i>	₱3,200,000.00
<b>ROMEO L. BERNARDO</b> <i>Lead Independent Director</i>	₱3,630,000.00
<b>CARLOS C. EJERCITO</b> <i>Independent Director</i>	₱4,200,000.00
<b>ERIC RAMON O. RECTO</b> <i>Independent Director</i>	₱4,610,000.00

### **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.

<sup>24</sup> 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.

### **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 31 December 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	<b>1. Aboitiz Equity Ventures Inc. (AEV)</b> <sup>25</sup> 32nd Street, Bonifacio Global City, Taguig City (Stockholder)	Aboitiz Equity Ventures Inc. <sup>26</sup>	Filipino	5,657,530,774 (Record and Beneficial)	76.88%
Common	<b>2. PCD Nominee Corporation (Filipino)</b> <sup>27</sup> 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers <sup>28</sup>	Filipino	1,076,781,005 (Record)	14.63%
Common	<b>3. PCD Nominee Corporation (Foreign)</b> <sup>29</sup> 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers <sup>30</sup>	Non-Filipino	342,501,177 (Record)	4.65%

As of 31 December 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	<b>1. Aboitiz &amp; Company, Inc.</b> 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	<b>2. PCD Nominee Corporation (Filipino)</b> 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati (Stockholder)	PCD participants acting for themselves or for their customers	Filipino	954,280,966 (Record)	17.13%

<sup>25</sup> AEV is the parent company of AboitizPower. 76

<sup>26</sup> 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.

<sup>27</sup> 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.

<sup>28</sup> 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.

<sup>29</sup> *Supra* note 27.

<sup>30</sup> *Supra* note 28.

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	<b>3. Ramon Aboitiz Foundation, Inc.</b> 35 Lopez Jaena St., Cebu City (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	<b>4. PCD Nominee Corporation (Foreign)</b> 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	370,452,359 (Record)	6.58%

### Security Ownership of Management as of 31 December 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	<b>Erramon I. Aboitiz</b> Chairman of the Board	1,300,001	Direct	Filipino	0.02%
		85,597,214	Indirect		1.16%
Common	<b>Mikel A. Aboitiz</b> Vice Chairman of the Board	1	Direct	Filipino	0.00%
		23,844,159	Indirect		0.32%
Common	<b>Enrique M. Aboitiz</b> Director	1,138,658	Direct	Filipino	0.02%
		0	Indirect		0.00%
Common	<b>Emmanuel V. Rubio</b> Director/President and Chief Executive Officer	89,130	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Jaime Jose Y. Aboitiz</b> Director/Executive Vice President – Chief Operating Officer	5,367,397	Direct	Filipino	0.07%
		4,719,302	Indirect		0.06%
Common	<b>Danel C. Aboitiz</b> Director/Senior Vice President – Government Relations and Regulatory Affairs	4,081,636	Direct	Filipino	0.06%
		459,160	Indirect		0.01%
Common	<b>Romeo L. Bernardo</b> Lead Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Carlos C. Ejercito</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Eric Ramon O. Recto</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Maria Veronica C. So</b> Group Treasurer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Liza Luv T. Montelibano</b> 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	<b>Joseph Trillana T. Gonzales*</b> First Vice President - General Counsel and Compliance Officer	62,527	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Manuel Alberto R. Colayco</b> Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Mailene M. de la Torre</b> Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		5,000	Indirect		0.00%
Common	<b>Sammy Dave A. Santos</b> Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Marnie F. Mañalac</b> Data Privacy Officer and Vice President for Risk and Organizational Performance Management	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Saturnino E. Nicanor, Jr</b> Group Internal Audit Head	26,896	Direct	Filipino	0.00%
		0	Indirect		0.00%
	<b>TOTAL</b>	<b>126,694,581</b>			<b>1.72%</b>

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

### **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 2014 Series A Bonds had an optional redemption on the fifth (5<sup>th</sup>) year and one (1) quarter from issue date, and on the sixth (6<sup>th</sup>) year from issue date. On the other hand, the 2014 Series B Bonds had an optional redemption on the seventh (7<sup>th</sup>) year from issue date, the eighth (8<sup>th</sup>) year from issue date, the ninth (9<sup>th</sup>) year from issue date, the tenth (10<sup>th</sup>) year from issue date, and the eleventh (11<sup>th</sup>) 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 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:
  - 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 (7<sup>th</sup>) year, eighth (8<sup>th</sup>), and ninth (9<sup>th</sup>) 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 <sup>11</sup>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 5.2(a) (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 & 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 5.2 (a) (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, 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 5.2 (a) (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
<b>Audit Related</b>		
Audit Fees	₱502,000.00	₱456,680.00
Audit Related Fees	6,650,000.00	6,645,668.00
<b>Total</b>	<b>₱7,152,000.00</b>	<b>₱7,102,348.00</b>
<b>Non-Audit Related</b>		
Financial and Tax Due Diligence Fees	4,000,000.00	4,465,779.00
<b>Total</b>	<b>₱4,000,000.00</b>	<b>₱4,465,779.00</b>
<b>Total Audit and Non-Audit Fees</b>	<b>₱11,152,000.00</b>	<b>₱11,568,127.00</b>

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 any Applicable Law 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 01 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, for subsequent interests due and subject to the requirements of new or amendatory regulations, 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 bearing the wet-ink signature of the Bondholder’s signatory should be submitted to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

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 and Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

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 Joint Issue Managers, Joint Lead Underwriter, and Joint Bookrunners 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 01 January 2018 until 31 December 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 02 January 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 it can be proven that 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.

As of 30 June 2020, PSALM has successfully privatized and turned over thirty-one (31) generating assets sold with total capacity of 4,601.43 MW, six (6) IPP contracts assigned to IPPAs with contracted capacity of 3,355 MW, and five (5) decommissioned plants.

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.

In December 2020, the ERC issued its Resolution No. 12, Series of 2020, which implemented the expansion of the coverage of RCOA to users with an average monthly peak demand of at least 500kW (Phase III).

## **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. Locational marginal price
5. 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”);
- 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”); and
- f) ERC Resolution No. 12, Series of 2020 - A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access (RCOA) (“ERC Resolution No. 12”).

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, the ERC lowered the RCOA threshold to end-users with an average monthly peak demand of at least 500kW through ERC Resolution No. 12, Series of 2020.

### ***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.

On 03 December 2020, the ERC approved a new timeline for the implementation of RCOA, allowing those who meet the 500 kW threshold to switch to the Competitive Retail Electricity Market starting 26 February 2021.

### ***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.

In January 2021, DOE posted on its website a draft Department Circular on Reserves Market design.

### ***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, while that of Visayan Electric and Davao Light ended on 30 June 2014. 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.

### ***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.

In December 2020, the DOE posted a draft Department Circular amending the 2018 DOE Circular. The final version has not yet been published as of 31 December 2020.

### **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. These financial standards are currently undergoing review by the ERC, with draft guidelines released for public consultation in July 2020.

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.

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” and on 14 July 2020, the DOE issued guidelines on the Green Energy Auction Policy (DOE Department Circular No. 2020-07-0017) which provide mechanisms on the implementation of the RE Law.

## **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 2019, 2018, and 2017, and for each of the three (3) years in the period ended 31 December 2019.

ISSUER

**Aboitiz Power Corporation**  
32nd Street, Bonifacio Global City  
1634 Taguig City, Metro Manila, Philippines

TRUSTEE

**BDO Unibank, Inc. Trust and Investments Group** 15<sup>th</sup> floor, South Tower, BDO Corporate Center, 7899 Makati Avenue  
Makati City 0726, Philippines

REGISTRAR AND PAYING AGENT

**Philippine Depository & Trust Corp.**  
29<sup>th</sup> floor, BDO Equitable Tower  
8751 Paseo de Roxas  
Makati City, 1226, Philippines

LEGAL ADVISERS

To the Issuer

**Romulo Mabanta Buenaventura Sayoc & de los Angeles**  
21<sup>st</sup> floor, Philamlife Tower  
8767 Paseo de Roxas  
Makati City, 1226, Philippines

To the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners

**Picazo Buyco Tan Fider & Santos**  
Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City

INDEPENDENT AUDITORS OF THE ISSUER

**SyCip, Gorres, Velayo & Co.**  
6760 Ayala Avenue,  
Makati City, 1226, Philippines

JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS

**BDO Capital & Investment Corporation**  
20<sup>th</sup> floor, South Tower, BDO Corporate Center, 7899 Makati Avenue  
Makati City 0726, Philippines

**BPI Capital Corporation**  
11<sup>th</sup> Floor, Ayala North Exchange (Tower 1)  
6796 Ayala Avenue, cor. Salcedo St.  
Makati City 1229, Philippines

**China Bank Capital Corporation**  
28<sup>th</sup> floor, BDO Equitable Tower,  
8751 Paseo de Roxas,  
Makati City 1226, Philippines

**First Metro Investment Corporation**  
45th Floor, GT Tower International  
6813 Ayala Avenue cor. H.V. Dela Costa St.  
Makati City 1229, Philippines

COVER SHEET

C 1 9 9 8 0 0 1 3 4  
S.E.C. Registration Number

A B O I T I Z P O W E R C O R P O R A T I O N  
  
  
(Company's Full Name)

3 2 N D S T R E E T , B O N I F A C I O G L O B A L  
C I T Y , T A G U I G C I T Y , M E T R O M A N I L A  
P H I L I P P I N E S  
(Business Address: No. Street City / Town / Province)

MANUEL ALBERTO R. COLAYCO  
Contact Person

(02) 8-886-2338  
Company Telephone Number

1 2 3 1  
Month Day  
Fiscal Year

3<sup>rd</sup> Quarterly Report 2020  
1 7 - Q  
FORM TYPE

4<sup>th</sup> Monday of April  
0 4 2 7  
Month Day  
Annual Meeting

Secondary License Type, if Applicable

S E C  
Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x  
Domestic

Foreign

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To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2020**
2. Commission identification number **C199800134**      3. BIR Tax Identification No. **200-652-460-000**

4. Exact name of issuer as specified in its charter

**ABOITIZ POWER CORPORATION**

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

**Philippines**

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office

Postal Code

**32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines**

**1634**

8. Issuer's telephone number, including area code

**(02) 8 886-2800**

9. Former name, former address and former fiscal year, if changed since last report

**N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock  
Outstanding and Amount of Debt Outstanding  
(as of September 30, 2020)

**Common Stock ₱1 Par Value**

**7,358,604,307**

**Amount of Debt Outstanding**

**₱232,747,382,000.00**

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

Yes [  ] No [  ]

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

**Philippine Stock Exchange**

**Common**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

#### MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

#### Top Five Key Performance Indicators

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

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

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

Manner of Computation:

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

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



cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

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

#### Nine-Month Period Ended September 30, 2020 versus Nine-Month Period Ended September 30, 2019

The table below shows the comparative figures of the key performance indicators for the nine (9) months of 2020 and 2019 and as of December 31, 2019:

Key Performance Indicators	September 2020	September 2019 (INTERIM)	December 2019
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	1,709,968	2,812,358	3,813,962
<b>EBITDA</b>	31,058,459	34,707,402	45,005,022
<b>CASH FLOW GENERATED:</b>			
Net cash flows from operating activities	24,203,100	31,520,771	39,356,962
Net cash flows used in investing activities	(5,414,856)	(29,553,681)	(34,060,584)
Net cash flows used in financing activities	(18,418,649)	(17,358,201)	(14,376,055)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	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
<b>CURRENT RATIO</b>	1.28		1.50
<b>DEBT-TO-EQUITY RATIO</b>	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 same period last year. The decrease was mainly due to lower income contribution from SN Aboitiz Power-Magat, resulting from a reduction in volume sold caused by reduced water levels.
- EBITDA for the first nine months of 2020 decreased by 11%. 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 offset by lower purchased power cost during the first nine months, as well as new capacities.
- For the first nine months ended 2020, cash and cash equivalents increased by ₱606.00 million (mn). This was mainly due to Company's retail bond issuance in June 2020 which was partly offset by principal payments made on existing loans.
- Current Ratio as of September 30, 2020 was at 1.28x as compared to 1.50x as of December 31, 2019. The decline was primarily due to maturing bonds of the Company that were reclassified from non current, as well as additional short-term loans availed by subsidiaries.
- Debt-to-Equity Ratio as of September 30, 2020 was at 2.14x, higher than the 2.07x recorded at the end of 2019.

## Results of Operations

Net income for the first nine months of 2020 of ₱7.01 bn, which was 48% lower than the ₱13.45 bn reported for the same period in 2019. This translated to earnings per share of ₱0.95 for the period. The Company recognized non-recurring net gains of ₱528 mn during the relevant period, compared to non-recurring net losses of ₱220 mn during the corresponding period last year, due to net foreign exchange gains on the revaluation of dollar denominated liabilities. Without the 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 also due to a decline in EBITDA due to lower demand resulting from the enforcement of COVID-related community quarantines, as well as lower water inflow. The Company also recorded additional tax expenses following the expiration of the ITH incentives of Therma South (TSI) and GN Power Mariveles (GMEC), and 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 ₱25.5 bn during the first nine months of 2020, 11% lower than the ₱28.7 bn recorded during the corresponding period last year. The variance was primarily due to reduced demand resulting from the enforcement of COVID-related community quarantines and to lower water inflow.

Capacity sold for the first three quarters of 2020 increased by 9% to 3,394 megawatts (MW) from 3,123 MW in the same period last year. This was due to increased contracting levels driven by the new capacity of Therma Visayas, Inc. and additional portfolio contracts. Despite the increase in contracting levels, the lower demand brought about by the pandemic and the prolonged outage of TSI resulted in a decline in energy sold during the first nine months of 2020 declined by 8% to 16,689 gigawatt-hours (GWh) from 18,083 GWh.

### 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 last year. Energy sales decreased by 8% to 3,994 GWh during the first three quarters of 2020 from 4,341 GWh in 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)	<b>₱13,454,957</b>
Decrease in operating revenues	(13,551,493)
Decrease in operating expenses	10,595,330
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	213,922
Increase in provision for taxes	(2,277,078)
Decrease in income attributable to non-controlling interests	559,528

Total	<u>(6,449,256)</u>
Net Income Attributable to Equity Holders of the Parent (January - September 2020)	<u><b>₱7,005,701</b></u>

**Operating Revenues**

*(14% decrease from ₱94.68 bn to ₱81.13 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 as well as lower contract rates.

These were offset by new capacities which went online in 2020.

**Operating Expenses**

*(15% decrease from ₱72.45 bn to ₱61.85 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 first nine months of 2020 compared to the same period last year 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 last year due to interest and financing costs on AboitizPower's ₱7.25 bn and ₱9.55 bn retail bonds issued in October 2019 and July 2020 respectively and 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 same period last year. 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**

*(9% increase from ₱2.30 bn to ₱2.52 bn other income)*

The increase in other income during the first nine months of 2020 compared to the same period last year 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 from the expiration of the ITH incentives of TSI and GMEC.

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

### Assets

Total assets (as of September 30, 2020 compared to December 31, 2019) decreased by ₱6.36 bn, or 2%. The major movements of the accounts leading to the decrease were as follows:

- i. Cash and cash equivalents increased by ₱606.00 mn, or 2% (from ₱37.43 bn to ₱38.04 bn). This was due to the additional loan availments by the Group.
- ii. Trade and other receivables increased by ₱484.00 mn, or 2% (from ₱21.75 bn to ₱22.23 bn), primarily due to the impact of the extension of bill payments as per Energy Regulatory Commission (ERC) and Department of Energy (DOE) advisories.
- iii. Inventories decreased by ₱82.00 mn or 1% (from ₱6.63 bn to ₱6.55 bn). This was mainly driven by an 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 Therma Visaya's (TVI) 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 the new capital contributions to GN Power Dinginin (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 Therma Luzon, Inc. (TLI) on its net operating loss.
- x. Other noncurrent assets decreased by ₱6.18 bn, or 46% (from ₱13.52 bn to ₱7.34 bn). This was mainly due to the decrease in Input VAT, regular reduction in PSALM deferred adjustment and the reclassification of TVI's restricted cash to Other current assets.

### Liabilities

Compared to December 31, 2019, total liabilities as of September 30, 2020 decreased by ₱1.40 bn, or 1%. The major movements of accounts leading to the decrease were as follows:

- i. Short-term loans increased by ₱3.16 bn, or 31% (from ₱10.34 bn to ₱13.49 bn). This was mainly due to new loans availed of by the Group for working capital purposes.
- ii. Trade and other payables increased by ₱1.66 bn, or 7% (from ₱22.38 bn to ₱24.03 bn). This was primarily due to the reclassification of TVI's Other noncurrent liabilities to current. These were partly offset by the reduction of trade payables and accrued expenses.
- iii. Income tax payable increased by ₱685.00 mn, or 134% (from ₱510.00 mn to ₱1.19 bn). This was mainly due to the expiration of the ITH incentives of TSI and GMEC.

- iv. Customers' deposits increased by ₱259.00 mn, or 4% (from ₱6.52 bn to ₱6.78 bn). This was mainly due to the receipt of bill deposits from new customers.
- v. 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.
- vi. Long-term debt (current and non-current portions) increased by ₱770.00 mn (from ₱177.97 bn to ₱178.74 bn). This is mainly due to Parent's bond issuance. This was partly offset by principal payments made on existing loans.
- vii. 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 Power Sector Assets and Liabilities Management Corporation (PSALM).
- viii. 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 is regularly recognized.
- ix. 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.
- x. 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.
- xi. 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 the PSALM deferred adjustments and the reclassification of TVI's Other noncurrent liabilities to current.

## Equity

Equity attributable to equity shareholders of the Parent Company decreased by 3% (from ₱125.54 bn at the end of 2019 to ₱121.24 bn as of September 30, 2020) after the declaration of dividends in March 2020, net of comprehensive income recognized during the first nine months of 2020. Cumulative translation adjustments decreased by ₱2.37 bn, due to the downward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts designated as cash flow hedges, as well as the net assets translation effect of GMEC and Luzon Hydro Corporation during the period.

## Material Changes in Liquidity and Cash Reserves of Registrant

As of September 30, 2020, the Group's cash and cash equivalents increased by 2% to ₱38.04 bn, from ₱37.43 bn as of December 31, 2019.

The reduction in power demand brought about by COVID-19 related community quarantines contributed to lower cash generated from operations during the first nine months of 2020 by ₱7.32 bn which was a 23% decrease compared to the same period last year.

Net cash flows used in investing activities decreased to ₱5.41 bn in the first nine months of 2020 from ₱29.55 bn for the same period last year, which was mainly due to the ₱24.95 bn AA Thermal acquisition taken up last year.

The net cash flows used in financing activities as of September 30, 2020 increased by ₱1.06 bn compared to the same period in 2019, primarily due to payments by the Group of principal amortizations on various loans.

## **Financial Ratios**

As of September 30, 2020, current assets increased by 7% and current liabilities increased by 25% compared to end of 2019. The current ratio as of September 30, 2020 was at 1.28x compared to 1.50x as of December 31, 2019.

Consolidated debt to equity ratio as of September 30, 2020 was at 2.14x, higher than the 2.07x recorded at the end of 2019. This was due to a 1% decrease in total liabilities during the first nine months of 2020, coupled with a 4% decrease in equity during the same period.

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

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

Despite increased competition in the power generation market, the Company believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of six new power generation projects: (1) the Naga Power Plant Complex project; (2) the 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 National Grid Corporation of the Philippines (NGCP) and were successfully rehabilitated in January 2020. The units have demonstrated a combined net capacity of 39 MW, almost twice the output of the units prior to Therma Power Visayas, Inc. (TPVI) taking over the complex. During the second quarter of 2020, TPVI obtained a Provisional Authority to Operate from the ERC which allowed TPVI to commence commercial operations. The plant began commercial operations on August 7, 2020 and was first dispatched based on an offer into the Wholesale Electricity Spot Market (WESM) on August 26, 2020. The plant is scheduled for NGCP ASPA testing this November 2020.

The GNPower Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban from China. Project timelines have been impacted due to the imposition of travel restrictions and delays in the delivery of materials. However, with the strict COVID-19 measures implemented on the site, key technical personnel and materials mobilization have now been largely achieved. Due to these circumstances, Unit 1 is now scheduled to commence commercial operations by the second quarter of 2021. Unit 2 is expected to commence commercial operations by the third quarter of 2021.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SNAP, which was looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power-Magat floating solar project has proven its viability, both technical and commercial. On October 21, 2020, the SNAP Board approved for the project to proceed to engineering design for 67 MW.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of additional steam capacity by 2022. For Tiwi, the first well drilled was commissioned in December 2019 and was tested at 12.11 MW in January 2020. For MakBan, the first make-up well is targeted by January 2021 with a capacity of 5 to 7 MW. The Company expects to complete the drilling for incremental steam

capacity by 2022. The drilling project is significant as it will allow the Company to optimize APRI's current net sellable capacity of 290 MW.

In November 2020, AboitizPower announced its two battery projects. The TMI Hybrid BESS project ("TMI BESS") is located in Maco, Compostela Valley. It has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with Therma Marine's Maco oil barge. The TMI BESS project is targeted to commence commercial operations in 2022. The SN Aboitiz Power-Magat BESS project ("SNAP BESS") is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. The project is currently in the pre-construction phase, with the next step being the engagement of a preferred EPC contractor for early works. The SNAP BESS project is targeted to commence commercial operations in 2023.

The TMI BESS and SNAP BESS projects are of strategic significance to AboitizPower as they optimize the capacity of the Company's energy portfolio and build its capability to meet the energy demands of the future, as well as serving as a model for its future battery investments.

As of September 2020, AboitizPower owns 4,435 MW of net attributable capacity, of which 3,499 MW is currently operating.

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. The Company has been a pioneer of renewable energy in the country and its diversification into thermal technologies was primarily driven by the country's need for a reliable, accessible, and affordable power supply.

AboitizPower remains committed to growing its attributable capacity, which it expects will be sourced from a portfolio consisting of both renewables and selective baseload builds. In terms of renewable energy, the Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("RPS") by the DOE starting this year. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The Company will continue to pursue its international aspirations, with a continued focus on renewable energy projects in wind, hydro, solar, and gas in the ASEAN region. With all of these combined, it is expected that the Company's portfolio ratio will be close to a 50:50 Cleanenergy (renewable energy) and thermal capacity mix by the end of the current decade.

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

Despite the challenges posed by the global pandemic and the currently challenging business situation, the Company continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the government's community quarantine. The Company will continue to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2020 Definitive Information Statement).



## **PART II--OTHER INFORMATION**

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



## SIGNATURES

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

Issuer	<b>ABOITIZ POWER CORPORATION</b> _____
Principal Accounting Officer	 <b>Myla M. Espineda</b> _____
Signature and Title	<b>AVP – Divisional Operating Profit Management and Special Projects</b> _____
Date	<b>November 13, 2020</b> _____
Authorized Officer of the Issuer	 <b>Manuel Alberto R. Colayco</b> _____
Signature and Title	<b>Corporate Secretary</b> _____
Date	<b>November 13, 2020</b> _____

# Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As of September 30, 2020 (with Comparative Figures as of December 31, 2019)  
and For the Nine-Month Periods Ended September 30, 2020 and 2019

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

(With Comparative Figures as of December 31, 2019)

(Amounts in Thousands)

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱38,039,586	₱37,433,929
Trade and other receivables (Note 6)	22,231,114	21,747,422
Inventories	6,549,766	6,632,029
Other current assets (Note 7)	15,187,130	11,083,405
<b>Total Current Assets</b>	<b>82,007,596</b>	<b>76,896,785</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 8)	63,697,307	60,878,541
Property, plant and equipment	204,507,338	209,521,466
Intangible assets (Note 10)	44,754,747	46,712,501
Derivative assets - net of current portion (Note 20)	—	82,327
Financial assets at fair value through profit or loss (FVTPL)	9,160	3,906
Net pension assets	68,209	68,209
Deferred income tax assets	1,727,856	2,786,310
Other noncurrent assets	7,335,385	13,519,312
<b>Total Noncurrent Assets</b>	<b>322,100,002</b>	<b>333,572,572</b>
<b>TOTAL ASSETS</b>	<b>₱404,107,598</b>	<b>₱410,469,357</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans (Note 12)	₱13,491,814	₱10,335,420
Current portions of:		
Long-term debts (Note 13)	16,771,434	10,386,311
Lease liabilities (Note 21)	6,540,210	5,486,745
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 20)	2,114,547	2,255,736
Trade and other payables (Note 11)	24,033,901	22,376,120
Income tax payable	1,194,953	510,137
<b>Total Current Liabilities</b>	<b>64,186,859</b>	<b>51,390,469</b>

(Forward)

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

(With Comparative Figures as of December 31, 2019)

(Amounts in Thousands)

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
<b>Noncurrent Liabilities</b>		
Noncurrent portions of:		
Long-term debts (Note 13)	₱161,970,413	₱167,585,311
Lease liabilities (Note 21)	33,973,511	39,302,899
Long-term obligation on power distribution system	177,414	159,350
Derivative liabilities - net of current portion (Note 20)	1,008,948	212,588
Customers' deposits	6,780,255	6,521,469
Decommissioning liability	4,466,892	3,567,492
Deferred income tax liabilities	906,056	848,471
Net pension liabilities	426,047	426,047
Other noncurrent liabilities	1,528,599	6,812,250
<b>Total Noncurrent Liabilities</b>	<b>211,238,135</b>	<b>225,435,877</b>
<b>Total Liabilities</b>	<b>275,424,994</b>	<b>276,826,346</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Paid-in capital	19,947,498	19,947,498
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI) of an associate (Note 8)	98,602	101,727
Cumulative translation adjustments	(3,368,137)	(994,253)
Share in cumulative translation adjustments of associates and joint ventures (Note 8)	(406,560)	(153,485)
Actuarial losses on defined benefit plans	(923,833)	(923,833)
Share in actuarial gains on defined benefit plans of associates and joint ventures (Note 8)	(13,079)	(14,299)
Acquisition of non-controlling interests	(6,321,325)	(6,321,325)
Excess of cost over net assets of investments	(421,260)	(421,260)
Loss on dilution	(433,157)	(433,157)
Retained earnings (Note 22)		
Appropriated	33,660,000	33,660,000
Unappropriated	79,417,925	81,095,377
	<b>121,236,674</b>	<b>125,542,990</b>
<b>Non-controlling Interests</b>	<b>7,445,930</b>	<b>8,100,021</b>
<b>Total Equity</b>	<b>128,682,604</b>	<b>133,643,011</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱404,107,598</b>	<b>₱410,469,357</b>

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.*

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

	Jan - Sep 2020	Jan - Sep 2019	Jul - Sep 2020	Jul - Sep 2019
<b>OPERATING REVENUES</b> (Note 18)	<b>₱81,129,541</b>	₱94,681,034	<b>₱28,097,687</b>	₱30,722,270
<b>OPERATING EXPENSES</b> (Note 15)	<b>61,852,466</b>	72,447,796	<b>19,856,136</b>	22,480,282
<b>FINANCIAL INCOME (EXPENSES)</b>				
Interest income	540,235	1,060,451	134,940	295,776
Interest expense and other financing costs (Note 19)	(10,614,840)	(10,247,981)	(3,417,717)	(3,684,712)
	<b>(10,074,605)</b>	(9,187,530)	<b>(3,282,777)</b>	(3,388,936)
<b>OTHER INCOME (EXPENSES)</b>				
Share in net earnings of associates and joint ventures	1,709,968	2,812,358	730,150	1,767,429
Other income (expenses) - net (Note 16)	2,517,714	2,303,792	1,089,998	241,553
	<b>4,227,682</b>	5,116,150	<b>1,820,148</b>	2,008,982
<b>INCOME BEFORE INCOME TAX</b>	<b>13,430,152</b>	18,161,858	<b>6,778,922</b>	6,862,034
<b>PROVISION FOR INCOME TAX</b>	<b>4,785,682</b>	2,508,604	<b>2,903,173</b>	1,335,516
<b>NET INCOME</b>	<b>₱8,644,470</b>	₱15,653,254	<b>₱3,875,749</b>	₱5,526,518
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱7,005,701	₱13,454,957	₱3,268,761	₱4,806,586
Non-controlling interests	1,638,769	2,198,297	606,988	719,932
	<b>₱8,644,470</b>	₱15,653,254	<b>₱3,875,749</b>	₱5,526,518
<b>EARNINGS PER COMMON SHARE</b> (Note 17)				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	<b>₱0.95</b>	₱1.83	<b>₱0.44</b>	₱0.65

See accompanying Notes to Consolidated Financial Statements.

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME**

(Amounts in Thousands)

	Jan - Sep 2020	Jan - Sep 2019	Jul - Sep 2020	Jul - Sep 2019
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	<b>₱7,005,701</b>	₱13,454,957	<b>₱3,268,761</b>	₱4,806,586
Non-controlling interests	<b>1,638,769</b>	2,198,297	<b>606,988</b>	719,932
	<b>8,644,470</b>	15,653,254	<b>3,875,749</b>	5,526,518
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Share in net unrealized valuation loss on FVOCI investment of an associate (Note 8)	<b>(3,125)</b>	—	—	—
Movement in cumulative translation	<b>(2,917,314)</b>	(2,270,151)	<b>(1,344,191)</b>	(1,175,871)
Share in movement in cumulative translation adjustment of associates and joint ventures (Note 8)	<b>(253,075)</b>	(422,044)	<b>(297,262)</b>	(273,631)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<b>(3,173,514)</b>	(2,692,195)	<b>(1,641,453)</b>	(1,449,502)
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax (Note 8)	<b>1,220</b>	(16)	—	—
Net other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent	<b>1,220</b>	(16)	—	—
Total other comprehensive loss for the period, net of tax	<b>(3,172,294)</b>	(2,692,211)	<b>(1,641,453)</b>	(1,449,502)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,472,176</b>	₱12,961,043	<b>₱2,234,296</b>	₱4,077,016
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent	<b>₱4,376,837</b>	₱11,232,967	<b>₱2,170,738</b>	₱3,827,306
Non-controlling interests	<b>1,095,339</b>	1,728,076	<b>63,558</b>	249,710
	<b>₱5,472,176</b>	₱12,961,043	<b>₱2,234,296</b>	₱4,077,016

See accompanying Notes to Consolidated Financial Statements.

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**

**(Amounts in Thousands, Except Dividends Per Share Amounts)**

	Attributable to Equity Holders of the Parent											
	Paid-in Capital	Share in Net Unrealized Valuation Gain on FVOCI Investments of an	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Actuarial Gains (Losses) on Defined Benefit Plans	Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint	Acquisition of Non-controlling Interests	Excess of cost over net assets of investment	Loss on Dilution	Retained Earnings (Note 22)	Non-controlling Interests	Total
Balances at January 1, 2020	₱19,947,498	₱101,727	(₱994,253)	(₱153,485)	(₱923,833)	(₱14,299)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱81,095,377	₱8,100,021	₱133,643,011
Net income for the period	—	—	—	—	—	—	—	—	—	7,005,701	1,638,769	8,644,470
Other comprehensive income (loss)	—	(3,125)	(2,373,884)	(253,075)	—	1,220	—	—	—	—	(543,430)	(3,172,294)
Total comprehensive income (loss)	—	(3,125)	(2,373,884)	(253,075)	—	1,220	—	—	—	7,005,701	1,095,339	5,472,176
Cash dividends - ₱1.18 per share (Note 22)	—	—	—	—	—	—	—	—	—	(8,683,153)	—	(8,683,153)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(1,446,981)	(1,446,981)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(302,449)	(302,449)
Balances at September 30, 2020	₱19,947,498	₱98,602	(₱3,368,137)	(₱406,560)	(₱923,833)	(₱13,079)	(₱6,321,325)	(₱421,260)	(₱433,157)	₱33,660,000	₱7,445,930	₱128,682,604
Balances at January 1, 2019	₱19,947,498	₱101,727	₱525,916	₱321,139	(₱587,267)	₱29,729	(₱259,147)	(₱421,260)	(₱433,157)	₱34,060,000	₱8,863,751	₱136,576,667
Effect of adoption - PFRS 16	—	—	—	—	—	—	—	—	—	(237,889)	(40,070)	(277,959)
Balances at January 1, 2019, as restated	19,947,498	101,727	525,916	321,139	(587,267)	29,729	(259,147)	(421,260)	(433,157)	34,060,000	8,823,681	136,298,708
Net income for the period	—	—	—	—	—	—	—	—	—	13,454,957	2,198,297	15,653,254
Other comprehensive loss	—	—	(1,799,930)	(422,043)	—	(16)	—	—	—	—	(470,221)	(2,692,210)
Total comprehensive income (loss)	—	—	(1,799,930)	(422,043)	—	(16)	—	—	—	13,454,957	1,728,076	12,961,044
Cash dividends - ₱1.47 per share (Note 22)	—	—	—	—	—	—	—	—	—	(10,817,148)	—	(10,817,148)
Reversal of appropriation (Note 22)	—	—	—	—	—	—	—	—	—	(12,300,000)	—	(12,300,000)
Appropriations during the period (Note 22)	—	—	—	—	—	—	—	—	—	11,900,000	—	11,900,000
Acquisition of non-controlling interest	—	—	—	—	—	—	(6,062,178)	—	—	—	(710,830)	(6,773,008)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(2,395,870)	(2,395,870)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	125,104	125,104
Balances at September 30, 2019	₱19,947,498	₱101,727	(₱1,274,014)	(₱100,904)	(₱587,267)	₱29,713	(₱6,321,325)	(₱421,260)	(₱433,157)	₱33,660,000	₱7,227,658	₱129,398,830

See accompanying Notes to Consolidated Financial Statements.

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Jan - Sep 2020	Jan - Sep 2019	Jul - Sep 2020	Jul - Sep 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	₱13,430,152	₱18,161,858	₱6,778,922	₱6,862,034
Adjustments for:				
Interest expense and other financing costs (Note 19)	10,614,840	10,247,981	3,417,717	3,684,712
Depreciation and amortization	8,124,636	7,216,561	2,786,413	2,599,650
Loss (gain) on disposal of property, plant and equipment	66,992	267,261	22,082	(2,205)
Unrealized fair valuation loss on derivatives and financial assets at FVTPL (Note 20)	835,812	19,838	805,384	22,229
Share in net earnings of associates and joint ventures (Note 8)	(1,709,968)	(2,812,358)	(730,150)	(1,767,429)
Interest income	(540,235)	(1,060,451)	(134,940)	(295,776)
Net unrealized foreign exchange gains	(1,753,018)	(953,960)	(1,034,825)	324,660
Write-off of project costs and other assets	7,240	9,812	7,240	1,306
Operating income before working capital changes	29,076,451	31,096,542	11,917,843	11,429,181
Decrease (increase) in:				
Trade and other receivables	(1,686,773)	222,321	1,771,691	3,743,307
Inventories	82,263	(977,013)	(205,226)	(1,127,371)
Other current assets	(2,623,133)	2,901,340	(3,376,748)	892,177
Increase (decrease) in:				
Trade and other payables	2,441,136	41,025	867,765	(1,038,192)
Customers' deposits	258,786	318,287	44,538	82,830
Cash generated from operations	27,548,730	33,602,502	11,019,863	13,981,932
Income and final taxes paid	(3,345,630)	(2,081,731)	(1,572,155)	(624,855)
Net cash flows from operating activities	24,203,100	31,520,771	9,447,708	13,357,077
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash dividends received (Note 8)	2,097,127	1,857,905	855,188	40,180
Interest received	544,248	1,115,153	132,251	302,545
Proceeds from redemption of shares	6,939	5,340	—	—
Decrease (Increase) in other noncurrent assets	(2,366,314)	910,200	(3,051,937)	415,151
Net collection of advances	(15,789)	—	—	—
Loss (gain) on disposal of assets at FVTPL	(5,254)	81,208	1,306	34
Additions to:				
Property, plant and equipment	(3,365,818)	(6,983,315)	(1,545,436)	(3,482,160)
Intangible assets - service concession rights (Note 10)	(57,008)	(40,212)	(10,200)	(20,389)
Additional investments (Note 8)	(2,252,987)	(26,499,960)	(719,569)	(1,272,797)
Net cash flows used in investing activities	(5,414,856)	(29,553,681)	(4,338,397)	(4,017,436)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from availment (payment) of long-term debt (Note 13)	3,921,619	9,773,840	7,061,716	(3,110,453)
Net proceeds from availment of short-term loans (Note 12)	3,156,394	7,642,783	(9,516,520)	(518,061)
Cash dividends paid (Note 22)	(8,682,746)	(10,817,148)	—	—
Payment of lease liabilities (Note 21)	(6,428,396)	(7,027,989)	(2,624,668)	(2,350,369)
Acquisition of non-controlling interest	—	(6,773,008)	—	—
Changes in non-controlling interests	(1,446,981)	(2,395,870)	(299,200)	(329,317)
Interest paid	(8,938,539)	(7,760,809)	(3,728,013)	(3,457,406)
Net cash flows used in financing activities	(18,418,649)	(17,358,201)	(9,106,685)	(9,765,606)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>369,595</b>	<b>(15,391,111)</b>	<b>(3,997,374)</b>	<b>(425,965)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<b>236,062</b>	<b>526,373</b>	<b>106,056</b>	<b>126,512</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>37,433,929</b>	<b>46,343,041</b>	<b>41,930,904</b>	<b>31,777,756</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>₱38,039,586</b>	<b>₱31,478,303</b>	<b>₱38,039,586</b>	<b>₱31,478,303</b>

See accompanying Notes to Consolidated Financial Statements.



## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONDENSED NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

#### 1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of September 30, 2020, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 77.00% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

#### 2. Group Information

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

The following are the subsidiaries as of September 30, 2020 and December 31, 2019:

	Nature of Business	September 30, 2020		December 31, 2019	
		Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power generation	–	100.00	–	100.00
Retensol, Inc.*	Power generation	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power generation	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	–	100.00	–	100.00
Hedcor Kabayan, Inc. *	Power generation	–	100.00	–	100.00
PV Sinag Power, Inc. (former Hedcor Ifugao, Inc.)*	Power generation	–	100.00	–	100.00
Amihan Power, Inc. (former Hedcor Kalinga, Inc.)*	Power generation	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (former Hedcor Itogon Inc.)*	Power generation	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	–	100.00	–	100.00

(Forward)

	Nature of Business	September 30, 2020		December 31, 2019	
		Direct	Indirect	Direct	Indirect
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power generation	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power generation	–	99.97	–	99.97
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	–	100.00	–
Mindanao Sustainable Solutions, Inc.*	Services	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power generation	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power generation	–	100.00	–	100.00
Therma Power-Visayas, Inc. (TPVI)*	Power generation	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Subic, Inc.*	Power generation	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	–	100.00	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (former GNPower Mariveles Coal Plant) (GMEC)	Power generation	–	78.33	–	78.33
Therma Dinginin Holdings, Inc.	Holding company	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power generation	–	80.00	–	80.00
Abovant Holdings, Inc. (Abovant)	Holding company	–	60.00	–	60.00
AboitizPower International Pte. Ltd. (API)	Holding company	100.00	–	100.00	–
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity	100.00	–	100.00	–
Adventenergy, Inc. (AI)	Retail electricity	100.00	–	100.00	–
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	–	100.00	–
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	–	100.00	–
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	–	100.00	–
Malvar Enerzone Corporation	Power distribution	100.00	–	100.00	–
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	–	100.00	–	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	–	99.93	–
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding company	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power generation	–	100.00	–	100.00
AboitizPower International B.V.	Holding company	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	–	60.00	–
Prism Energy, Inc. (PEI)	Retail electricity	60.00	–	60.00	–
Visayan Electric Company (VECO)	Power distribution	55.26	–	55.26	–

\* No commercial operations as of September 30, 2020

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

#### Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2019, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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

On December 29, 2020, the Audit Committee of the Board of Directors (BOD) approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has previously issued unaudited interim condensed consolidated financial statements as of September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019. Subsequent to this, the Group made the following adjustments:

#### *Reclassification of Income Statement line items*

Reclassification was made in the unaudited interim condensed consolidated statements of income to align classification and presentation with the audited December 31, 2019 consolidated financial statements. The reclassification increased operating revenues by ₱767.0 million, decreased operating expenses by ₱329.03 million and decreased other income by ₱1.10 billion. These are offsetting and have no impact to net income.

#### *Reclassification from noncurrent to current portion of long-term debt*

Reclassification was made in the unaudited interim consolidated balance sheet reducing the long-term debt, net of current portion and increasing current portion of long-term debt, both by ₱179.76 million. There is no change in total liabilities but this adjustment affected the presentation of unaudited interim consolidated balance sheet for such line items.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments did not have an impact in the unaudited interim condensed consolidated financial statements as the Group’s practice is generally align with the amendments.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments did not have an impact in the unaudited interim condensed consolidated financial statements.

- *Conceptual Framework for Financial Reporting issued on March 29, 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning June 1, 2020. These amendments did not have an impact in the unaudited interim condensed consolidated financial statements.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The adoption of the new standard is not expected to have an impact on the unaudited interim condensed consolidated financial statements of the Group as the Group is not into the business of providing insurance contracts.

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#### 4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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#### 5. Cash and Cash Equivalents

	September 30, 2020	December 31, 2019
Cash on hand and in banks	₱14,508,649	₱14,177,919
Short-term deposits	23,530,937	23,256,010
	<b>₱38,039,586</b>	<b>₱37,433,929</b>

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

## 6. Trade and Other Receivables

	September 30, 2020	December 31, 2019
Trade receivables - net of allowance for expected credit losses	₱17,127,127	₱16,420,952
Others		
Dividends receivable	—	1,199,068
Advances to contractors	204,645	63,339
Non-trade receivable	3,811,828	2,972,536
Interest receivable	44,653	48,666
PSALM deferred adjustment	1,042,861	1,042,861
	<b>₱22,231,114</b>	<b>₱21,747,422</b>

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

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

Non-trade receivable relates mostly to the receivable of GMEC from NGCP related to the sale of transmission assets.

## 7. Other Current Assets

	September 30, 2020	December 31, 2019
Restricted cash	₱8,513,507	₱4,449,716
Input VAT	1,793,405	2,049,496
Prepaid tax	1,486,227	1,854,792
Advances to National Grid Corporation of the Philippines (NGCP)	2,132,100	1,727,028
Prepaid expenses	1,012,576	610,426
Others	249,315	391,947
	<b>₱15,187,130</b>	<b>₱11,083,405</b>

As of September 30, 2020, restricted cash includes the amount reclassified from noncurrent assets with respect to the performance securities received by TVI from its Engineering, Procurement and Construction (EPC) contractors that is already expected to be settled within the next 12 months.. Restricted cash also includes proceeds from sale of power under the control of trustees of TVI and TSI's lenders as per loan agreement. The asset will be used to pay the current portion of loans payable and interest payments in the following period.

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

Prepaid expenses mainly include prepayments for insurance.

## 8. Investments and Advances

	September 30, 2020	December 31, 2019
Acquisition cost:		
Balance at beginning of the period	₱58,144,997	₱30,559,245
Additions during the period	2,252,987	27,591,092
Redemptions during the period	(6,939)	(5,340)
Balance at end of period	<b>60,391,045</b>	58,144,997
Accumulated equity in net earnings:		
Balance at beginning of the period	3,345,164	3,867,849
Share in net earnings	1,709,968	3,813,962
Transition adjustment	—	(18,691)
Dividends received or receivable	(898,059)	(4,317,956)
Balance at end of period	<b>4,157,073</b>	3,345,164
Share in net unrealized valuation gain on FVOCI investment of an associate	98,602	101,727
Share in actuarial gains on defined benefit plans of associates and joint ventures	(13,079)	(14,299)
Share in cumulative translation adjustments of associates and joint ventures	(406,560)	(153,485)
	<b>64,227,081</b>	61,424,104
Less allowance for impairment losses	568,125	568,125
Investments at equity	<b>63,658,956</b>	60,855,979
Advances	38,351	22,562
	<b>₱63,697,307</b>	₱60,878,541

### 2020

In 2020, the Group, through TPI and ATI, made capital contributions to GNPD amounting to ₱2.25 billion.

The Group's associates and joint ventures and the corresponding equity ownership as of September 30, 2020 and December 31, 2019 are as follows:

	Nature of Business	Percentage of ownership	
		September 30, 2020	December 31, 2019
Manila-Oslo Renewable Enterprise, Inc. (MORE) <sup>1</sup>	Holding company	<b>83.33</b>	83.33
GNPower Dinginin Ltd. Co. (GNPD) <sup>(1, 2)</sup>	Power generation	<b>70.00</b>	72.50
AA Thermal, Inc. (ATI) <sup>3</sup>	Holding company	<b>60.00</b>	60.00
Hijos de F. Escaño, Inc. (Hijos)	Holding company	<b>46.73</b>	46.73
Mazzaraty Energy Corporation (MEC)	Retail electricity supplier	<b>44.87</b>	44.87
San Fernando Electric Light & Power Co., Inc.	Power distribution	<b>43.78</b>	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	<b>42.84</b>	42.84
La Filipina Elektrika, Inc.*	Power generation	<b>40.00</b>	40.00
STEAG State Power, Inc. (STEAG)	Power generation	<b>34.00</b>	34.00
AEV Aviation, Inc. (AAI)	Service	<b>26.69</b>	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	<b>26.40</b>	26.40
Redondo Peninsula Energy, Inc. (RPEI)*	Power generation	<b>25.00</b>	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	<b>20.00</b>	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	<b>20.00</b>	20.00

<sup>1</sup> Joint venture.

<sup>2</sup> GNPD change in ownership based on the Partnership Agreement and in 2019 due to ATI acquisition.

<sup>3</sup> Economic interest.

\* No commercial operations as of September 30, 2020

The principal place of business and country of incorporation of the Group's associates and joint venture are in the Philippines. Other than the changes highlighted, associates and joint ventures are the same as those presented as of December 31, 2019 audited financial statements.

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

	September 30, 2020	December 31, 2019
ATI	<b>₱24,314,535</b>	₱24,084,947
GNPD	<b>18,141,634</b>	17,172,530
MORE	<b>11,286,200</b>	10,180,552
STEAG	<b>3,803,936</b>	4,032,405
CEDC	<b>4,006,231</b>	3,447,491
RPEI	<b>523,779</b>	525,769
PEVI	<b>606,487</b>	508,895
SFELAPCO	<b>423,280</b>	372,917
Hijos	<b>198,102</b>	176,037
WMPC	<b>156,749</b>	142,577
SPPC	<b>53,687</b>	61,497
Others	<b>144,336</b>	150,362
	<b>₱63,658,956</b>	₱60,855,979



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## 9. Joint Operation

Name of Joint Operation	Nature of Business	Percentage of Ownership
		September 30, 2020
Pagbilao Energy Corporation (PEC)	Power generation	50%

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

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

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

## 10. Intangible Assets

September 30, 2020

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
<b>Cost:</b>							
Balances at beginning of period	₱40,876,082	₱5,456,916	₱3,078,431	₱622,491	₱60,068	₱468,123	₱50,562,111
Additions	—	57,008	—	69,784	—	44,439	171,231
Write-off	—	—	—	(7,240)	—	—	(7,240)
Exchange differences	(1,690,395)	(90,394)	—	—	—	—	(1,780,789)
Balances at end of period	39,185,687	5,423,530	3,078,431	685,035	60,068	512,562	48,945,313
<b>Accumulated amortization:</b>							
Balances at beginning of period	—	3,050,596	506,659	—	60,068	232,287	3,849,610
Amortization	—	255,249	57,721	—	—	27,986	340,956
Balances at end of period	—	3,305,845	564,380	—	60,068	260,273	4,190,566
Net book values	₱39,185,687	₱2,117,685	₱2,514,051	₱685,035	₱—	₱252,289	₱44,754,747

## 11. Trade and Other Payables

	September 30, 2020	December 31, 2019
Trade payables	₱9,420,360	₱10,885,721
Output VAT	3,034,196	3,022,048
Amounts due to contractors and other third parties	882,821	1,159,984
PSALM deferred adjustment	1,042,861	1,042,861
Accrued expenses:		
Interest	1,567,049	2,350,811
Materials and supplies cost	496,521	470,588
Taxes and fees	713,805	1,246,863
Claims conversion costs	96,137	102,808
Insurance	18,453	18,437
Dividends payable (see Note 22)	111,666	94,976
Unearned revenues	37,574	37,425
Customers' deposit	29,939	19,360
Nontrade	6,459,172	1,270,946
Others	123,347	653,292
	<b>₱24,033,901</b>	<b>₱22,376,120</b>

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

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

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

Nontrade payables include amount reclassified from noncurrent liabilities pertaining to the performance securities given to TVI by its contractors with respect to their EPC agreement. This amount is expected to be settled within 12 months from the balance sheet date.

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

## 12. Short-term Loans

	Interest Rate	September 30, 2020	December 31,
Peso loans - financial institutions	2.00% to 4.92% in 2020		
- unsecured	2.68% to 4.95% in 2019	₱12,882,000	₱9,727,800
Temporary advances		609,814	607,620
		<b>₱13,491,814</b>	<b>₱10,335,420</b>

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

### 13. Long-term Debts

	Interest Rate	September 30, 2020	December 31, 2019
Company (see Note 14):			
Bonds due 2024	7.51%	<b>₱7,700,000</b>	₱7,700,000
Bonds due 2026	5.28%	<b>7,250,000</b>	7,250,000
Bonds due 2021	5.21%	<b>6,600,000</b>	6,600,000
Bonds due 2026	6.10%	<b>3,400,000</b>	3,400,000
Bonds due 2027	5.34%	<b>3,000,000</b>	3,000,000
Bonds due 2025	3.94% to 8.51% in 2020 8.51% in 2019	<b>3,050,000</b>	2,500,000
Bonds due 2022	3.13%	<b>9,000,000</b>	—
Financial institutions - unsecured	5.28%	<b>5,000,000</b>	5,000,000
Financial institutions - unsecured	LIBOR + 1.20%	<b>14,548,500</b>	15,190,500
Subsidiaries:			
GMEC			
Financial institutions - unsecured	LIBOR + 1.7% to 4.00%	<b>33,752,172</b>	37,247,830
TVI			
Financial institutions - secured	5.56% to 9.00%	<b>29,418,667</b>	31,520,000
AESI			
Financial institutions - secured	5.026% to 5.42%	<b>600,000</b>	—
TSI			
Financial institutions - secured	5.05% to 5.70%	<b>19,384,195</b>	20,039,365
APRI			
Financial institutions - secured	4.48% - 5.20%	<b>6,873,920</b>	8,124,160
Hedcor Bukidnon			
Financial institutions - secured	4.75% - 7.36%	<b>9,315,000</b>	9,416,666
TPVI			
Financial institutions - unsecured	3.32% to 5.06% in 2020 5.06% to 5.25% in 2019	<b>1,488,750</b>	1,300,000
Hedcor Sibulan			
Fixed rate corporate notes - unsecured	4.53% to 5.42% in 2020 4.05% to 5.42% in 2019	<b>3,801,400</b>	3,801,400
HI			
Financial institution - secured	7.41% in 2020 5.25% to 7.41% in 2019	<b>423,000</b>	423,000
Financial institution - secured	7.87%	<b>1,207,000</b>	1,327,000
VECO			
Financial institution - unsecured	4.70% to 4.92% in 2020 4.59% to 4.81% in 2019	<b>776,000</b>	776,000
LHC			
Financial institutions - secured	2.94% in 2020 3.94% to 4.81% in 2019	<b>434,030</b>	564,580
DLP			
Financial institution - unsecured	4.68% to 4.92% in 2020 4.59% to 4.81% in 2019	<b>582,000</b>	582,000

(Forward)

	Interest Rate	September 30, 2020	December 31, 2019
AI			
AEV - unsecured	4.00% in 2020 4.60% to 6.25% in 2019	300,000	300,000
SEZ			
Financial institution - unsecured	5.00%	56,500	113,000
CLP			
Financial institution - unsecured	4.69% to 4.92% in 2020 4.59% to 4.81% in 2019	116,400	116,400
Joint operation (see Note 9)			
Financial institutions - secured	5.50% to 8.31%	12,251,259	13,380,097
		<b>180,328,793</b>	179,671,998
Less deferred financing costs		<b>1,586,946</b>	1,700,376
		<b>178,741,847</b>	177,971,622
Less current portion - net of deferred financing		<b>16,771,434</b>	10,386,311
		<b>₱161,970,413</b>	<b>₱167,585,311</b>

In April 2020, AESI and TPVI availed a new loan for a total of ₱600 million and ₱200 million respectively.

In April and September 2020, Hedcor Bukidnon refinanced all its loan for a total of ₱9.32 billion.

#### Loan covenants

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

These restrictions and requirements were complied with by the Group based on each loan covenants required calculation date.

## **14. Debt Securities**

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

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

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

In October 2019, the Company issued and registered a total of ₱7.25 billion bonds.

In July 2020, the Company issued and registered a total of ₱9.55 billion bonds.

Terms of the bonds are as follows:

<b>Maturity</b>	<b>Interest Rate (p.a.)</b>	<b>Amount</b>
12-year bonds to mature on September 10, 2026	6.10%	₱3,400,000
10-year bonds to mature on September 10, 2021	5.21%	₱6,600,000
10-year bonds to mature on July 3, 2027	5.34%	₱3,000,000
5.25-year bonds to mature on January 25, 2024	7.51%	₱7,700,000
7-year bonds to mature on October 25, 2025	8.51%	₱2,500,000
7-year bonds to mature on October 14, 2026	5.28%	₱7,250,000
2-year bonds to mature on July 6, 2022	3.13%	₱9,000,000
5-year bonds to mature on July 6, 2025	3.94%	₱550,000

### 15. Operating Expenses

	For the period ended September 30	
	2020	2019
Cost of purchased power	<b>₱23,669,136</b>	₱27,190,731
Cost of generated power	<b>17,896,769</b>	26,838,769
Depreciation and amortization	<b>8,124,636</b>	7,216,561
General and administrative	<b>6,016,254</b>	6,140,857
Operations and maintenance	<b>6,145,671</b>	5,060,878
	<b>₱61,852,466</b>	₱72,447,796

### 16. Other Income (Expenses)

	For the period ended September 30	
	2020	2019
Net foreign exchange gain	<b>₱1,480,964</b>	₱131,783
Surcharges	<b>315,159</b>	399,984
Non-utility operating income	<b>166,912</b>	118,862
Rental income	<b>29,296</b>	45,949
Losses on disposal of property, plant and equipment	<b>(66,992)</b>	(267,474)
Write off of project costs and other assets	<b>(7,240)</b>	(18,466)
Others - net	<b>599,615</b>	1,893,154
	<b>₱2,517,714</b>	₱2,303,792

Included in "Net foreign exchange gain" are the net gains and losses relating to currency forward transactions.

"Others" include other non-recurring items like sale of scrap and sludge oil in 2020 and reversal of APRI and TLI's liability to PSALM pertaining to GRAM and ICERA in 2019.

## 17. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	For the periods ended September 30	
	2020	2019
a. Net income attributable to equity holders of the parent	<b>₱7,005,701</b>	₱13,454,957
b. Average number of outstanding shares	<b>7,358,604,307</b>	7,358,604,307
Earnings per share (a/b)	<b>₱0.95</b>	₱1.83

There are no dilutive potential common shares as of September 30, 2020 and 2019.

## 18. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group's CODM, are as follows:

- "Power Generation" segment, which is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements and for trading in WESM;
- "Power Distribution" segment, which is engaged in the distribution and sale of electricity to the end-users; and
- "Parent Company and Others", which includes the operations of the Company, retail electricity sales to various off takers that are considered to be eligible contestable customers and electricity related services of the Group such as installation of electrical equipment.

The power generation segment's revenue from contracts with customers is mainly from power supply contracts. Set out below is the disaggregation of the Group's revenue from contracts with customers:

### January - September 2020

	Power Generation	Power Distribution	Parent Company and Others	Total
Revenue from power supply contracts	<b>₱28,871,838</b>	₱-	₱-	<b>₱28,871,838</b>
Revenue from distribution services	-	<b>31,336,833</b>	-	<b>31,336,833</b>
Revenue from retail electricity sales	-	-	<b>11,696,258</b>	<b>11,696,258</b>
Revenue from non-power supply contracts	<b>9,111,632</b>	-	-	<b>9,111,632</b>
Revenue from technical and management services	-	-	<b>112,980</b>	<b>112,980</b>
	<b>₱37,983,470</b>	<b>₱31,336,833</b>	<b>₱11,809,238</b>	<b>₱81,129,541</b>

January - September 2019

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

The revenue from contracts with customers is consistent with the revenue with external customers presented in Segment information.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the interim condensed consolidated statements of income. Interest expense and other financing costs, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length transaction basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.



Financial information on the operations of the various business segments are summarized as follows:

**September 30, 2020**

	Power Generation	Power Distribution	Parent Company and Others	Eliminations and Adjustments	Consolidated
<b>REVENUE</b>					
External	₱37,983,470	₱31,336,833	₱11,809,238	₱—	₱81,129,541
Inter-segment	16,966,491	824,306	1,065,694	(18,856,491)	—
<b>Total Revenue</b>	<b>₱54,949,961</b>	<b>₱32,161,139</b>	<b>₱12,874,932</b>	<b>(₱18,856,491)</b>	<b>₱81,129,541</b>
Segment Results	₱14,918,671	₱4,129,840	₱228,564	₱—	₱19,277,075
Unallocated corporate income - net	1,368,504	610,028	539,182	—	2,517,714
<b>INCOME FROM OPERATIONS</b>	<b>16,287,175</b>	<b>4,739,868</b>	<b>767,746</b>	<b>—</b>	<b>21,794,789</b>
Interest expense	(7,818,765)	(532,088)	(2,263,987)	—	(10,614,840)
Interest income	327,652	45,474	167,109	—	540,235
Share in net earnings of associates and joint ventures	1,499,896	187,613	8,893,393	(8,870,934)	1,709,968
Provision for income tax	(3,425,612)	(1,180,927)	(179,143)	—	(4,785,682)
<b>NET INCOME</b>	<b>₱6,870,346</b>	<b>₱3,259,940</b>	<b>₱7,385,118</b>	<b>(₱8,870,934)</b>	<b>₱8,644,470</b>
<b>OTHER INFORMATION</b>					
Investments	₱62,285,744	₱1,029,766	₱165,227,603	(₱164,884,157)	₱63,658,956
Segment Assets	₱295,078,044	₱35,526,173	₱198,939,476	(₱125,436,095)	₱404,107,598
Segment Liabilities	₱179,506,838	₱29,094,885	₱77,202,233	(₱10,378,962)	₱275,424,994
Depreciation and Amortization	₱7,166,476	₱815,217	₱34,179	₱108,764	₱8,124,636

**September 30, 2019**

	Power Generation	Power Distribution	Parent Company and Others	Eliminations and Adjustments	Consolidated
<b>REVENUE</b>					
External	₱41,562,308	₱34,992,680	₱18,126,046	₱—	₱94,681,034
Inter-segment	22,120,253	977,885	2,369,972	(25,468,110)	—
<b>Total Revenue</b>	<b>₱63,682,561</b>	<b>₱35,970,565</b>	<b>₱20,496,018</b>	<b>(₱25,468,110)</b>	<b>₱94,681,034</b>
Segment Results	₱17,313,609	₱4,283,285	₱636,344	₱—	₱22,233,238
Unallocated corporate income - net	1,782,805	739,357	(218,371)	—	2,303,791
<b>INCOME FROM OPERATIONS</b>	<b>19,096,414</b>	<b>5,022,642</b>	<b>417,973</b>	<b>—</b>	<b>24,537,029</b>
Interest expense	(7,996,060)	(388,347)	(1,863,574)	—	(10,247,981)
Interest income	774,786	31,139	254,526	—	1,060,451
Share in net earnings of associates and joint ventures	2,663,152	148,917	15,426,110	(15,425,821)	2,812,358
Provision for income tax	(1,034,615)	(1,261,956)	(212,033)	—	(2,508,604)
<b>NET INCOME</b>	<b>₱13,503,677</b>	<b>₱3,552,395</b>	<b>₱14,023,002</b>	<b>(₱15,425,821)</b>	<b>₱15,653,253</b>
<b>OTHER INFORMATION</b>					
Investments	₱60,763,058	₱900,270	₱161,743,862	(₱161,415,981)	₱61,991,209
Segment Assets	₱300,991,970	₱31,564,401	₱188,223,439	(₱115,994,666)	₱404,785,144
Segment Liabilities	₱188,083,182	₱25,453,487	₱73,367,939	(₱11,518,293)	₱275,386,315
Depreciation and Amortization	₱6,320,643	₱750,880	₱27,693	₱117,345	₱7,216,561

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## 19. Financial Risk Management Objectives and Policies

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

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

### Risk Management Structure

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

#### *Financial risk committee*

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

#### *Treasury service group*

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

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

### Liquidity risk

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 10.23% of the Group's debt will mature in less than one year as of September 30, 2020 (December 31, 2019: 6.97%). For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

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

The following table summarizes the maturity profile of the Group's financial liabilities as of September 30, 2020 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	₱13,491,814	₱13,491,814	₱—	₱13,491,814	₱—	₱—
Trade and other payables*	21,776,518	21,776,518	1,965,232	18,282,689	1,528,597	—
Long-term debts	178,741,847	180,328,794	—	16,918,925	95,462,287	67,947,582
Customers' deposits	6,780,255	6,780,255	—	—	403,028	6,377,227
Lease liabilities	40,513,721	56,642,147	—	9,117,883	44,872,854	2,651,410
Long-term obligation on PDS	217,414	360,000	—	40,000	200,000	120,000
Derivative liabilities	3,123,495	3,123,495	—	2,114,547	1,008,948	—
	₱264,645,064	₱282,503,023	₱1,965,232	₱59,965,858	₱143,475,714	₱77,096,219

\*Include the noncurrent portion of the PSALM deferred adjustment presented under noncurrent liabilities in the unaudited interim condensed consolidated balance sheet.

#### Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

#### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of September 30, 2020, 15% of the Group's long-term debt had annual floating interest rates ranging from 1.45% to 3.60%, and 85% have annual fixed interest rates ranging from 4.00% to 8.50%. As of December 31, 2019, 16% of the Group's long-term debt had annual floating interest rates ranging from 3.09% to 4.81%, and 84% have annual fixed interest rates ranging from 4.05% to 9.00%.

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

#### As of September 30, 2020

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,769,848	₱22,008,289	₱3,510,251	₱27,288,388

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk. The Group's derivative assets and liabilities are subject to fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings):

	Increase (decrease) in basis points	Effect on income before tax
<b>September 2020</b>	<b>200</b>	<b>(P545,768)</b>
	<b>(100)</b>	<b>272,884</b>
September 2019	200	(P586,577)
	(100)	293,289

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

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

	For the period ended September 30	
	2020	2019
Short-term loans and long-term debt	<b>₱8,256,917</b>	₱6,871,346
Lease liabilities (Note 21)	<b>2,192,202</b>	3,136,202
Customers' deposits	<b>940</b>	293
Other long-term obligations	<b>164,781</b>	240,140
	<b>₱10,614,840</b>	₱10,247,981

*Foreign exchange risk*

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 29% and 32% of total consolidated borrowings as of September 30, 2020 and December 31, 2019.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of September 30, 2020 and December 31, 2019, translated to Philippine Peso:

	September 30, 2020		December 31, 2019	
	US Dollar	Philippine Peso equivalent <sup>1</sup>	US Dollar	Philippine Peso equivalent <sup>2</sup>
Financial assets:				
Cash and cash equivalents	\$120,764	₱5,856,450	\$43,352	₱2,195,129
Trade and other receivables	4	194	18,725	948,140
<b>Total financial assets</b>	<b>120,768</b>	<b>5,856,644</b>	<b>62,077</b>	<b>3,143,269</b>
Financial liabilities:				
Short-term loans	12,575	609,814	12,000	607,620
Trade and other payables	23,392	1,134,395	13,439	680,493
Long-term debt	300,000	14,548,500	300,000	15,190,500
Lease liabilities	406,959	19,735,477	443,002	22,431,406
<b>Total financial liabilities</b>	<b>742,926</b>	<b>36,028,186</b>	<b>768,441</b>	<b>38,910,019</b>
<b>Total net financial liabilities</b>	<b>(\$622,158)</b>	<b>(₱30,171,542)</b>	<b>(\$706,364)</b>	<b>(₱35,766,750)</b>

<sup>1</sup>\$1 = 48.50

<sup>2</sup>\$1 = 50.635

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of September 30, 2020:

	Increase (decrease) In basis points	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,508,577)
US Dollar denominated accounts	US Dollar weakens by 5%	1,508,577

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

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

#### Credit risk

For its cash investments (including restricted portion), financial assets at FVTPL and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and financial assets at FVTPL, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

### Concentration Risk

Credit risk concentration of the Group's receivables according to the customer category is summarized in the following table:

	September 30, 2020	December 31, 2019
Power distribution:		
Industrial	<b>₱5,038,594</b>	₱5,554,969
Residential	<b>2,589,588</b>	1,825,217
Commercial	<b>838,307</b>	437,994
City street lighting	<b>236,672</b>	111,570
Power generation:		
Power supply contracts	<b>2,582,226</b>	1,481,760
Spot market	<b>8,468,588</b>	5,520,439
	<b>₱19,753,975</b>	₱14,931,949

### Capital Management

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

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

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

Gearing ratios of the Group as of September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020	December 31, 2019
Short-term loans	<b>₱13,491,814</b>	₱10,335,420
Long-term obligations *	<b>219,255,568</b>	222,761,266
Cash and cash equivalents	<b>(38,039,586)</b>	(37,433,929)
Restricted cash	<b>(8,513,507)</b>	(9,121,747)
Net debt (a)	<b>186,194,289</b>	186,541,010
Equity	<b>128,682,604</b>	133,643,011
Equity and net debt (b)	<b>314,876,893</b>	320,184,021
Gearing ratio (a/b)	<b>59.13 %</b>	58.26 %

\* consists of long-term debt and lease liability

No changes were made in the objectives, policies or processes during the periods ended September 30, 2020 and December 31, 2019.

## 20. Financial Instruments

### Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	September 30, 2020		December 31, 2019	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Asset</b>				
PSALM deferred adjustment	<b>₱2,400,942</b>	<b>₱2,166,120</b>	₱3,183,080	₱2,846,279
<b>Financial Liabilities</b>				
Lease liabilities	<b>₱40,513,721</b>	<b>₱37,822,318</b>	₱44,789,644	₱38,495,450
Long-term debt - fixed rate	<b>151,453,459</b>	<b>157,007,069</b>	148,642,748	152,786,437
PSALM deferred adjustment	<b>2,400,942</b>	<b>2,166,120</b>	3,183,080	2,846,279
Long-term obligation on power distribution system	<b>217,414</b>	<b>289,023</b>	199,350	320,194
	<b>₱194,585,536</b>	<b>₱197,284,530</b>	₱196,814,822	₱194,448,360

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

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

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

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

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

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

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

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

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

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

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

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

The movements in fair value changes of all derivative instruments for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019 are as follows:

	2020	2019
At beginning of period	<b>(₱2,385,997)</b>	₱132,902
Net changes in fair value of derivatives designated as cash flow hedges	<b>(232,687)</b>	(2,515,732)
Net changes in fair value of derivatives not designated as accounting hedges	<b>(835,812)</b>	(3,889)
Fair value of settled instruments	<b>331,001</b>	722
At end of period	<b>(₱3,123,495)</b>	(₱2,385,997)

#### Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and



Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of September 30, 2020, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative liabilities	3,123,495	—	3,123,495	—
Disclosed at fair value:				
Lease liabilities	37,822,318	—	—	37,822,318
Long-term debt - fixed rate	157,007,069	—	—	157,007,069
Long-term obligation on PDS	289,023	—	—	289,023

During the nine-month period ended September 30, 2020, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

## 21. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the nine months ended September 30, 2020:

	Land	Building	Power Plant	Equipment and Others	Total	Lease liabilities
As of January 1, 2020	₱2,730,076	₱230,234	₱33,575,200	₱117,602	₱36,653,112	₱44,789,644
Amortization expense	(74,244)	(14,374)	(820,885)	(16,079)	(925,582)	—
Interest expense	—	—	—	—	—	2,192,202
Payments	—	—	—	—	—	(6,428,396)
Others	—	—	—	—	—	(39,729)
As of September 30, 2020	₱2,655,832	₱215,860	₱32,754,315	₱101,523	₱35,727,530	₱40,513,721

Set out below, are the amounts recognized in the unaudited interim condensed consolidated statement of income for the nine months ended September 30, 2020:

Amortization expense of right-of-use assets	₱925,582
Interest expense on lease liabilities	2,192,202
Rent expense - short-term leases	58,218
	<b>₱3,176,002</b>

## 22. Retained Earnings

- On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.
- On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 a share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 7, 2019, the BOD also approved the following:

- Appropriation of ₱11.90 billion retained earnings for the equity infusions into GNPD to fund the construction of GNPD units 1 & 2, which are expected to have full commercial operations by end of 2020.
  - Reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.
- c. The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱10.82 billion and ₱57.57 billion as of September 30, 2020 and December 31, 2019, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

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## **23. Other Disclosures**

### **1. COVID 19**

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. The government released further guidelines extending the quarantines under different levels of strictness depending on the assessment of the situation in the numerous parts of the country. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group is operating normally but at a lower energy dispatch level because of the decreased demand during the community quarantines. In addition, because of the decrease in energy demand, market prices are down.

Considering the evolving nature of this outbreak, the Group will continue to monitor the situation in subsequent periods.

### **2. Seasonality of Interim Operations**

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well-distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, Hedcor Tudaya, Hedcor Sabangan and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water. Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

### **3. Pagbilao IPP Administration Agreement**

In August 2009, Therma Luzon, Inc. and PSALM executed the IPP Administration Agreement wherein PSALM appointed TLI to manage the 700MW contracted capacity of NPC in the coal-fired power plant in Pagbilao, Quezon.

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

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

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

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

The present value of the future minimum monthly dollar and peso payments under the IPP Administration Agreement as of September 30, 2020:

Present value of minimum monthly payments to PSALM	₱38,489,776
Less: Current portion	(6,451,472)
<u>Noncurrent portion of lease liability</u>	<u>₱32,038,304</u>

### **4. Property, Plant and Equipment**

During the nine-month period ended September 30, 2020, the Group's additions to property, plant and equipment amounted to ₱3.37 billion.

### **5. Dividends to Non-controlling Interests**

The Group's material partly-owned subsidiaries, namely GMEC and VECO, paid cash dividends amounting to ₱1.40 billion and ₱2.01 billion to non-controlling interests during the nine-month periods ended September 30, 2020 and 2019, respectively.

### **6. Material Events and Changes**

#### **Mekong Transaction**

On April 1 2020, the Group disclosed that it was informed by AboitizPower International Pte. Ltd. ("AboitizPower Intl.") that its planned acquisition of a 100% ownership interest in Mekong Wind Pte. Ltd. from Armstrong Southeast Asia Clean Energy Fund Pte. Ltd. ("AAM") was not completed due to a condition precedent being unmet by the agreed longstop date. As a result, AboitizPower Intl. decided to hold-off the transaction. AboitizPower Intl. is in discussions with AAM to revisit the acquisition at a future date.

The termination of the transaction has no impact to the Group's existing operations and financial performance.

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

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

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

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

#### **₱9.55 billion bond issuance**

The Company issued the fourth and last tranche of its 30 billion debt securities program, equivalent to ₱9.55 billion in July (the "Series E and F Bonds"). The Fixed Rate "Series E and F Bonds" has an interest rate of 3.125% and 3.935% per annum maturing in 2022 and 2025 respectively. The bonds have been rated PRS Aaa by PhilRatings.

#### **7. Material Adjustments**

There were no material, non-recurring adjustments made during period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

#### **8. Contingencies**

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

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

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**SCHEDULE A - USE OF PROCEEDS**1) Ten Billion Fixed Rate Bonds issued in 2014

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

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

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

As of December 31, 2019 the proceeds from the 2017 bonds were fully utilized for the following projects:

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

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

As of March 31, 2020 the proceeds from the 2018 bonds were fully utilized for the following:

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

4) Series "D" of the Thirty Billion Shelf Registration issued in 2019

As of December 31, 2019, the proceeds from the 2019 bonds were fully utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Repayment of short-term loan	7,161,972	7,250,000
Bond issuance costs	88,028	—
TOTAL	7,250,000	7,250,000

5) Series "E" and "F" of the Thirty Billion Shelf Registration issued in 2020

As of September 30, 2020, the proceeds from the 2020 bonds were utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Reimburse Previous Equity Contributions to GNPD through AA Thermal and TPI	6,736,749	6,736,749
Fund Succeeding Equity Infusions in AA Thermal and TPI	2,082,873	719,569
General corporate purposes	614,889	—
Bond issuance costs	115,489	113,547
TOTAL	9,550,000	7,569,865

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**SCHEDULE B – RELEVANT FINANCIAL RATIOS**

	<b>Formula</b>	<b>Sep 30, 2020</b>	<b>Dec 31, 2019</b>
<b>LIQUIDITY RATIOS</b>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.28</b>	1.50
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	<b>0.94</b>	1.15
<b>SOLVENCY RATIOS</b>			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>2.14</b>	2.07
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>3.14</b>	3.07
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	<b>1.45</b>	1.42
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	<b>59.13 %</b>	58.60 %
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	<b>n.a</b>	2.83
<b>PROFITABILITY RATIOS</b>			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	<b>n.a</b>	23%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	<b>n.a</b>	14%

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

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### 1.) AGING OF RECEIVABLES

As of September 30, 2020

	30 Days	60 Days	90 Days	Over 90 Days	Total
<b>Trade receivables</b>					
Power Distribution Customers	3,820,889	1,181,918	391,622	889,238	6,283,667
Power Generation Customers	5,158,197	240,296	143,340	5,508,981	11,050,814
Management & Other Services Customers	1,644,788	106,207	110,603	557,896	2,419,494
	10,623,874	1,528,421	645,565	6,956,115	19,753,975
<b>Less : Allowance for estimated credit losses</b>					2,626,847
<b>Net trade receivables</b>					17,127,128
<b>Non-trade receivables</b>	5,101,683	-	-	2,303	5,103,986
<b>Grand Total</b>	15,725,557	1,528,421	645,565	6,958,418	22,231,114

### 2.) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Collection Period
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

### 3.) NORMAL OPERATING CYCLE

Power Subsidiaries

- Distribution - 60 days
- Generation - 65 days




Schedule 1

Series "E" and "F" of the Thirty Billion Shelf Registration issued in 2020

As of September 30, 2020, the proceeds from the 2020 bonds were utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Reimburse Previous Equity Contributions to GNPD through AA Thermal and TPI	6,736,749	6,736,749
Fund Succeeding Equity Infusions in AA Thermal and TPI	2,082,873	719,569
General corporate purposes	614,889	—
Bond issuance costs	115,489	113,547
<b>TOTAL</b>	9,550,000	7,569,865
	<b>Per Final Prospectus</b>	<b>Actual</b>
Gross proceeds	9,550,000	9,550,000
Net proceeds	9,434,511	9,436,453

Balance of the proceeds as of September 30, 2020: \$1,980,135

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# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

C	1	9	9	8	0	0	1	3	4
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**COMPANY NAME**

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

**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

3	2	n	d		S	t	r	e	e	t	,		B	o	n	i	f	a	c	i	o		G	l	o	b	a	l	
C	i	t	y	,		T	a	g	u	i	g		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l
a	,		P	h	i	l	i	p	p	i	n	e	s																

Form Type

A	P	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
ap_investor@aboitiz.com	(632) 8891-0307	Not Available
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
631	4 <sup>th</sup> Monday of April	December 31

**CONTACT PERSON INFORMATION**

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Liza Luv T. Montelibano	liza.montelibano@aboitiz.com	(02) 8886-2800	Not Available

**CONTACT PERSON'S ADDRESS**

32 <sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila 1634
--

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





SECURITIES AND EXCHANGE COMMISSION  
SEC Building, EDSA Greenhills  
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.


The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



ERRAMON I. ABOITIZ  
Chairman of the Board



EMMANUEL V. RUBIO  
President & Chief Executive Officer



LIZA LUV T. MONTELIBANO  
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 6<sup>th</sup> day of March 2020.

Republic of the Philippines)  
City of Taguig ) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC No.	Date/Place Issued
ERRAMON I. ABOITIZ	P2251997A 11082662	March 11, 2017; DFA Manila January 30, 2020; Cebu City
EMMANUEL V. RUBIO	P3162364B 07563412	September 13, 2019; DFA Manila January 15, 2020; Manila
LIZA LUV T. MONTELIBANO	P7070135A 07562854	May 7, 2018, DFA Manila January 15, 2020; Manila

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.


Witness my hand and seal this MAR 10 2020.

Doc. No. 043;

Page No. 10;

Book No. 1;

Series of 2020

  
**ATTY. CLARISSE ANN MARIE M. DE LA CRUZ**  
Notary Public for Taguig City  
Notarial Commission No. 31  
Until December 31, 2021  
NAC Tower, 32nd St., Bonifacio Global City, Taguig City  
PTR No. A-4684937; 02 January 2020; Taguig City  
IBP No. 968268; Lifetime Member, Laguna Chapter  
MCLE Compliance No. VI-0015599



SyCip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
Philippines

Tel: (632) 891 0307  
Fax: (632) 819 0872  
ey.com/ph

BOA/PRC Reg. No. 0001,  
October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Aboitiz Power Corporation  
32<sup>nd</sup> Street, Bonifacio Global City  
Taguig City, Metro Manila  
Philippines

### Report on the Audit of the Parent Company Financial Statements

#### Opinion

We have audited the parent company financial statements of Aboitiz Power Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2019 and 2018, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is  
Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

*Maria Veronica Andresa R. Pore*

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

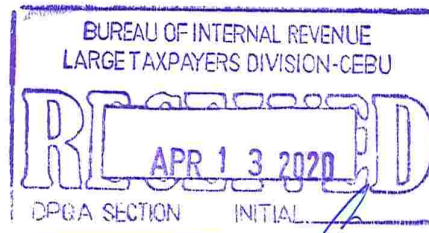
Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

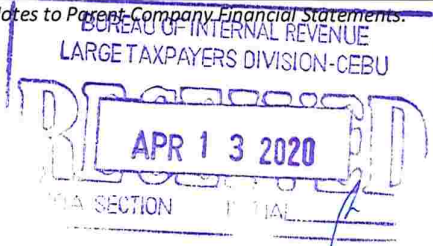
March 6, 2020



**ABOITIZ POWER CORPORATION**  
**PARENT COMPANY BALANCE SHEETS**

	December 31	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱4,210,064,412	₱11,875,188,311
Trade and other receivables (Note 5)	1,073,494,475	981,463,758
Derivative asset (Note 19)	-	855,000
Other current assets (Note 6)	889,854,388	941,778,180
<b>Total Current Assets</b>	<b>6,173,413,275</b>	<b>13,799,285,249</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 7)	120,634,208,641	88,931,823,265
Project development costs (Note 10)	623,339,367	388,468,001
Property and equipment (Note 8)	105,024,712	65,585,230
Derivative asset - net of current portion (Note 19)	80,134,271	-
Pension asset (Note 15)	-	38,061,504
Deferred income tax assets (Note 16)	-	101,466,266
Fair value through profit or loss (FVTPL) investment	-	97,535,436
Other noncurrent assets (Note 9)	16,375,794	89,121,203
<b>Total Noncurrent Assets</b>	<b>121,459,082,785</b>	<b>89,712,060,905</b>
<b>TOTAL ASSETS</b>	<b>127,632,496,060</b>	<b>103,511,346,154</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 11)	627,503,138	356,110,573
Current portion of lease liabilities (Note 20)	13,886,300	-
Bank loans	-	4,700,000,000
<b>Total Current Liabilities</b>	<b>641,389,438</b>	<b>5,056,110,573</b>
<b>Noncurrent Liabilities</b>		
Long-term debts - net of deferred financing cost (Note 12)	50,079,825,067	22,997,821,292
Pension liability (Note 15)	219,744,469	-
Lease liabilities - net of current portion (Note 20)	37,715,847	-
<b>Total Noncurrent Liabilities</b>	<b>50,337,285,383</b>	<b>22,997,821,292</b>
<b>Total Liabilities</b>	<b>50,978,674,821</b>	<b>28,053,931,865</b>
<b>Equity</b>		
Capital stock (Note 13a)	7,358,604,307	7,358,604,307
Additional paid-in capital (Note 13a)	12,588,894,332	12,588,894,332
Cash flow hedge reserve (Note 19)	80,134,271	-
Actuarial losses on defined benefit plan (Note 15)	(556,796,826)	(208,521,187)
Retained earnings (Note 13b)		
Appropriated	33,660,000,000	34,060,000,000
Unappropriated	23,522,985,155	21,658,436,837
<b>Total Equity</b>	<b>76,653,821,239</b>	<b>75,457,414,289</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱127,632,496,060</b>	<b>₱103,511,346,154</b>

See accompanying Notes to Parent Company Financial Statements.

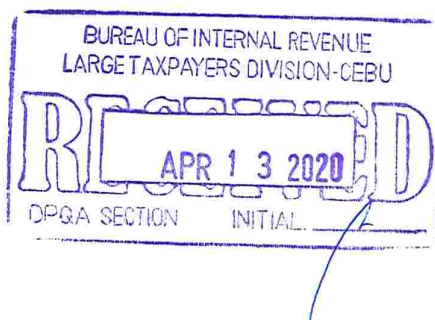




**ABOITIZ POWER CORPORATION**  
**PARENT COMPANY STATEMENTS OF INCOME**

	Years Ended December 31		
	2019	2018	2017
<b>REVENUE</b>			
Dividends	₱13,985,410,862	₱9,736,042,939	₱9,792,258,034
Technical, management and other service fees (Note 17)	1,964,330,515	1,679,158,424	1,403,850,375
Interest income (Notes 4 and 17e)	163,380,755	137,277,764	147,551,430
	<b>16,113,122,132</b>	<b>11,552,479,127</b>	<b>11,343,659,839</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Personnel (Note 14)	841,147,414	955,955,320	890,915,629
Service fees (Note 17)	114,024,341	63,850,939	82,072,061
Taxes and licenses	98,277,343	111,156,568	19,038,303
Professional fees (Note 17)	84,589,126	87,132,534	100,474,104
Transportation and travel (Note 17)	55,316,885	49,791,744	50,593,806
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Training	19,972,985	35,117,465	17,750,495
Entertainment, amusement and recreation	15,218,626	10,734,116	8,212,799
Advertising and sponsorships	11,935,333	17,017,558	22,272,248
Repairs and maintenance	7,583,781	6,518,422	6,839,603
Rent (Note 17)	7,027,319	27,559,033	28,159,917
Office supplies	6,106,790	3,515,178	5,013,861
Communication	3,756,593	2,647,639	2,982,031
Light and water	1,202,157	1,406,312	1,304,803
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Others	9,621,206	7,770,467	8,917,061
	<b>3,859,272,881</b>	<b>2,497,239,232</b>	<b>2,017,632,749</b>
<b>OTHER INCOME (CHARGES) - net</b>			
Foreign exchange gains (loss) (Note 18)	104,238,709	(16,965,185)	69,842,921
Gain on redemption of preferred shares	-	-	19,558,250
Provision for impairment of investment in a subsidiary (Note 7)	-	(45,933,000)	(169,469,408)
Others	5,656,727	4,338,316	2,767,574
	<b>109,895,436</b>	<b>(58,559,869)</b>	<b>(77,300,663)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>12,363,744,687</b>	<b>8,996,680,026</b>	<b>9,248,726,427</b>
<b>PROVISION FOR INCOME TAX (Note 16)</b>	<b>59,382,106</b>	<b>1,372,898</b>	<b>36,452,711</b>
<b>NET INCOME</b>	<b>12,304,362,581</b>	<b>8,995,307,128</b>	<b>9,212,273,716</b>
<b>EARNINGS PER COMMON SHARE (Note 13c)</b>			
Basic and diluted, for net income for the year	<b>₱1.67</b>	<b>₱1.22</b>	<b>₱1.25</b>

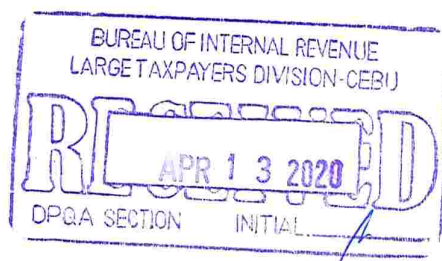
See accompanying Notes to Parent Company Financial Statements.



**ABOITIZ POWER CORPORATION**  
**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2019	2018	2017
<b>NET INCOME</b>	<b>₱12,304,362,581</b>	<b>₱8,995,307,128</b>	<b>₱9,212,273,716</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains (loss) on defined benefit plans (Note 15)	(258,909,416)	25,906,863	44,705,980
Income tax effect (Note 16)	(89,366,223)	(7,772,059)	(13,411,794)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	(348,275,639)	18,134,804	31,294,186
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain on AFS investments	-	-	2,685,599
Changes in fair value of cash flow hedge (Note 19)	80,134,271	-	-
Total other comprehensive income (loss) for the year, net of tax	(268,141,368)	18,134,804	33,979,785
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱12,036,221,213</b>	<b>₱9,013,441,932</b>	<b>₱9,246,253,501</b>

See accompanying Notes to Parent Company Financial Statements.



**ABOUTIZ POWER CORPORATION**

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

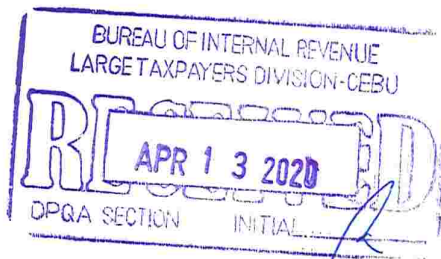
	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Cash Flow Hedge Reserve (Note 19)	Losses on Defined Benefit Plan	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
						Appropriated	Unappropriated	
Balances at January 1, 2019, as previously reported	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	
Effect of adoption - PFRS 16 (Note 2)	-	-	-	-	-	(22,665,932)	(22,665,932)	
Balances at January 1, 2019, as restated	7,358,604,307	12,588,894,332	-	(208,521,187)	34,060,000,000	21,635,770,905	75,434,748,357	
Net income for the year	-	-	-	-	-	-	12,304,362,581	
Other comprehensive income	-	-	80,134,271	(348,275,639)	-	-	(268,141,368)	
Total comprehensive income	-	-	80,134,271	(348,275,639)	-	-	12,036,221,213	
Cash dividends (Note 13b)	-	-	-	-	-	-	(10,817,148,331)	
Appropriation during the year (Note 13b)	-	-	-	-	11,900,000,000	(11,900,000,000)	(10,817,148,331)	
Reversal of appropriation (Note 13b)	-	-	-	-	(12,300,000,000)	12,300,000,000	-	
Balances at December 31, 2019	₱7,358,604,307	₱12,588,894,332	₱80,134,271	(₱556,796,826)	₱33,660,000,000	₱23,522,985,155	₱76,653,821,239	

	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Unrealized Valuation on AFS Investments	Losses on Defined Benefit Plan	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
						Appropriated	Unappropriated	
Balances at January 1, 2018, as previously reported	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343	
Effect of adoption - PFRS 9	-	-	625,169	-	-	(625,169)	-	
Balances at January 1, 2018, as restated	7,358,604,307	12,588,894,332	-	(226,655,991)	34,060,000,000	22,891,589,695	76,672,432,343	
Net income for the year	-	-	-	-	-	8,995,307,128	8,995,307,128	
Other comprehensive income	-	-	-	18,134,804	-	-	18,134,804	
Total comprehensive income	-	-	-	18,134,804	-	8,995,307,128	9,013,441,932	
Cash dividends (Note 13b)	-	-	-	-	-	(10,228,459,986)	(10,228,459,986)	
Balances at December 31, 2018	₱7,358,604,307	₱12,588,894,332	₱-	(₱208,521,187)	₱34,060,000,000	₱21,658,436,837	₱75,457,414,289	



	Capital Stock (Note 13a)	Additional Paid-In Capital (Note 13a)	Unrealized Valuation on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 13b)		Total
					Appropriated	Unappropriated	
Balances at January 1, 2017	₱7,358,604,307	₱12,588,894,332	(₱3,310,768)	(₱257,950,177)	₱34,060,000,000	₱23,687,643,006	₱77,433,880,700
Net income for the year	-	-	-	-	-	9,212,273,716	9,212,273,716
Other comprehensive income	-	-	2,685,599	31,294,186	-	-	33,979,785
Total comprehensive income	-	-	2,685,599	31,294,186	-	9,212,273,716	9,246,253,501
Cash dividends (Note 13b)	-	-	-	-	-	(10,007,701,858)	(10,007,701,858)
Balances at December 31, 2017	₱7,358,604,307	₱12,588,894,332	(₱625,169)	(₱226,655,991)	₱34,060,000,000	₱22,892,214,864	₱76,672,432,343

See accompanying Notes to Parent Company Financial Statements.

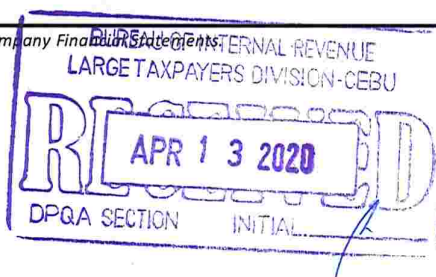




**ABOITIZ POWER CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P12,363,744,687	P8,996,680,026	P9,248,726,427
Adjustments for:			
Interest and other financing charges (Notes 12 and 20)	2,547,531,855	1,042,597,749	674,025,682
Depreciation and amortization (Notes 8 and 9)	35,961,127	23,345,806	22,220,782
Provision for impairment of investment in a subsidiary (Note 7)	-	45,933,000	169,469,408
Project and bidding expenses (Note 10)	-	51,122,382	76,839,564
Gain on redemption of investments	-	-	(19,558,250)
Gain on disposal of financial assets at FVTPL	(1,250,542)	-	-
Losses (gain) on disposal of assets (Note 8)	(1,329,856)	1,253,111	418,659
Unrealized fair valuation loss (gain) on financial assets at FVTPL	(2,464,564)	1,839,395	-
Interest income (Notes 4 and 17e)	(163,380,755)	(137,277,764)	(147,551,430)
Unrealized foreign exchange losses (gain)	(605,762,999)	162,355,812	8,809,781
Operating income before working capital changes	14,173,048,953	10,187,849,517	10,033,400,623
Decrease (increase) in:			
Trade and other receivables	(123,992,097)	(428,309,647)	293,236,492
Other current assets	168,232,322	(2,764,943)	(145,859,575)
Pension asset	38,061,504	(3,730,594)	(16,196,106)
Increase (decrease) in:			
Trade and other payables	103,142,505	16,275,537	(171,627,870)
Pension liability	(39,164,947)	-	24,052,095
Net cash generated from operations	14,319,328,240	9,769,319,870	10,017,005,659
Income taxes paid	(168,612,212)	(173,434,916)	(159,547,151)
Net cash flows from operating activities	14,150,716,028	9,595,884,954	9,857,458,508
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	195,342,135	103,769,811	260,454,071
Decrease (Increase) in recoverable deposits	75,420,311	(75,710,456)	340,990
Proceeds from:			
Disposal of financial asset at FVTPL	101,250,542	-	-
Redemption on preferred shares (Note 7)	5,340,000	2,122,216,000	9,784,493,862
Disposal of property and equipment (Note 8)	4,344,811	5,998,846	1,966,529
Additions to:			
Investments and advances	(31,707,725,376)	(11,061,708,241)	(6,897,269,177)
Project development costs - net of transfers (Note 10)	(234,871,366)	(177,031,239)	(65,673,997)
Property and equipment (Note 8)	(29,851,823)	(14,283,786)	(39,018,488)
Computer software license (Note 9)	(4,535,865)	(93,500)	(20,982)
Net cash flows from (used in) investing activities	(31,595,286,631)	(9,096,842,565)	3,045,272,808
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debts (Note 12)	27,881,500,000	10,200,000,000	3,000,000,000
Availment of bank loans	-	4,700,000,000	-
Payments of:			
Cash dividends (Note 13b)	(10,817,148,331)	(10,228,459,986)	(10,007,701,858)
Bank loans	(4,700,000,000)	-	-
Interest and other financing charges	(2,301,301,047)	(878,938,176)	(699,256,650)
Transaction costs from availment of long-term debt	(431,396,357)	(121,924,252)	(32,938,058)
Lease liability (Note 20)	(17,825,560)	-	-
Net cash flows from (used in) financing activities	9,613,828,705	3,670,677,586	(7,739,896,566)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(7,830,741,898)</b>	<b>4,169,719,975</b>	<b>5,162,834,750</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>165,617,999</b>	<b>(120,700,812)</b>	<b>(51,319,781)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>11,875,188,311</b>	<b>7,826,169,148</b>	<b>2,714,654,179</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>P4,210,064,412</b>	<b>P11,875,188,311</b>	<b>P7,826,169,148</b>

See accompanying Notes to Parent Company Financial Statements



**ABOITIZ POWER CORPORATION**  
**NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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**1. Corporate Information**

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of December 31, 2019, Aboitiz Equity Ventures, Inc. (AEV, a publicly-listed Company incorporated in the Philippines) owns 76.98% of the Company. The Company's ultimate parent is Aboitiz & Company, Inc. (ACO).

The Company's registered office address is 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila.

The parent company financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

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**2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies**

Basis of Financial Statement Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at FVTPL which are measured at fair value. The parent company financial statements are presented in Philippine peso which is the Company's functional currency.

Statement of Compliance

The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

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

- PFRS 16, *Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17.



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

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information. The Company has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Company will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The Company has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

The effects of adoption on the financial statements are as follows:

	As at January 1, 2019
Increase (decrease) in balance sheets:	
Other current assets	(P5,021,619)
Property and, plant and equipment	46,702,778
<b>Total Assets</b>	<b>P41,681,159</b>
Lease liabilities	P64,347,091
Retained earnings	(22,665,932)
<b>Total Liabilities and Equity</b>	<b>P41,681,159</b>

Based on the above, as at January 1, 2019:

- Property and equipment were recognized amounting to P46.7 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of P64.4 million were recognized.
- Prepayments of P5.0 million related to previous operating leases were derecognized.
- The net effect of these adjustments had been adjusted to retained earnings amounting to P22.7 million.

Prior to adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception dates as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the lease property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payment



were recognized as rent expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent was recognized under "Other current assets."

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

*Leases previously accounted for as operating leases*

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

The Company also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application (short-term leases).

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

Operating lease commitments as at December 31, 2018	₱77,469,182
Incremental borrowing rate as at January 1, 2019	8.52%
<u>Lease liabilities as at January 1, 2019</u>	<u>₱64,347,091</u>

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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





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

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

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

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

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

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

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

Since the Company does not have such long-term interests in associates and joint ventures, the amendments do not have an impact on its financial statements.

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

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



The interpretation specifically addresses the following:

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

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

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

These amendments are currently not applicable to the Company but may apply to future transactions.



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

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

These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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

#### New Standards and Interpretation Issued and Effective after December 31, 2019

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

#### *Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.



- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

### **Summary of Significant Accounting Policies**

#### Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Foreign Currency Translation

The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

#### Cash and Cash Equivalents

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the parent company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

*Classification of financial assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

*Financial assets at amortized cost*

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the effective interest method to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the effective interest method is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the parent company statement of income.

The Company's financial assets at amortized cost as of December 31, 2019 and 2018 consist of cash in banks, cash equivalents and trade and other receivables (see Note 18). The Company assessed that the contractual cash flows of these financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these financial assets are to be measured at amortized cost.

*Financial assets at Fair Value through Other Comprehensive Income (FVOCI)*

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial



asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

The Company does not have any financial asset at FVOCI as of December 31, 2019 and 2018.

#### *Financial assets at Fair Value through Profit or Loss (FVTPL)*

Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's investments in unquoted equity shares are measured at FVTPL as of December 31, 2018 (see Note 18).

#### *Classification of financial liabilities*

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.





A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a Company of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's financial liabilities measured at amortized cost which comprise of trade and other payables, bank loans, long-term debts and lease liability (see Note 18).

#### *Reclassifications of financial instruments*

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

#### Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

##### *Date of recognition*

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

##### *Initial recognition of financial instruments*

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Company also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were



acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

*'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for



impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Parent has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Parent sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the parent company statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the parent company statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the effective interest rate method.



Gains and losses are recognized in the parent company statement of income when liabilities are derecognized, as well as through amortization process.

#### Derivative financial instruments

##### *Initial recognition and subsequent measurement*

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. The Company uses derivative financial instruments, such as short-term forward contracts and interest rate swaps (IRS) to hedge its foreign currency risks and interest rate risk, respectively.

For the purpose of hedge accounting, the Company's hedge are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.



Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### *Cash flow hedge*

The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the parent company statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses IRS contracts to manage its floating interest rate exposure on its loans. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated its IRS as hedging instrument. The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.

As of December 31, 2019 and 2018, the Company has derivative assets classified as financial asset at FVTPL (see Note 19).



## Derecognition of Financial Assets and Liabilities

### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company's continuing involvement is measured in the same way as that which results from non-cash settled options.

### *Modification of contractual cash flows*

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest method



(or credit-adjusted effective interest method for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

#### *Financial liabilities*

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

#### Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Company recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

#### *Stage 1: 12-month ECL*

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.



*Stage 2: Lifetime ECL - not credit-impaired*

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

*Stage 3: Lifetime ECL - credit-impaired*

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

*Determining the stage for impairment*

At each balance sheet date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Financial Assets in Accordance with PAS 39 (applicable in 2017)

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and receivables*

For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or





collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *AFS investments*

For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the parent company statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event



occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the parent company balance sheet.

#### Classification of financial instruments between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Investments in Subsidiaries and Associates

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.



The Company recognizes income from the investments only to the extent that the Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value, if any. The initial cost of property and equipment comprises its purchase price, including import duties, if any, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets as follows:

<u>Category</u>	<u>Number of years</u>
Transportation equipment	5
Office equipment	3
Communication equipment	3
Leasehold improvements	10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods, residual values and method of depreciation are consistent with the expected pattern of economic benefit from the items of property and equipment.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses, if any, are removed from the accounts, and any resulting gain or loss is credited or charged to current operations.



### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the parent company statement of income in the year in which the expenditure is incurred.

#### *Computer software license*

Computer software license is initially recognized at cost. Following initial recognition, the computer software license cost is carried at cost less accumulated amortization and any accumulated impairment in value, if any.

The computer software license is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software license is available for use. The amortization period and the amortization method for the license are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the parent company statement of income in the expense category consistent with the function of the computer software license.

#### *Project Development Costs*

Project development costs include power plant projects in the development phase which meet the “identifiability” requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to “Property and equipment” when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

### Research and Development Expenditure

The Company’s policy is to record research expenses in the parent company statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the parent company balance sheet if the Company can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

### Impairment of Nonfinancial Assets

#### *Other current assets, project development costs, property and equipment and other noncurrent assets*

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s



recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *Investments and advances*

The Company performs impairment review on its investments and advances whenever an impairment indicator exists. This requires an estimation of the value in use of the investees. Estimating the value in use requires the Company to make an estimate of the future cash flows of the investees and to use a suitable discount rate to calculate the present value of those future cash flows. Impairment losses, if any, are recognized in the statement of income.

#### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.



### Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

### Revenue Recognition

Revenue from contracts with customers under PFRS 15 is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Under PAS 18, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Dividend income*

Dividend income is recognized when the Company's right to receive payment is established.

#### *Technical, management and service fees*

Technical, management and other fees are recognized when the related services are rendered.

#### *Interest income*

Interest is recognized as it accrues taking into account the effective interest method.

### Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

### Leases (prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

#### *Operating lease*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

#### Leases (upon adoption of PFRS 16)

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

Effective January 1, 2019, it is the Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the balance sheet. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets only pertain to office spaces and are depreciated on a straight-line basis over the shorter of the lease term of 5 to 10 years and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases*

The Company applies the short-term lease recognition exemption to its short-term leases of conference rooms (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

#### Pension benefits

The Company has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.





Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

#### Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO and excess MCIT can be utilized in the future, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the account profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the parent company statement of income.

#### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company balance sheet to the extent of the recoverable amount.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the



risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

#### Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Period

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

#### Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Company does not have dilutive common stock equivalents.

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### **3. Significant Accounting Judgment, Estimates and Assumptions**

The preparation of the Company's parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The judgment, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's parent company financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following items are those matters which the Company assess to have significant risk arising from judgement and estimation uncertainty:

#### Judgments

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

#### *Classification of financial instruments*

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial



asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

*Contractual cash flows characteristics under PFRS 9 in 2019 and 2018*

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

*Evaluation of business model in managing financial instruments under PFRS 9 in 2019 and 2018*

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

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

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

*Identifying performance obligations under PFRS 15 in 2019 and 2018*

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



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

*Revenue recognition under PFRS 15 in 2019 and 2018*

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

The Company will continue to recognize revenue from rendering of services over time, since customers simultaneously receives and consumes the benefits as the Company provides the services.

*Identifying methods for measuring progress of revenue recognized over time under PFRS 15 in 2019 and 2018*

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

Estimates and assumptions

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

*Measurement of expected credit losses under PFRS 9 in 2019 and 2018*

ECLs are derived from unbiased and probability-weighted estimates of expected loss. Financial assets that are not credit-impaired at the balance sheet date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No allowance for expected credit losses was recognized in 2019 and 2018. Trade and other receivables amounted to ₱1.1 billion and ₱1.0 billion as of December 31, 2019 and 2018, respectively (see Note 5).



*Inputs, assumptions and estimation techniques under PFRS 9 in 2019 and 2018*

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *PD*  
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- *LGD*  
Loss Given Default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- *EAD*  
EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.



The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

*Simplified approach for trade receivables under PFRS 9 in 2019 and 2018*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

*Incorporation of forward-looking information under PFRS 9 in 2019 and 2018*

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

*Estimating allowance for impairment of losses on investment in and advances to subsidiaries and associates*

Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment loss recognized in 2019 and 2018. The aggregate carrying amount of the investments in and advances to subsidiaries and associates amounted to ₱120.6 billion and ₱88.9 billion as of December 31, 2019 and 2018, respectively (see Note 7).



*Estimating impairment of project development costs*

Impairment is determined for development costs by assessing the recoverable amount of each projects. Where the recoverable amount of the project is less than the carrying amount, an impairment loss is recognized. When calculating recoverable amount, the future cash flow is discounted by a discount factor that takes into consideration risk free interest and the risk associated with the specific project.

The Company did not recognize impairment loss on project development costs in 2019 and 2018. The carrying amount of the Company's project development costs amounted to ₱623.3 million and ₱388.5 million as of December 31, 2019 and 2018, respectively (see Note 10).

*Estimating useful lives of property and equipment*

The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2019 and 2018, the net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

*Estimating residual value of property and equipment*

The residual value of the Company's property and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property and equipment of similar age and condition. As of December 31, 2019 and 2018, the aggregate net book values of property and equipment amounted to ₱105.0 million and ₱65.6 million, respectively (see Note 8).

*Assessing impairment of nonfinancial assets*

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property and equipment and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of the assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.





As of December 31, 2019, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱105.0 million, ₱889.9 million, and ₱16.4 million, respectively. As of December 31, 2018, the carrying values of property and equipment and other current and noncurrent assets amounted to ₱65.6 million, ₱941.8 million, and ₱89.1 million, respectively (see Notes 6, 8, and 9).

*Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure its lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The Company's lease liability amounted to ₱51.6 million as of December 31, 2019 (see Note 20).

*Pension benefits*

The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 15.

Net benefit expense amounted to ₱29.8 million in 2019, ₱41.9 million in 2018 and ₱50.0 million in 2017. Net pension liability amounted to ₱219.7 million as of December 31, 2019. Net pension asset amounted to ₱38.1 million as of December 31, 2018 (see Note 15).

*Recognition of deferred income tax assets*

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. Deferred income tax asset amounted to ₱130.3 million and ₱202.3 million as of December 31, 2019 and 2018, respectively (see Note 16).

No deferred income tax assets were recognized for deductible temporary difference and carryforward benefit from unused NOLCO and excess MCIT as disclosed in Note 16.



*Legal contingencies*

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Company's parent company financial statements for the years ended December 31, 2019 and 2018.

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4. **Cash and Cash Equivalents**

	2019	2018
Cash on hand and in banks	<b>₱25,680,412</b>	₱33,107,511
Short-term deposits	<b>4,184,384,000</b>	11,842,080,800
	<b>₱4,210,064,412</b>	₱11,875,188,311

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

Interest income earned from cash in banks and short-term deposits amounted to ₱163.4 million, ₱137.3 million and ₱147.6 million in 2019, 2018 and 2017, respectively.

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5. **Trade and Other Receivables**

	2019	2018
Trade (see Note 17)	<b>₱1,027,767,981</b>	₱617,445,732
Nontrade	<b>18,428,595</b>	18,406,566
Interest (see Note 17)	<b>11,816,301</b>	43,777,681
Dividends	-	288,579,777
Others	<b>15,481,598</b>	13,254,002
	<b>₱1,073,494,475</b>	₱981,463,758

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

For terms and conditions relating to related party receivables, refer to Note 17.

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6. **Other Current Assets**

	2019	2018
Prepaid tax	<b>₱878,228,543</b>	₱926,898,393
Others	<b>11,625,845</b>	14,879,787
	<b>₱889,854,388</b>	₱941,778,180



## 7. Investments and Advances

The details of the Company's investments and advances follow:

	2019	2018
<i>Investments in Subsidiaries</i>		
Therma Power, Inc. (TPI)	<b>₱30,116,058,873</b>	₱30,116,058,873
Aboitiz Renewables, Inc. (ARI)	<b>25,172,988,814</b>	25,172,988,814
Therma Visayas, Inc. (TVI)	<b>7,118,681,570</b>	7,118,681,570
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	<b>2,997,000,000</b>	2,794,460,000
Hedcor Sabangan, Inc. (Hedcor Sabangan)	<b>1,732,643,142</b>	1,732,643,142
Lima Enerzone Corporation (LEZ)	<b>1,329,696,667</b>	1,329,696,667
Hedcor, Inc. (HI)	<b>974,875,000</b>	605,125,000
Therma South, Inc. (Therma South)	<b>877,892,679</b>	877,892,679
Therma Mobile, Inc. (Therma Mobile)	<b>742,400,000</b>	742,400,000
Davao Light & Power Co., Inc. (DLPC)	<b>738,472,506</b>	738,472,506
Visayan Electric Co., Inc. (VECO)	<b>665,438,202</b>	665,438,202
Hedcor Tudaya, Inc. (HTI)	<b>656,250,000</b>	656,250,000
Mactan Enerzone Corporation (MEZC)	<b>609,532,287</b>	609,532,287
Balamban Enerzone Corporation (BEZC)	<b>444,869,161</b>	444,869,161
Subic Enerzone Corporation (SEZC)	<b>227,000,000</b>	227,000,000
Cotabato Light & Power Co. (CLPC)	<b>214,047,443</b>	214,047,443
Retensol, Inc. (RI)	<b>135,000,000</b>	135,000,000
AboitizPower International Pte. Ltd. (AP Int)	<b>120,733,027</b>	120,733,027
East Asia Utilities Corporation (EAUC)	<b>100,914,275</b>	100,914,275
Malvar Enerzone Corporation (Malvez)	<b>70,400,000</b>	17,900,000
AP Renewable Energy Corporation (APREC)	<b>25,000,000</b>	25,000,000
Aboitiz Energy Solutions, Inc. (AESI)	<b>21,000,000</b>	21,000,000
Cebu Private Power Corporation (CPPC)	<b>17,806,608</b>	17,806,608
Prism Energy, Inc. (PEI)	<b>12,648,600</b>	12,648,600
AdventEnergy, Inc. (AI)	<b>812,500</b>	812,500
	<b>75,122,161,354</b>	74,497,371,354
<i>Investments in Associates</i>		
AA Thermal, Inc.	<b>31,082,935,376</b>	-
STEAG State Power, Inc. (STEAG )	<b>4,400,611,465</b>	4,400,611,465
Hijos de F. Escaño, Inc. (Hijos)	<b>858,069,586</b>	858,069,586
Pampanga Energy Ventures, Inc. (PEVI)	<b>209,465,106</b>	209,465,106
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	<b>180,863,801</b>	180,863,801
AEV Aviation, Inc. (AAI)	<b>163,935,000</b>	169,275,000
Western Mindanao Power Corporation (WMPC)	<b>79,099,377</b>	79,099,377
Southern Philippines Power Corporation (SPPC)	<b>45,776,067</b>	45,776,067
	<b>37,020,755,778</b>	5,943,160,402
Less allowance for impairment loss	<b>1,071,358,480</b>	1,071,358,480
	<b>111,071,558,652</b>	79,369,173,276
<i>Advances</i>	<b>9,562,649,989</b>	9,562,649,989
	<b>₱120,634,208,641</b>	₱88,931,823,265



*Investment in Malvez*

The Company subscribed additional 47.61 million and 17.8 million Redeemable Preferred Shares (RPS) for ₱47.6 million and ₱17.8 million, in 2019 and 2018 respectively.

*Investment in HI*

The Company subscribed additional 369.75 million RPS for ₱369.75 million and 360.1 million RPS for ₱360.1 million in 2019 and 2018, respectively.

*Investment in Hedcor Bukidnon*

In 2019, the Company subscribed additional 202.5 million RPS for ₱202.5 million.

*Investment in AA Thermal, Inc.*

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

This follows the execution of a share purchase agreement for the transaction in 2018, and the completion of all conditions precedent. The Philippine Competition Commission approved the transaction last February 28, 2019. The transaction is valued at ₱30.2 billion, after adjustments.

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

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

In 2019, the Company subscribed additional RPS amounting to USD 18.1 million (₱929.3 million)

*Investment in AAI*

AAI redeemed shares attributable to the Company at 5,340 RPS for ₱5.34 million and 80,216 RPS for ₱80.2 million in 2019 and 2018, respectively at ₱1,000 per share

*Investment in RI*

In 2018, the Company subscribed 135.0 million RPS for ₱135.0 million.

*Investment in BEZC*

In 2018, BEZC redeemed shares attributable to the Company at 42.0 million RPS for ₱42.0 million at ₱1 per share.

In 2018, it was determined that the carrying value of the investment in BEZC exceeded its recoverable amount. The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The discount rates applied to cash flow projections are from 10.63% to 14.80% in 2018 and cash flows beyond the five-year period are extrapolated using a zero percent growth rate. As a result, an impairment loss amounting to ₱45.9 million was recognized.



*Investment in APREC*

In 2018, the Company subscribed 25.0 million RPS for ₱25.0 million.

*Investment in PEI*

In 2018, PEI advances were reclassified to investment amounting to ₱11.9 million.

*Investment in VECO*

In 2018, the Company subscribed 0.0005 million RPS for ₱0.05 million.

*Investment in TVI*

The Company subscribed additional 8.8 million RPS for ₱5.38 billion in 2018.

*Investment in ARI*

In 2018, ARI redeemed shares attributable to the Company at 200.0 million RPS for ₱2.00 billion at ₱10 per share.

Advances

These advances include advances to subsidiaries that will be applied against future subscriptions of the Company to the shares of stock of the subsidiaries.

In 2018, the Company has additional advances to TPI amounting to ₱5.14 billion.

The Company's subsidiaries, all incorporated in the Philippines except for AP Int which was incorporated in Singapore, and the corresponding percentage equity ownership are as follows:

Name of Company	Nature of Business	2019		2018	
		Direct	Indirect	Direct	Indirect
TPI	Holding company	100.00%	–	100.00%	–
ARI	Holding company	100.00%	–	100.00%	–
TVI*	Power generation	–	80.00%	–	80.00%
Hedcor Bukidnon	Power generation	–	100.00%	–	100.00%
Hedcor Sabangan	Power generation	–	100.00%	–	100.00%
LEZ	Power distribution	100.00%	–	100.00%	–
HI	Power generation	–	100.00%	–	100.00%
Therma South	Power generation	–	100.00%	–	100.00%
Therma Mobile	Power generation	–	100.00%	–	100.00%
DLPC	Power distribution	99.93%	–	99.93%	–
VECO	Power distribution	55.26%	–	55.26%	–
HTI	Power generation	–	100.00%	–	100.00%
MEZC	Power distribution	100.00%	–	100.00%	–
BEZC	Power distribution	100.00%	–	100.00%	–
SEZC	Power distribution	65.00%	34.98%	65.00%	34.98%
CLPC	Power distribution	99.94%	–	99.94%	–
RI**	Power generation	–	100.00%	–	100.00%
EAUC	Power generation	50.00%	50.00%	50.00%	50.00%
Malvez**	Power distribution	100.00%	–	100.00%	–
AP Int	Holding company	100.00%	–	100.00%	–
APREC**	Power generation	–	100.00%	–	100.00%
AESI	Retail electricity supplier	100.00%	–	100.00%	–
CPPC	Power generation	60.00%	–	60.00%	–
PEI	Retail electricity supplier	60.00%	–	60.00%	–
AI	Retail electricity supplier	100.00%	–	100.00%	–

\*No commercial operations as of December 31, 2018.

\*\* No commercial operations as of December 31, 2019



The percentage of the Company's ownership in associates is as follows:

Name of Company	Nature of Business	Percentage of Ownership	
		2019	2018
AAI	Service	49.25%	49.25%
AA Thermal, Inc.	Holding company	49.00%	–
Hijos	Holding company	46.73%	46.73%
PEVI*	Holding company	42.84%	42.84%
STEAG	Power generation	34.00%	34.00%
SFELAPCO*	Power distribution	20.29%	20.29%
SPPC	Power generation	20.00%	20.00%
WMPC	Power generation	20.00%	20.00%

\*PEVI has direct ownership in SFELAPCO of 54.83% while the Company's direct ownership in SFELAPCO is 20.29% resulting to the Company's effective ownership in SFELAPCO of 43.78%.

## 8. Property and Equipment

### December 31, 2019

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Right-of-use asset - Office Space	Total
<b>Cost:</b>						
Balances at beginning of year, as previously stated	₱70,562,199	₱38,119,555	₱752,009	₱39,504,153	₱–	₱148,937,916
Effect of adoption - PFRS 16 (see Note 2)	–	–	–	–	46,702,778	46,702,778
Balances at beginning of year, as restated	70,562,199	38,119,555	752,009	39,504,153	46,702,778	195,640,694
Additions	20,357,166	8,354,518	–	1,140,139	–	29,851,823
Disposals	(8,333,130)	(42,857)	–	–	–	(8,375,987)
Balances at end of year	82,586,235	46,431,216	752,009	40,644,292	46,702,778	217,116,530
<b>Accumulated Depreciation:</b>						
Balances at beginning of year	33,327,228	32,611,441	752,009	16,662,008	–	83,352,686
Depreciation	13,451,801	5,207,053	–	3,950,625	11,490,685	34,100,164
Disposals	(5,361,032)	–	–	–	–	(5,361,032)
Balances at end of year	41,417,997	37,818,494	752,009	20,612,633	11,490,685	112,091,818
<b>Net Book Values</b>	<b>₱41,168,238</b>	<b>₱8,612,722</b>	<b>₱–</b>	<b>₱20,031,659</b>	<b>₱35,212,093</b>	<b>₱105,024,712</b>

### December 31, 2018

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Total
<b>Cost:</b>					
Balances at beginning of year	₱81,552,753	₱34,833,791	₱752,009	₱38,766,658	₱155,905,211
Additions	9,979,554	3,566,737	–	737,495	14,283,786
Disposals	(20,970,108)	(280,973)	–	–	(21,251,081)
Balances at end of year	70,562,199	38,119,555	752,009	39,504,153	148,937,916
<b>Accumulated Depreciation:</b>					
Balances at beginning of year	33,706,486	28,268,718	752,009	12,881,274	75,608,487
Depreciation	13,407,483	4,555,106	–	3,780,734	21,743,323
Disposals	(13,786,741)	(212,383)	–	–	(13,999,124)
Balances at end of year	33,327,228	32,611,441	752,009	16,662,008	83,352,686
<b>Net Book Values</b>	<b>₱37,234,971</b>	<b>₱5,508,114</b>	<b>₱–</b>	<b>₱22,842,145</b>	<b>₱65,585,230</b>



The Company recognized gain of ₱1.3 million on disposal of property and equipment in 2019 and loss of ₱1.3 million in 2018. There are no restrictions on the title and no property and equipment are pledged as security for liabilities.

Fully depreciated property and equipment with cost amounting to ₱42.9 million and ₱50.1 million as of December 31, 2019 and 2018, respectively, are still carried in the books of the Company and still in use.

#### 9. Other Noncurrent Assets

	2019	2018
Computer software licenses	<b>₱10,589,929</b>	₱7,915,027
Recoverable deposits	<b>5,785,865</b>	81,206,176
	<b>₱16,375,794</b>	₱89,121,203

The rollforward analysis of computer software licenses is presented below:

	2019	2018
Cost:		
Balances at beginning of year	<b>₱16,691,665</b>	₱16,598,165
Additions	<b>4,535,865</b>	93,500
Balances at end of year	<b>21,227,530</b>	16,691,665
Accumulated amortization:		
Balances at beginning of year	<b>8,776,638</b>	7,174,155
Amortization for the year	<b>1,860,963</b>	1,602,483
Balances at end of year	<b>10,637,601</b>	8,776,638
Net book values	<b>₱10,589,929</b>	₱7,915,027

#### 10. Project Development Costs

	2019	2018
Balances at beginning of year	<b>₱388,468,001</b>	₱262,559,144
Additions	<b>234,871,366</b>	177,031,239
Write-offs	-	(51,122,382)
Balances at end of year	<b>₱623,339,367</b>	₱388,468,001

Project development costs consist of rights, titles and interests for various power plant development projects.



## 11. Trade and other payables

	2019	2018
Trade payables (see Note 17)	<b>₱45,852,175</b>	₱55,903,519
Accrued interest (see Note 12)	<b>380,430,960</b>	212,180,900
Accrued taxes and fees	<b>93,395,503</b>	43,272,258
Output VAT	<b>57,142,953</b>	38,456,614
Nontrade payables	<b>49,736,029</b>	5,609,030
Others	<b>945,518</b>	688,252
	<b>₱627,503,138</b>	₱356,110,573

Trade payables are noninterest-bearing and generally on 30-day term. Accrued taxes and fees represent taxes withheld on compensation, benefits, interests and other fees.

## 12. Bank Loans and Long-term Debts

### Bank Loans

The Company obtained unsecured bank loans from financial institutions with a total principal amount of ₱4.70 billion at an annual interest rate ranging from 3.25% to 5.20% for working capital purposes in 2018. These loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties. These have been fully paid in 2019.

Interest expense on bank loans amounted to ₱380.3 million and ₱140.9 million in 2019 and 2018, respectively.

### Long-Term Debts

	Interest Rate	2019	2018
Financial and non-financial institutions - unsecured			
2014 7-year retail bonds	5.21%	<b>₱6,600,000,000</b>	₱6,600,000,000
2014 12-year retail bonds	6.10%	<b>3,400,000,000</b>	3,400,000,000
2017 10-year retail bonds	5.34%	<b>3,000,000,000</b>	3,000,000,000
2018 5.25-year retail bonds	7.51%	<b>7,700,000,000</b>	7,700,000,000
2018 10-year retail bonds	8.51%	<b>2,500,000,000</b>	2,500,000,000
2019 5-year long-term loan	LIBOR + 1.20%	<b>15,190,500,000</b>	-
2019 7-year retail bonds	5.28%	<b>7,250,000,000</b>	-
2019 7-year long-term loan	5.28%	<b>5,000,000,000</b>	-
		<b>50,640,500,000</b>	23,200,000,000
Less deferred financing costs		<b>560,674,933</b>	202,178,708
		<b>₱50,079,825,067</b>	₱22,997,821,292

### Long-term Loan - ₱5.0 billion

In November 2019, the Company obtain a ₱5.0 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.





Under the facility agreement, the Company shall not incur any obligation with a maturity of more than 1 year, if on the date of such borrowing, the net debt to consolidated equity ratio will exceed 3:1. The Company is in compliance with the debt covenants as of December 31, 2019.

Dollar Loan - \$300 million

On April 2019, the Company executed and availed a US\$300,000,000 syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

Under the facility agreement, the Company shall ensure that the net consolidated debt to net consolidated equity ratio is not more than 3:1 at all times and the leverage ratio is not more than 5:50:1 at all times. The Company is in compliance with the debt covenants as of December 31, 2019.

Retail Bonds - ₱7.25 billion

In October 2019, the Company issued ₱7.25 billion 7-year bond due 2026 at a fixed rate of 5.28% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.2 billion

In October 2018, the Company issued a total of ₱10.2 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at a fixed rate equivalent to 7.51% p.a. and a ₱2.5 billion 10-year bond due 2028 at a fixed rate equivalent to 8.51% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱3.0 billion

In July 2017, the Company issued ₱3.0 billion 10-year bond due 2027 at an annual fixed rate of 5.34% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.0 billion

In September 2014, the Company issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at a fixed rate equivalent to 5.21% p.a. and a ₱3.4 billion 12-year bond due 2026 at a fixed rate equivalent to 6.10% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2019.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱560.7 million and ₱202.2 million as of December 31, 2019 and 2018, respectively.

Total interest expense recognized amounted to ₱2.1 billion, ₱858.2 million and ₱630.5 million in 2019, 2018 and 2017, respectively.



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### 13. Equity and Earnings per Common Share

a. Paid-in Capital

	2019	2018
Capital Stock:		
Authorized - ₱1 par value:		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued:		
Common shares - 7,358,604,307 shares	<b>₱7,358,604,307</b>	₱7,358,604,307
Additional Paid-in Capital	<b>12,588,894,332</b>	12,588,894,332
	<b>₱19,947,498,639</b>	₱19,947,498,639

On May 25, 2007, the Company listed with the Philippine Stocks Exchange its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against “Additional paid-in capital” in the parent company balance sheet.

As of December 31, 2019, 2018 and 2017, the Company has 631, 629 and 629 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2019 and 2018.



b. Retained Earnings

As of December 31, 2019 and 2018, the Company has an appropriated retained earnings amounting to ₱33.66 billion and ₱34.06 billion, respectively, with regards to the development and construction of power plants. The BOD has approved the appropriation of ₱13.16 billion and ₱20.90 billion on November 24, 2016 and November 27, 2014, respectively.

On March 7, 2017, the BOD approved the declaration of regular cash dividends of ₱1.36 per share (₱10.01 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

On March 8, 2018, the BOD approved the declaration of regular cash dividends of ₱1.39 per share (₱10.23 billion) to all stockholders of record as of March 22, 2018. These dividends were paid on April 12, 2018.

On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 per share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 7, 2019, the BOD also approved the following:

- Appropriation of ₱11.90 billion retained earnings for the equity infusion into GNPD to fund the construction of GNPD units 1 & 2, which is expected to have full commercial operations by end of 2020.
- Reversal of ₱12.30 billion retained earnings appropriation that was set up in 2014 for the equity requirements of the 300 MW Davao Coal and 14 MW Sabangan Hydro projects.

To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. The cash dividends are payable on April 3, 2020.

c. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income	₱12,304,362,581	₱8,995,307,128	₱9,212,273,716
b. Weighted average number of common shares issued and outstanding	7,358,604,307	7,358,604,307	7,358,604,307
c. Earnings per common share (a/b)	₱1.67	₱1.22	₱1.25



#### 14. Personnel Costs

	2019	2018	2017
Salaries and wages	P572,060,660	P562,610,627	P533,005,712
Employee benefits	239,240,032	351,449,279	307,935,888
Retirement benefit costs (see Note 15)	29,846,722	41,895,414	49,974,029
	<b>P841,147,414</b>	<b>P955,955,320</b>	<b>P890,915,629</b>

#### 15. Retirement Costs

The Company has a funded, non-contributory, defined benefit pension plan (the "Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also officers of AEV, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

*Net benefit expense (recognized as part of personnel costs):*

	2019	2018	2017
Retirement expense to be recognized in the parent company statements of income:			
Current service cost	P32,960,153	P42,726,275	P48,922,746
Net interest cost (income)	(3,113,431)	(830,861)	1,051,283
	<b>P29,846,722</b>	<b>P41,895,414</b>	<b>P49,974,029</b>

*Remeasurement effect to be recognized in other comprehensive income:*

	2019	2018	2017
Actuarial gains (loss) due to:			
Experience adjustments	(P197,172,700)	(P4,861,370)	(P43,972,045)
Changes in financial assumptions	(61,716,402)	44,542,333	1,172,525
Actual return excluding amount included in net interest cost	(20,314)	(13,774,100)	9,300,494
Changes in demographic assumptions	-	-	78,205,006
	<b>(P258,909,416)</b>	<b>P25,906,863</b>	<b>P44,705,980</b>



*Pension liability (asset)*

	2019	2018
Present value of obligation	<b>₱533,382,355</b>	₱402,201,925
Fair value of plan assets	<b>(313,637,886)</b>	(440,263,429)
	<b>₱219,744,469</b>	(₱38,061,504)

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	<b>₱402,201,925</b>	₱633,459,869
Net benefit expense:		
Current service cost	<b>32,960,153</b>	42,726,275
Interest cost	<b>32,900,117</b>	32,496,491
	<b>65,860,270</b>	75,222,766
Benefits paid	<b>(207,506,511)</b>	(252,616,884)
Employee transfers	<b>13,937,569</b>	(14,182,863)
Remeasurements in other comprehensive income:		
Actuarial gain (loss) due to:		
Experience adjustments	<b>197,172,700</b>	4,861,370
Changes in financial assumptions	<b>61,716,402</b>	(44,542,333)
	<b>258,889,102</b>	(39,680,963)
At December 31	<b>₱533,382,355</b>	₱402,201,925

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	<b>₱440,263,429</b>	₱649,655,975
Actual contributions	<b>30,950,165</b>	37,853,949
Interest income included in net interest cost	<b>36,013,548</b>	33,327,352
Benefits paid	<b>(207,506,511)</b>	(252,616,884)
Transfers	<b>13,937,569</b>	(14,182,863)
Actual return excluding amount included in net interest cost	<b>(20,314)</b>	(13,774,100)
At December 31	<b>₱313,637,886</b>	₱440,263,429

Changes in pension liability (asset) recognized in the parent company balance sheets are as follows:

	2019	2018
At January 1	<b>(₱38,061,504)</b>	(₱16,196,106)
Actual contributions	<b>(30,950,165)</b>	(37,853,949)
Actuarial loss (gain) recognized for the year	<b>258,909,416</b>	(25,906,863)
Retirement expense for the year	<b>29,846,722</b>	41,895,414
At December 31	<b>₱219,744,469</b>	(₱38,061,504)



The fair value of plan assets by each class at the end of the reporting period are as follows:

	2019	2018
<b>Assets:</b>		
Financial assets at FVOCI	<b>₱278,197,078</b>	₱278,119,312
Equity instruments - financial institution:		
Financial assets at amortized cost	<b>65,141,440</b>	79,558,475
Holding	<b>5,305</b>	56,066,878
Power	<b>56,654,455</b>	49,415,685
Financial institution	<b>11,190,644</b>	12,686,517
Others	<b>191,025,973</b>	195,487,284
	<b>602,214,895</b>	671,334,151
<b>Liability:</b>		
Financial liability	<b>(288,577,009)</b>	(231,070,722)
Fair value of plan assets	<b>₱313,637,886</b>	₱440,263,429

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2019, 2018 and 2017 in determining net pension liability for the Company's Plan is shown below:

	2019	2018	2017
Discount rate	<b>4.92%</b>	8.18%	5.13%
Salary increase rate	<b>6.00%</b>	7.00%	6.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, respectively, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation	
		2019	2018
Discount rates	100	<b>(₱30,900,955)</b>	(₱18,442,461)
	(100)	<b>35,877,896</b>	21,068,425
Future salary increases	100	<b>37,627,187</b>	23,118,029
	(100)	<b>(33,087,992)</b>	(20,609,365)

The Company's defined benefit pension plan is funded by the Company.

The Company expects to contribute ₱37.3 million to the defined benefit plans in 2020. The average duration of the defined benefit obligation as of December 31, 2019 and 2018 is 14.86 and 12.94 years respectively.



The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Company also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

## 16. Income Tax

Details of provision for income tax are as follows:

	2019	2018	2017
Current:			
Corporate income tax	<b>₱21,180,971</b>	₱23,267,247	₱18,946,168
Final	<b>26,101,092</b>	15,959,091	10,440,532
	<b>47,282,063</b>	39,226,338	29,386,700
Deferred	<b>12,100,043</b>	(37,853,440)	7,066,011
	<b>₱59,382,106</b>	₱1,372,898	₱36,452,711

The provision for corporate income tax represents MCIT in 2019, 2018 and 2017.

Reconciliation between the statutory income tax rate and the Company's effective income tax rates follows:

	2019	2018	2017
At statutory rate of 30%	<b>₱3,709,123,406</b>	₱2,699,004,008	₱2,774,617,928
<i>Additions to (reductions in) income tax resulting from:</i>			
Movement on unrecognized deferred income tax asset on:			
NOLCO	<b>568,058,043</b>	181,865,467	125,884,718
Unamortized past service cost	<b>49,398,725</b>	—	—
MCIT	<b>21,180,971</b>	15,959,091	10,440,532
Pension liability	<b>(101,115,717)</b>	—	—
Provision for impairment loss on investment in a subsidiary	—	13,779,900	50,840,822
Final tax on interest income	<b>26,101,092</b>	23,267,247	18,946,168

(Forward)



	2019	2018	2017
Nondeductible expenses:			
Interest expense	<b>₱15,570,740</b>	₱13,590,499	₱14,607,592
Project and bidding expenses	–	15,336,715	23,051,869
Others	<b>14,986,699</b>	14,363	5,921
Dividend income	<b>(4,195,623,259)</b>	(2,920,812,882)	(2,937,677,410)
Interest income already subjected to final tax at a lower rate	<b>(47,184,062)</b>	(41,183,329)	(44,265,429)
Others	<b>(1,114,532)</b>	551,819	–
	<b>₱59,382,106</b>	₱1,372,898	₱36,452,711

The components of the Company's net deferred income tax assets (liability) are as follows:

	2019	2018
Deferred income taxes recognized in the parent company statement of income:		
Deferred income tax assets:		
NOLCO	<b>₱130,308,641</b>	₱–
Unamortized past service cost	–	61,464,468
Unrealized foreign exchange loss	–	51,420,259
	<b>130,308,641</b>	112,884,727
Deferred income tax liabilities:		
Unrealized foreign exchange gain	<b>(130,308,641)</b>	–
Pension liability	–	(100,784,684)
	<b>(130,308,641)</b>	(100,784,684)
Deferred income tax asset related to remeasurement effects in the parent company statements of other comprehensive income	–	89,366,223
	<b>₱–</b>	<b>₱101,466,266</b>

As of December 31, 2019, the Company has MCIT that can be claimed as deduction from regular income tax liability as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2016	2017-2019	₱22,262,045	₱–	₱22,262,045	₱–
2017	2018-2020	10,440,532	–	–	10,440,532
2018	2019-2021	15,959,089	–	–	15,959,089
2019	2020-2022	21,180,971	–	–	21,180,971
		<b>₱69,842,637</b>	<b>₱–</b>	<b>₱22,262,045</b>	<b>₱47,580,592</b>





As of December 31, 2019, the Company has NOLCO which can be claimed as deduction against the regular taxable income as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2017	2018-2020	₱419,615,728	₱-	₱-	₱419,615,728
2018	2019-2021	606,218,323	-	-	606,218,323
2019	2020-2022	2,327,888,945	-	-	2,327,888,945
		₱3,353,722,996	₱-	₱-	₱3,353,722,996

No deferred income tax assets have been recognized in 2019 and 2018 on the following temporary differences as it is probable that no sufficient taxable income will be available to allow the benefit of the net deferred income tax assets to be utilized:

	<b>2019</b>	<b>2018</b>
NOLCO	<b>₱2,919,360,861</b>	₱1,025,834,051
Pension liability	<b>219,744,469</b>	-
Unamortized past service cost	<b>164,662,418</b>	-
MCIT	<b>47,580,592</b>	48,661,666

No deferred income tax has been recognized on the impairment of investment in subsidiaries amounting to ₱1.1 billion as of December 31, 2019 and 2018 as management’s intention of recovering this amount through future dividend which exempt from income tax.

The Company has unrecognized deductible and taxable temporary differences that arises from the initial recognition of the lease liability and the right-of-use asset upon adoption of PFRS 16 which affects neither the accounting profit nor taxable profit or loss as at January 1, 2019 amounting to ₱64.4 million and ₱46.7 million, respectively.

## 17. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm’s length transactions.

The Company, in its normal course of business, has transactions with its related parties, which principally consist of the following:

- a. The Company has management agreements with each of the following subsidiaries: CLPC, Cotabato Ice Plant, Inc. (CIPI), DLPC, and CPPC for which it is entitled to management fees.
- b. The Company renders various services to related parties such as technical and legal assistance for various projects, trainings and other services, for which it bills technical and service fees.



- c. The Company obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries, associates and joint ventures in connection with certain loans and credit accommodations. As of December 31, 2019, the Company provided SBLCs for AP Renewables, Inc. (APRI), Cebu Energy Development Corporation (CEDC), Luzon Hydro Corporation (LHC), SN Aboitiz Power-Benguet, Inc. (SNAP B), Therma South, Pagbilao Energy Corporation (PEC), Hedcor Bukidnon, STEAG, and TVI in the amount of ₱6.43 billion. As of December 31, 2018, the Company provided SBLCs for APRI, CEDC, LHC, SNAP B, Therma South, STEAG, and TVI in the amount of ₱4.51 billion.
- d. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Company and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Company to maximize efficiencies and realize cost synergies.
- e. Cash deposits and money market placements with Union Bank of the Philippines (UBP), an associated of AEV. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱106.7 million and ₱64.34 million in 2019 and 2018, respectively. Outstanding balances amounted ₱22.8 million and ₱6.11 billion as of December 31, 2019, and 2018, respectively.
- f. Rentals paid at current market rates to Cebu Praedia Development Corporation (CPDC) for the use of CPDC's properties by the Company's officers and employees.
- g. Aviation service fees paid at arm's length basis to AAI for the use of aircraft during travel of the Company's officers and employees.



The Company's balance sheets and statements of income include the following accounts resulting from the above transactions with related parties:

*Technical, Management and other Service Fees*

Subsidiaries:	Revenue		Receivable		Terms	Conditions
	2019	2018	2017	2019		
TVI	<b>₱625,236,619</b>	₱1,364,303	₱2,059,983	<b>₱631,295,206</b>	₱254,670	30-day, non-interest bearing Unsecured, no impairment
VECO	<b>391,849,526</b>	279,315,539	268,615,438	<b>118,807,969</b>	58,537,920	30-day, non-interest bearing Unsecured, no impairment
DIPC	<b>367,741,901</b>	454,474,211	413,733,737	<b>31,359,884</b>	105,496,183	30-day, non-interest bearing Unsecured, no impairment
ASEI	<b>57,630,764</b>	57,622,636	96,872,719	<b>5,282,820</b>	5,378,113	30-day, non-interest bearing Unsecured, no impairment
CLPC	<b>46,897,878</b>	45,559,907	39,639,944	<b>2,168,636</b>	10,240,732	30-day, non-interest bearing Unsecured, no impairment
GNPower Mariveles Coal Plant Ltd. Co.	<b>43,374,465</b>	43,111,345	50,813,063	<b>3,289,015</b>	4,030,213	30-day, non-interest bearing Unsecured, no impairment
Therma Luzon, Inc.	<b>41,166,971</b>	42,601,204	30,354,526	<b>11,389,529</b>	3,976,112	30-day, non-interest bearing Unsecured, no impairment
AI	<b>26,315,382</b>	26,306,785	39,233,874	<b>7,236,730</b>	2,455,300	30-day, non-interest bearing Unsecured, no impairment
CPPC	<b>20,900,607</b>	58,728,956	20,812,863	<b>82,713,295</b>	62,872,942	30-day, non-interest bearing Unsecured, no impairment
Therma South	<b>12,674,586</b>	11,064,511	11,209,783	<b>2,393,319</b>	2,065,375	30-day, non-interest bearing Unsecured, no impairment
SEZC	<b>10,905,487</b>	7,147,207	8,071,653	<b>—</b>	931,499	30-day, non-interest bearing Unsecured, no impairment
APRI	<b>10,253,796</b>	10,991,418	9,103,675	<b>3,810,994</b>	2,051,731	30-day, non-interest bearing Unsecured, no impairment
Therma Marine, Inc.	<b>5,979,579</b>	3,560,921	6,330,215	<b>1,644,384</b>	2,228,408	30-day, non-interest bearing Unsecured, no impairment
MEZC	<b>5,429,535</b>	4,671,093	3,986,055	<b>—</b>	1,051,731	30-day, non-interest bearing Unsecured, no impairment
HI	<b>5,169,208</b>	5,169,208	7,630,879	<b>1,921,222</b>	482,459	30-day, non-interest bearing Unsecured, no impairment
BEZC	<b>4,848,405</b>	4,599,602	4,512,723	<b>—</b>	1,134,132	30-day, non-interest bearing Unsecured, no impairment
LEZ	<b>4,390,866</b>	4,463,298	6,242,089	<b>783,525</b>	1,095,361	30-day, non-interest bearing Unsecured, no impairment
EAUC	<b>3,191,420</b>	1,878,478	2,320,980	<b>55,938</b>	318,510	30-day, non-interest bearing Unsecured, no impairment
PEI	<b>2,627,543</b>	2,657,033	2,09,822	<b>49,706</b>	805,171	30-day, non-interest bearing Unsecured, no impairment
CIPI	<b>597,083</b>	746,357	896,063	<b>11,079</b>	277,306	30-day, non-interest bearing Unsecured, no impairment
San Carlos Sun Power, Inc.	<b>118,706</b>	—	—	<b>—</b>	—	30-day, non-interest bearing Unsecured, no impairment
Malvez	<b>41,235</b>	—	—	<b>—</b>	—	30-day, non-interest bearing Unsecured, no impairment
Therma Mobile	<b>40,682</b>	467,973	2,142,810	<b>7,458</b>	87,355	30-day, non-interest bearing Unsecured, no impairment
Aboitiz Power Distributed Energy, Inc.	<b>15,856</b>	—	—	<b>—</b>	—	30-day, non-interest bearing Unsecured, no impairment
Aboitiz Power Distributed Renewables, Inc.	<b>15,856</b>	—	—	<b>4,469</b>	—	30-day, non-interest bearing Unsecured, no impairment
ARI	<b>—</b>	—	7,300,000	<b>—</b>	—	30-day, non-interest bearing Unsecured, no impairment
Associates:						
SFELAPCO	<b>106,760,000</b>	132,622,875	72,157,562	<b>57,439,525</b>	36,765,356	30-day, non-interest bearing Unsecured, no impairment
CEDC	<b>74,074,000</b>	71,880,000	101,367,000	<b>24,614,950</b>	—	30-day, non-interest bearing Unsecured, no impairment
GNPower Dingrin Ltd. Co.	<b>41,768,304</b>	42,360,271	40,556,253	<b>3,440,683</b>	3,960,000	30-day, non-interest bearing Unsecured, no impairment

(Forward)



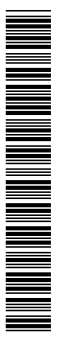
	Revenue			Receivable			Terms	Conditions
	2019	2018	2017	2019	2018	2018		
<b>Joint Venture:</b>								
SN Aboitiz Power - Magat, Inc.	P-	P30,000	P-	P-	P-	P-	30-day, non-interest bearing	Unsecured, no impairment
<b>Affiliates:</b>								
Apo Agua Infraestructura, Inc.	7,482,550	-	-	8,380,456	-	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitiz Infracapital, Inc.	907,589	-	-	880,362	-	-	30-day, non-interest bearing	Unsecured, no impairment
Aboitizland, Inc.	-	321,429	-	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Plimico Foods Corporation	-	133,929	-	-	-	-	30-day, non-interest bearing	Unsecured, no impairment
Pagbilao Energy Corporation (PEC)	-	292,947,450	-	-	-	300,000,000	30-day, non-interest bearing	Unsecured, no impairment
	<b>P1,918,406,399</b>	<b>P1,613,850,489</b>	<b>P1,246,173,709</b>	<b>P998,981,154</b>	<b>P606,496,579</b>			

Transportation and Travel

	Expense			Payable			Terms	Conditions
	2019	2018	2017	2019	2018	2018		
<b>Parent</b>								
AEV	P704	P-	P4,097	P-	P-	P-	30-day, non-interest bearing	Unsecured
<b>Affiliate</b>								
AAI	17,138,321	18,142,687	22,170,057	2,375,783	-	-	30-day, non-interest bearing	Unsecured
	<b>P17,139,025</b>	<b>P18,142,687</b>	<b>P22,174,154</b>	<b>P2,375,783</b>	<b>P-</b>	<b>P-</b>		

Rent

	Expense			Payable			Terms	Conditions
	2019	2018	2017	2019	2018	2018		
<b>Parent</b>								
AEV	P2,212,900	P3,206,807	P1,326,732	P-	P3,206,807	P-	30-day, non-interest bearing	Unsecured
<b>Affiliate</b>								
CPDC	1,095,894	600,434	842,044	-	68,500	30-day, non-interest bearing	Unsecured	
	<b>P3,308,794</b>	<b>P3,807,241</b>	<b>P2,168,776</b>	<b>P-</b>	<b>P3,275,307</b>	<b>P-</b>		



Professional, Legal and Service Fees

	Expense			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Parents</i>							
AEV	<b>₱80,916,869</b>	₱65,141,015	₱37,966,014	<b>₱4,079,713</b>	₱3,375,449	30-day, non-interest bearing	Unsecured
ACO	<b>836,847</b>	955,452	7,634,588	<b>4,826,847</b>	955,452	30-day, non-interest bearing	Unsecured
	<b>₱81,753,716</b>	₱66,096,467	₱45,600,602	<b>₱8,906,560</b>	₱4,330,901		



The above transactions are expected to be settled in cash.

The Company's Fund is in the form of a trust being maintained and managed by AEV under the supervision of the BOT of the plan. In 2019 and 2018, other than contributions to the Fund, no transactions occurred between the Company or any of its subsidiaries and the Fund.

Total compensation and benefits of key management personnel of the Company are as follows:

	2019	2018	2017
Short-term benefits (see Note 15)	<b>₱182,349,079</b>	₱286,022,170	₱308,010,884
Post-employment benefits (see Note 15)	<b>10,403,791</b>	13,737,830	16,499,116
	<b>₱192,752,870</b>	₱299,760,000	₱324,510,000

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## 18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables, AFS investment and trade and other payables which arise directly from its operations.

The Company also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases (see Note 19).

### Risk Management Structure

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

### *Financial risk committee*

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

### *Treasury service group*

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

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter party default on its cash and cash equivalents, and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements.



*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of the changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt with a floating interest rate and to its derivative asset.

The Company's policy is to manage its interest cost using effective hedging derivatives subject to BOD approval.

The following tables demonstrate the sensitivity to a reasonably possible change in rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings). The effect on equity pertains to the impact of the Company's derivative designated under cash flow hedge accounting:

<u>2019</u>	Increase (decrease) in basis points	Effect on income before tax	Effect on equity before tax
	+200	₱312,630,000	₱156,315,000
	-100	(156,315,000)	(78,157,500)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on cash in banks and cash equivalents and trade and other receivables pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash in banks and cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term deposits mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to trade and other receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality per class of financial assets as of December 31 is as follows (amounts in thousands):

2019

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱4,208,752	₱-	₱-	₱-	₱4,208,752
Trade and other receivables	570,285	-	-	503,209	1,073,494
Derivative asset	80,134	-	-	-	80,134
<b>Total</b>	<b>₱4,859,171</b>	<b>₱-</b>	<b>₱-</b>	<b>₱503,209</b>	<b>₱5,362,380</b>

\*Excluding cash on hand



**2018**

	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents*	₱11,874,257	₱-	₱-	₱-	₱11,874,257
Trade and other receivables	660,535	-	-	320,929	981,464
Derivative asset	855	-	-	-	855
Financial assets at FVPTL	97,535	-	-	-	97,535
<b>Total</b>	<b>₱12,633,182</b>	<b>₱-</b>	<b>₱-</b>	<b>₱320,929</b>	<b>₱12,954,111</b>

\*Excluding cash on hand

High grade pertains to receivables from customers with good favorable credit standing and have no history of default.

Standard grade pertains to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade pertains to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The aging analyses of financial assets as of December 31 are as follows (amounts in thousands):

**2019**

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱4,208,752	₱4,208,752	₱-	₱-	₱-
Trade and other receivables	1,073,494	570,285	253,123	111,105	138,981
Derivative asset	80,134	80,134	-	-	-
<b>Total</b>	<b>₱5,362,380</b>	<b>₱4,859,171</b>	<b>₱253,123</b>	<b>₱111,105</b>	<b>₱138,981</b>

\*Excluding cash on hand

**2018**

	Total	Neither past due nor impaired	Past due but not impaired		
			30 days	30 - 60 days	More than 60 days
Cash and cash equivalents*	₱11,874,257	₱11,874,257	₱-	₱-	₱-
Trade and other receivables	981,464	660,535	183,003	99,809	38,117
Derivative asset	855	855	-	-	-
Financial assets at FVPTL	97,535	97,535	-	-	-
<b>Total</b>	<b>₱12,954,111</b>	<b>₱12,633,182</b>	<b>₱183,003</b>	<b>₱99,809</b>	<b>₱38,117</b>

\*Excluding cash on hand

**Liquidity risk**

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





In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regard to its long-term financing requirements, the Company's policy is that not more than 25% of long-term borrowings should mature in any 12-month period.

The following tables summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31 (amounts in thousands):

**2019**

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	More than 5 years	
<i>Financial liabilities:</i>						
Trade and other payables*	₱476,018	₱476,018	₱-	₱476,018	₱-	₱-
Long-term debts	50,079,825	65,046,411	-	2,649,800	39,724,703	22,671,908
Lease liabilities	51,602	59,644	-	17,858	41,786	-
<b>Total</b>	<b>₱50,607,445</b>	<b>₱65,582,073</b>	<b>₱-</b>	<b>₱3,143,676</b>	<b>₱39,776,489</b>	<b>₱22,671,908</b>

\*Excluding output VAT, withholding tax and other statutory liabilities

**2018**

	Total Carrying Value	Contractual undiscounted payments				
		Total	On Demand	Less than 1 year	More than 5 years	
<i>Financial liabilities:</i>						
Trade and other payables*	₱298,774	₱298,774	₱-	₱298,774	₱-	₱-
Bank loans	4,700,000	4,700,000	-	4,700,000	-	-
Long-term debts	22,997,821	31,438,550	-	1,292,049	19,829,593	10,316,908
<b>Total</b>	<b>₱27,996,595</b>	<b>₱36,437,324</b>	<b>₱-</b>	<b>₱6,290,823</b>	<b>₱19,829,593</b>	<b>₱10,316,908</b>

\*Excluding output VAT, withholding tax and other statutory liabilities

**Market Risk**

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Company's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

*Foreign exchange risk*

The foreign exchange risk of the Company pertains to its foreign currency-denominated cash and cash equivalents.

	2019		2018	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<i>Financial assets:</i>				
Cash and cash equivalents	\$38,479,047	₱1,948,386,531	\$214,821,624	₱11,295,320,990
<i>Financial liability:</i>				
Long-term debt	(300,000,000)	(15,190,500,000)	-	-
<b>Net foreign currency denominated asset (liability)</b>	<b>(\$261,520,953)</b>	<b>(₱13,242,113,469)</b>	<b>\$214,821,624</b>	<b>₱11,295,320,990</b>



The exchange rate for December 31, 2019 and 2018 is ₱50.635:US\$1 and ₱52.58:US\$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net unrealized foreign exchange gain of ₱605.8 million in 2019 and net unrealized foreign exchange loss of ₱162.4 million in 2018.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2019 and 2018 (amounts in thousands).

	Increase (decrease) in US dollar	Effect on income before tax
<b>2019</b>		
US dollar-denominated accounts	5%	(₱662,106)
US dollar-denominated accounts	-5%	662,106
<b>2018</b>		
US dollar-denominated accounts	5%	564,766
US dollar-denominated accounts	-5%	(₱564,766)

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.

#### Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company considers equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Its policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.

	2019	2018
Bank loans	₱—	₱4,700,000,000
Long-term debts	50,079,825,067	22,997,821,292
Cash and cash equivalents	(4,210,064,412)	(11,875,188,311)
Net debt (a)	45,869,760,655	15,822,632,981
Equity	76,653,821,239	75,457,414,289
Equity and net debt (b)	₱122,523,581,894	₱91,280,047,270
Gearing ratio (a/b)	37.44%	17.33%

Part of the Company's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Company is in compliance with the financial covenants attached to its long-term debts as of December 31, 2019 and 2018 (see Note 12).



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

## 19. Financial Instruments

### Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price (amounts in thousands).

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments whose fair values are different from their carrying amounts.

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debts	₱50,079,825	₱49,456,980	₱22,997,821	₱20,671,106
Lease liabilities	51,602	54,628	–	–
	<b>₱50,131,427</b>	<b>₱49,511,608</b>	<b>₱22,997,821</b>	<b>₱20,671,106</b>

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

#### *Cash and cash equivalents, trade and other receivables and trade and other payables*

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

#### *Financial assets at FVTPL*

These equity securities are carried at fair value.

#### *Long-term debts*

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 5.14% to 5.89% in 2019 and 8.45% to 8.56% in 2018.



*Lease liabilities*

The fair values are computed using Level 3 of the fair value hierarchy and are based on the discounted value of expected future cash flows using the applicable credit-adjusted risk-free rates of 4.70% to 5.36% in 2019.

Derivative Financial Instruments

The Company entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The aggregate notional amount of the par forward contract is nil and \$50.0 million (₱2.63 billion) as of December 31, 2019 and 2018, respectively.

The Company recognized losses from the net fair value changes relating to the forward contracts amounting to ₱126.0 million and ₱11.5 million in 2019 and 2018, respectively, under the “Foreign exchange gains (loss)” account in the parent company statements of income.

*IRS*

On September 6, 2019, the Company entered into an IRS agreement effective September 30, 2019 to hedge \$150 million of its floating rate exposure on its loan (see Note 12). Under the IRS agreement, the Company, on a quarterly basis, pays a fixed rate of 1.449300% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period of up to April 30, 2024. The Company designated the swap as a cash flow hedge.

Hedge Effectiveness Results

Since the critical terms of the hedged loan and the IRS match, the hedge was assessed to be highly effective. The effective portion of the changes in the fair value of the swap amounting to ₱80,134,271 in 2019 was deferred in equity under the “Cash flow hedge reserve” account.

The following is the maturity analysis of the notional amount and the corresponding average fixed interest rate as of December 31, 2019 (amounts in thousands):

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative asset						
Notional amount	₱-	₱-	₱-	₱-	₱7,595,250	₱7,595,250
Average fixed interest rate (%)	1.4493%	1.4493%	1.4493%	1.4493%	1.4493%	

The impact of the hedged item and hedging instrument in the parent company balance sheet as of December 31, 2019, and in the parent company statement of income and parent company statement of comprehensive income for the year ended December 31, 2019, is as follows:

	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain recognized in other comprehensive income	Ineffectiveness recognized in other income (charges)
IRS - Derivative asset	₱80,134,271	₱80,134,271	₱80,134,271	₱-



### Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements were made.

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## 20. Lease Agreements

### a. Operating Lease Agreement with Manta Equities, Inc. (MEI)

The Company entered into an operating lease agreement with MEI for its use of administrative office space and parking space for a period of ten (10) years from April 1, 2013 to May 31, 2023 and nine (9) years and three (3) months from and March 1, 2014 to May 31, 2023, respectively. Both lease contracts have an escalation rate of 5.0%.

Total prepaid rent pertaining to this agreement amounted to ₱5,021,619 as at December 31, 2018 which was recognized under "Other current assets" account in the balance sheets (see Note 6).

### b. Operating Lease Agreement with Limketkai Sons, Inc. (LSI)

The Company entered into an operating lease agreement with LSI for its use of administrative and sales office space for a period of three (3) years from November 1, 2016 to October 31, 2019.

#### *Lease Disclosure in Accordance with PAS 17 (applicable prior January 1, 2019)*

Rent expense pertaining to the foregoing leased properties charged to operations amounted to ₱17.5 million and ₱16.5 million for the year ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under the non-cancellable operating leases as of December 31, 2018 are as follows:

Not later than 1 year	₱17,825,546
Later than 1 year but not later than 5 years	59,643,634
	<u>₱77,469,180</u>



*Lease Disclosure in Accordance with PFRS 16 (applicable beginning January 1, 2019)*

Set out below, are the carrying amounts of the Company's lease liability and the movements during the year ended December 31, 2019:

Effect of Adoption - PFRS 16 (see Note 2)	₱64,347,091
Interest expense	5,080,616
Payment	(17,825,560)
	<u>₱51,602,147</u>

The Company also has certain leases of conference rooms with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions of these leases.

Set out below, are the amounts recognized in the statements of income for the period ended December 31, 2019:

Amortization expense of right-of-use assets	₱11,490,685
Interest expense on lease liabilities	5,080,616
Rent expense - short-term leases	7,027,319
	<u>₱23,598,620</u>



21. Note to Statements of Cash Flows

The following are the cash flow movements of the Company's financing liabilities:

	January 1, 2019	Net cash flows	Non-cash Changes							December 31, 2019
			Adoption of PFRS 16 (see Note 2)	Dividend declaration	Amortized deferred financing costs	Foreign exchange movement	Interest expense	Others		
Lease liability	P-	P(17,825,560)	P64,347,091	P-	P-	P-	P5,080,616	P-	P51,602,147	
Current interest-bearing loans and borrowings, excluding obligations under finance leases	4,700,000,000	(4,700,000,000)	-	-	-	-	-	-	-	
Non-current interest-bearing loans and borrowings	22,997,821,292	27,450,103,643	-	-	72,900,132	(441,000,000)	-	-	50,079,825,067	
Interest on loans and borrowings	212,180,900	(2,301,301,047)	-	-	-	2,445,928,121	23,622,986	380,430,960	380,430,960	
Dividend payable	-	(10,817,148,331)	-	10,817,148,331	-	-	-	-	-	
Total liabilities from financing activities	P27,910,002,192	P9,613,828,705	P64,347,091	P10,817,148,331	P72,900,132	P(441,000,000)	P2,451,008,737	P23,622,986	P50,511,858,174	
			Non-cash Changes							
	January 1, 2018	Net cash flows	Dividend declaration	Amortized deferred financing costs	Interest expense	Others	December 31, 2018			
Current interest-bearing loans and borrowings, excluding obligations under finance leases	P-	P4,700,000,000	P-	P-	P-	P-	P4,700,000,000			
Non-current interest-bearing loans and borrowings	12,901,981,643	10,078,075,748	-	17,763,901	-	-	22,997,821,292			
Interest on loans and borrowings	66,285,228	(878,938,176)	-	-	999,180,246	25,653,602	212,180,900			
Dividend payable	-	(10,228,459,986)	10,228,459,986	-	-	-	-			
Total liabilities from financing activities	P12,968,266,871	P3,670,677,586	P10,228,459,986	P17,763,901	P999,180,246	P25,653,602	P27,910,002,192			



**22. Supplementary Information Required Under Revenue Regulations (RR) 15-2010**

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Receipts and Output VAT declared in the Company's VAT returns in 2019

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services	₱1,591,484,256	₱186,845,114

The Company's sales that are subject to VAT are reported under the following accounts:

- Service Income - Management fees
- Service Income - Professional fees
- Service Income - Technical fees
- Miscellaneous Income - Operating
- Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

b. Input VAT for 2019

Balance at January 1	₱10,585,384
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	2,489,344
Capital goods subject to amortization	2,381,763
Capital goods not subject to amortization	135,352
Services lodged under the other accounts	32,915,519
	48,507,362
Claims for tax credit/refund and other adjustments	(29,245,183)
Balance at December 31	₱19,262,179

Other taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2019:

License and permit fees	₱13,597,152
Documentary stamp taxes (DST)	59,894,045
Deficiency and amnesty taxes	22,037,395
Fringe benefit taxes	2,746,293
Others	2,458
	₱98,277,343





Withholding taxes

Final withholding taxes	₱511,358,438
Withholding taxes on compensation and benefits	200,160,545
Expanded withholding taxes	31,249,895
Withholding VAT	724,139
	<hr/>
	₱743,493,017
	<hr/>

Tax Assessment and Cases

The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2019.

