



November 12, 2021

*via electronic mail*

**SECURITIES AND EXCHANGE COMMISSION**

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

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

*via PSE EDGE*

**PHILIPPINE STOCK EXCHANGE, INC.**

PSE Tower, 28<sup>th</sup> Street, cor. 5<sup>th</sup> Avenue  
Bonifacio Global City, Taguig City

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

*via electronic mail*

**PHILIPPINE DEALING & EXCHANGE CORP.**

Market Regulatory Services Group  
29<sup>th</sup> Floor BDO Equitable Tower  
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Please see enclosed SEC Form 17-Q (3<sup>rd</sup> Quarterly Report 2021) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ POWER CORPORATION**

By:

A handwritten signature in blue ink, appearing to read "Manuel Alberto R. Colayco", written over a horizontal line.

**MANUEL ALBERTO R. COLAYCO**  
Corporate Secretary<sup>FCA</sup>

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 8-886-2338

Company Telephone Number

1 2 3 1

Month Day Fiscal Year

3rd Quarterly Report 2021

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 6

Month Day Annual Meeting

[Empty box]

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

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Amended Articles Number/Section

[Empty box]

Total No. of Stockholders

x

Domestic

[Empty box]

Foreign

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, 2021**
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**

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

**Philippines**

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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**

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8. Issuer's telephone number, including area code

**(02) 8 886-2800**

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

**N/A**

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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, 2021)
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<b>Common Stock P1 Par Value</b>	<b>7,358,604,307</b>
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<b>Amount of Debt Outstanding</b>	<b>P213,904,836,000.00</b>
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [  ] No [  ]

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

**Philippine Stock Exchange**

**Common**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

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

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

#### Top Five Key Performance Indicators

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

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

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

Manner of Computation:

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

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

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

#### Nine-Month Period Ended September 30, 2021 versus Nine-Month Period Ended September 30, 2020

The table below shows the comparative figures of the key performance indicators for nine -month period 2021 and 2020 and as of December 31, 2020:

Key Performance Indicators	September 30, 2021	September 30, 2020	December 31, 2020
(INTERIM)			
<i>Amounts in thousands of ₱s, except for financial ratios</i>			
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	7,111,247	1,709,968	2,675,136
<b>EBITDA</b>	38,256,595	31,058,459	44,687,315
<b>CASH FLOW GENERATED:</b>			
Net cash flows from operating activities	27,909,371	24,203,101	31,781,669
Net cash flows used in investing activities	4,540,240	(5,414,857)	(4,526,973)
Net cash flows used in financing activities	(38,827,057)	(18,418,649)	(25,914,010)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	(6,377,446)	369,595	1,340,686
Cash & Cash Equivalents, Beginning	38,699,545	37,433,929	37,433,929
Cash & Cash Equivalents, End	32,601,066	38,039,586	38,699,545
<b>CURRENT RATIO</b>	1.28		1.38
<b>DEBT-TO-EQUITY RATIO</b>	1.63		1.96

- Share in net earnings in associates and joint ventures for the first nine months of 2021 increased by 316% compared to the first nine months of 2020. The increase was mainly due to higher water inflows of SN AboitizPower-Magat (SN AboitizPower-Magat, Inc.) and SN AboitizPower-Benguet (SN AboitizPower-Benguet, Inc.) and the receipt of liquidated damages for the delay in the construction of the power plant of GNPowder Dinginin Ltd. Co. (GNPD or "GNPower Dinginin").
- EBITDA for the first nine months of 2021 increased by 23%. This was primarily due to commissioning revenue from GNPowder Dinginin Unit 1, higher water inflow, higher availability of the Therma Luzon, Inc. (TLI), Therma South, Inc. (TSI) and Therma Visayas, Inc. (TVI) facilities, and higher Wholesale Electricity Spot Market (WESM) dispatch in compliance with the must-offer rule.
- For the first nine months ended 2021, cash and cash equivalents decreased by ₱6.10 billion (bn). This was mainly due to principal payments made on existing loans which was partly offset by Company's retail bond issuance in March 2021 and the issuance of fixed-rate notes in July 2021.
- Current Ratio as of September 30, 2021 was at 1.28x as compared to 1.38x as of December 31, 2020. The decline was primarily due to the Company loan that was reclassified from non-current to current during 2021. Cash also reduced due to the prepayment of long-term loans.
- Debt-to-Equity Ratio as of September 30, 2021 was at 1.63x, lower than the 1.96x recorded at the end of 2020 .

## Results of Operations

Net income for the first nine months of 2021 of ₱15.69 bn, was 124% higher than the ₱7.01 bn reported in 2020. This translated to earnings per share of ₱2.13 for the period. The Company recognized non-recurring losses of ₱36 million (mn) during the relevant period, compared to the non-recurring gains of ₱528 mn during the same period, due to net foreign exchange gains on the revaluation of dollar denominated liabilities. Without these one-off losses, the Company's core net income for the first three quarters of 2021 was ₱15.7 bn, 143% higher than the ₱6.5 bn recorded during the same period last year. This was primarily due to commissioning revenue from GNPD Unit 1, higher water inflow for AboitizPower's hydro plants, higher availability of the TLI, TSI and TVI facilities, and higher WESM dispatch in compliance with the must offer rule. In addition, GNPD also received liquidated damages for the delay in the construction of GNPD Unit 1, and the final payments for business interruption claims resulting from GNPower Mariveles Energy Center Ltd. Co. (GMEC) and AP Renewables Inc. (APRI) outages from previous years were also received.

### Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱32.3 bn during the first three quarters of 2021, 27% higher than the ₱25.5 bn recorded during the corresponding period last year. As discussed above, this was due to commissioning revenue from GNPD Unit 1, higher water inflow, higher availability of TLI, TSI and TVI facilities, and higher WESM dispatch in compliance with the must offer rule. This was partially offset by the lower margins from the GMEC outage. Capacity sold for the first three quarters of 2021 increased by 8% to 3,663 megawatts (MW), compared to 3,394 MW in the same period in 2020. Energy sold increased by 11% to 18,442 gigawatt-hours (GWh) for the first three quarters of 2021, compared to 16,689 GWh for the corresponding period in 2020.

### Power Distribution

For the first three quarters of 2021, AboitizPower's distribution business recorded EBITDA of ₱6.1 bn, 5% higher than the ₱5.8 bn recorded during the same period last year. Energy sales increased by 5% to 4,197 GWh during the first three quarters of 2021, compared to 3,994 GWh in the same period in 2020. This was driven by higher energy consumption resulting from recoveries in demand. Energy sales from the Residential, Commercial, and Industrial customer segments increased due to less stringent community quarantines and the resumption of operations of commercial and industrial customers.

## 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 increased by ₱8.68 bn, or 124%. The various movements in line items are shown below to account for the increase:

*(Amounts in thousands of ₱s)*

Net Income Attributable to Equity Holders of the Parent (January - September 2020)	<b>₱7,005,701</b>
Increase in operating revenues	12,472,033
Increase in operating expenses	(10,646,386)
Decrease in interest income	(283,392)
Decrease in interest expense	319,996
Increase in share in net earnings of associates and joint ventures	5,401,279
Decrease in other income	(2,061,442)
Decrease in provision for taxes	3,144,248
Decrease in income attributable to non-controlling interests	334,948
Total	<b>8,681,284</b>
Net Income Attributable to Equity Holders of the Parent (January - September 2021)	<b>₱15,686,985</b>

**Operating Revenues**

*(15% increase from ₱81.13 bn to ₱93.60 bn)*

The increase in operating revenues was primarily due to higher availability of TLI, TSI and TVI facilities and higher WESM dispatch in compliance with the must-offer rule.

**Operating Expenses**

*(17% increase from ₱61.85 bn to ₱72.50 bn)*

The increase in operating expenses was mainly due to the higher cost of purchased power and of generated power.

**Interest Income**

*(52% decrease from ₱540.00 mn to ₱257.00 mn)*

The decrease in interest income during the first nine months of 2021 compared to first nine months of 2020 was primarily due to lower interest rates on placements.

**Interest Expense and other financing costs**

*(3% decrease from ₱10.61 bn to ₱10.29 bn)*

Interest expense decreased during the first nine months 2021 compared to the same period in 2020 due to lower interest accretion on lease liabilities as timely payments were made on TLI's obligation to Power Sector Assets and Liabilities Management Corporation (PSALM). The refinancing of Hedcor Bukidnon, Inc.'s project loan in September 2020 and prepayment of Parent US Dollar loan also contributed to lower interests during the first nine months of 2021. These were partly offset by additional interest expenses recognized during the first nine months of 2021 on AboitizPower's ₱9.55 bn and ₱8.00 bn retail bonds issued in July 2020 and March 2021, respectively.

**Share in Net Earnings of Associates and Joint Ventures**

*(316% increase from ₱1.71 bn to ₱7.11 bn)*

Share in net earnings in associates and joint ventures for the first nine months of 2021 increased by 316% compared to the first nine months of 2020. The increase was mainly due to higher water inflows of SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet and the receipt of liquidated damages for the delay in the construction of the power plant of GNPD.

**Other Income (Expenses) – net**

*(82% decrease from ₱2.52 bn to ₱456.00 mn other income)*

The decrease in other income during the first nine months of 2021 compared to first nine months of 2020 was mainly due to the losses on the revaluation of foreign-currency denominated liabilities.

**Provision for Taxes**

*(66% decrease from ₱4.79 bn to ₱1.64 bn)*

The decrease in provision for taxes was due to the application of the provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act reducing the regular corporate income tax (RCIT) rate from 30% to 25%. The Group also recognized a reversal of deferred tax on net operating losses carry over (NOLCO) during the first nine months of 2020 that resulted in higher provision for taxes during that period, compared to the first nine months of 2021.

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

### **Assets**

Total assets (as of September 30, 2021 compared to December 31, 2020) increased by ₱7.23 bn, or 2%. The major movements of the accounts leading to the increase were as follows:

- i) Cash and cash equivalents decreased by ₱6.10 bn, or 16% (from ₱38.70 bn to ₱32.60 bn). This was mainly due to loan payments by the Group during the first nine months of 2021.
- ii) Trade and other receivables increased by ₱2.97 bn, or 13% (from ₱22.02 bn to ₱24.99 bn), primarily due to higher revenues.
- iii) Inventories increased by ₱3.08 bn or 49% (from ₱6.31 bn to ₱9.39 bn). This was mainly driven by the increase in spare parts, supplies and fuel inventory.
- iv) Investments and advances increased by ₱2.85 bn, or 5% (from ₱61.83 bn to ₱64.68 bn). This was mainly driven by the new capital contributions to GNPD during the first nine months of 2021.
- v) Property, plant and equipment decreased by ₱1.15 bn, or 1% (from ₱203.45 bn to ₱202.30 bn). This was primarily due to the depreciation of existing assets.
- vi) Intangible assets increased by ₱2.17 bn, or 5% (from ₱44.28 bn to ₱46.45 bn). This was primarily due to the forex revaluation of GMEC's goodwill, which was partially offset by amortization of existing assets.
- vii) Deferred income tax assets decreased by ₱8.00 mn, or 1% (from ₱1.54 bn to ₱1.53 bn). This was mainly due to the application of the provisions of the CREATE Act, which was partially offset by the recognition of deferred tax on unrealized forex loss.
- viii) Other noncurrent assets decreased by ₱1.43 bn, or 15% (from ₱9.27 bn to ₱7.84 bn). This was mainly due to the regular reduction in PSALM deferred adjustment of the Power Distribution group.

### **Liabilities**

Compared to December 31, 2020, total liabilities as of September 30, 2021 decreased by ₱12.13 bn, or 5%. The major movements of accounts leading to the decrease were as follows:

- i) Short-term loans decreased by ₱705.00 mn, or 6% (from ₱11.74 bn to ₱11.04 bn). This was mainly due to loan payments by the Group during the first nine months of 2021, which were used for working capital purposes.
- ii) Trade and other payables increased by ₱3.51 bn, or 19% (from ₱18.37 bn to ₱21.88 bn). This was primarily due to the increase in trade and fuel purchases.
- iii) Income tax payable decreased by ₱130.00 mn, or 18% (from ₱723.00 mn to ₱593.00 mn). This was mainly due to the application of the provisions of the CREATE Act.
- iv) Customers' deposits increased by ₱344.00 mn, or 5% (from ₱6.80 bn to ₱7.14 bn). This was mainly due to the receipt of bill deposits from new customers.
- v) Decommissioning liability increased by ₱747.00 mn, or 15% (from ₱5.01 bn to ₱5.76 bn). This was mainly due to the recognition of additional decommissioning provisions on power plant assets of APRI.



- vi) Long-term debt (current and non-current portions) decreased by ₱9.95 bn (from ₱177.32 bn to ₱167.38 bn). This was mainly due to the prepayment of Parent's US Dollar loan and other loan payments by the rest of the Group in 2021 which were partly offset by Parent's retail bond issuance.
- vii) Lease liabilities (current and noncurrent portions) decreased by ₱3.77 bn (from ₱39.26 bn to ₱35.49 bn), as TLI made timely payments during 2021 of its obligation to PSALM.
- viii) Long-term obligations on power distribution system (current and noncurrent portions) increased by ₱17.00 mn, or 9% (from ₱183.00 mn to ₱200.00 mn), due to interest accretion.
- ix) Net derivative asset and liability changed by ₱6.58 bn (from ₱1.79 bn liability to ₱4.79 bn asset) during the first nine months of 2021 due to hedging gains.
- x) Deferred income tax liabilities decreased by ₱133.00 mn, or 18% (from ₱745.00 mn to ₱613.00 mn), mainly due to the application of the provisions of the CREATE Act.
- xi) Other noncurrent liabilities decreased by ₱784.00 mn, or 71% (from ₱1.10 bn to ₱315.00 mn), mainly due to the regular payments of the PSALM deferred adjustments.

### **Equity**

Equity attributable to equity shareholders of the Parent Company increased by 15% (from ₱127.16 bn as of December 31, 2020 to ₱146.61 bn as of September 30, 2021) after the declaration of dividends in March 2021, net of comprehensive income recognized during the first nine months 2021. Cumulative translation adjustments increased by ₱9.28 bn, due to the upward 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, 2021, the Group's cash and cash equivalents increased by 16% to ₱32.60 bn, from ₱38.70 bn as of December 31, 2020.

Higher water inflows, higher availability of the Company's thermal facilities, and higher spot sales resulted in an increase in the cash generated from operations during the first nine months of 2021 by ₱3.71 bn, which was a 15% increase compared to the first nine months of 2020.

Net cash flows from (used in) investing activities reversed from negative ₱5.41 bn in the first nine months of 2020 to positive ₱4.54 bn in the first nine months of 2021, which was mainly due to the increase in dividends received from associates.

The net cash flows used in financing activities increased from ₱18.42 bn in the first nine months of 2020 to ₱38.83 bn in the first nine months of 2021, which was mainly due to higher payments of long-term debt, short-term loans and lease liabilities.

### **Financial Ratios**

As of September 30, 2021, current assets increased by 6% and current liabilities increased by 15% compared to the end of 2020. The current ratio as of September 30, 2021 was at 1.28x compared to 1.38x as of December 31, 2020.

Consolidated debt to equity ratio as of September 30, 2021 was at 1.63x, lower than the 1.96x recorded at the end of 2020. This was due to a 5% decrease in total liabilities and 14% increase in equity during the first nine months of 2021.

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

AboitizPower remains focused on addressing the needs of its markets, namely: (1) providing 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 seven (7) new power generation projects totalling 1,314 MW of attributable net sellable capacity: (1) the GNPower Dinginin Project (Dingin Project); (2) the SN AboitizPower-Magat Floating Solar Project ("Magat Floating Solar Project"); (3) the TMI Maco Hybrid Battery Energy Storage System Project ("Maco BESS Project"); (4) the SNAP Magat BESS Project ("Magat BESS Project"); (5) the PV Sinag Power Cayanga Project ("Cayanga Project"); (6) the PV Sinag Power Laoag project ("Laoag Project"); and (7) the Hedcor Bukidnon Kibungan Hydro Project ("Kibungan Project").

The Dinginin Project is in the final stages of construction, with Unit 1 achieving first synchronization last February 5, 2021. The commissioning and testing of Unit 1 is currently ongoing, albeit impacted by COVID outbreaks. Unit 1 is projected to start commercial operations once AboitizPower receives the Certificate of Compliance from the Energy Regulatory Commission, which is expected to occur in December 2021. Unit 2 is expected to start its initial synchronization in the second quarter of 2022.

In June 2019, SN Aboitiz Power-Magat, Inc. (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 SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The Magat Floating Solar Project has proven its technical and commercial viability. SN Aboitiz Power-Magat is working on the renewable energy service contract application with the Department of Energy (DOE). Since the National Irrigation Administration (NIA) is the government agency in charge of dams and reservoirs, SN AboitizPower-Magat secured an extension of the memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW. The plan is to install up to 150 MW, depending on the final technical solution and layout.

In November 2020, AboitizPower announced two battery projects. TMI's Maco BESS Project 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 TMI's Maco oil barge. The project is currently 61% complete and commercial operations are currently targeted to commence in the first half of 2022. The Maco BESS Project is one of the 12 projects with a total capacity of 248 MW for regulating and contingency reserves which the Company is targeting to develop in the next 10 years. It will serve as a model for future battery investments as well as hybrid renewable energy projects.

The Magat BESS Project is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. Early work activities have been completed, including site surveys and basic engineering design. The tendering process is in its final stages. Necessary permits for construction have been secured from various agencies and the local government unit. The project is expected to commence commercial operations in the second half of 2024.

The PV Sinag Power Cayanga Project is a 75 MW plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. Preparations for its planned construction and execution are in progress. The engineering procurement and construction bidding process has been concluded. The target issuance of

the notice to proceed for this project and transmission line works is expected on November 24, 2021. The project is expected to commercially operate by the fourth quarter of 2022.

The Company is also aiming to start the construction of a 130 MW solar project in Laoag, Ilocos Norte and a 40 MW hydro project in Kibungan, Benguet. The expected completion dates are the third quarter of 2023 and second quarter of 2024, respectively.

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 aggregated individual well capacity by 2023. The scheduled three make up wells for MakBan for 2021 have been completed and are currently contributing 14 MW. Eight more production wells are expected to be completed by 2022. The total incremental capacity from new wells to date is now contributing 26 MW. APRI is also developing a 15 MW Binary power plant project in Tiwi, Albay. The initiative to convert waste heat from the geothermal brine to power a 15 MW Binary power plant is reaching the final stages of tender. Negotiations with top ranked bidders for design optimization and final contracting are ongoing. APRI is expected to award the project by year-end, while commissioning is targeted by 2023. These projects are significant as they will allow APRI to optimize its current net sellable capacity of 290 MW.

The Company is currently planning to double its net attributable capacity by the end of the decade, with a target of 9,200 MW by 2030. It will achieve a 50:50 balance between its renewable ("Cleanergy") and thermal capacities without new coal builds. This is expected to come from a portfolio of renewables and selective baseload builds.

The Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("RPS") by the DOE starting in 2021. 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 international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments. The Company will significantly grow Cleanergy by 3,700 MW, both domestically and internationally, and bring its renewables portfolio to 4,600 MW by 2030.

The Company is optimizing its existing baseload facilities to meet the existing critical market needs. Its options for a third unit in its existing baseload facilities remain open to address future baseload needs of the market if called upon. For baseload growth, the Company is shifting its focus to gas. The Company has early feasibility studies and, within the next 10 years, is targeting to build one gas plant with a capacity of 1,000 MW, unless a cleaner technology proves to be the more economical option.

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. AboitizPower is also closely and proactively monitoring the risks associated with climate-related regulations and initiatives, including recent discussions on the early retirement of coal assets in the Philippines and Indonesia. AboitizPower, through its parent AEV, is the first Philippine company to sign up and commit to the Task Force on Climate-Related Financial Disclosure framework. The Company has taken steps to proactively quantify the potential impacts of various climate regulations on its assets. The Company is monitoring this risk as part of its risk management framework and is developing strategies to manage risks that are above certain risk thresholds.

Given the current state of power needs in the Philippines and the expected build progression of new plants over the next 10 years, AboitizPower believes its existing coal assets will need to continue to play a significant role for at least another 15 to 20 years. AboitizPower is always looking at improvements to make sure it continues to operate its assets responsibly and compliant to all regulations.

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

AboitizPower, together with its partners, has allotted ₱23 bn for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for GNPD's construction, as well as for the Company's battery energy storage system projects.

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.

On September 27, 2021, AboitizPower's parent company, AEV, disclosed that it had executed an agreement to sell 1,840,334,941 common shares in AboitizPower (equivalent to 25.01% of AboitizPower's total outstanding capital stock) to JERA Asia Private Limited ("JERA Asia") for approximately US\$ 1.46 billion. The transaction involves the sale by AEV of its 25.01% stake in AboitizPower to JERA Asia. JERA Asia is a wholly owned subsidiary of JERA Co., Inc. ("JERA"), a power generation company based in Japan. The completion of the transaction is subject to certain conditions precedent, one of which is the approval and ratification of the shareholders of the sale and a special stockholders' meeting scheduled on December 10, 2021. On October 28, 2021, the Philippine Competition Commission acknowledged that the proposed acquisition does not breach the prescribed compulsory notification thresholds, satisfying one of the conditions precedent.

Following the completion of the transaction, AEV will continue to own a controlling stake of approximately 52.0% in AboitizPower, retaining control of the Company's operations while having access to JERA's expertise, including large-scale renewable energy centered on offshore wind power generation and Liquefied Natural Gas (LNG) value chains, zero-emission thermal power generation using ammonia and hydrogen, and a Zero CO2 Emissions 2050 roadmap. JERA Asia has also entered into an agreement with AEV's parent, Aboitiz & Company, Inc. (ACO) to acquire an additional 1.99% ownership interest in AboitizPower, which would bring JERA Asia's total post-completion ownership stake in AboitizPower to 27%. The partnership enables AboitizPower's 10-year renewable energy expansion journey.

Upon completion of JERA Asia's acquisition of shares in AboitizPower, AboitizPower and JERA have agreed to explore immediate collaboration in the following areas: 1) development of power projects (including LNG-to-Power projects); 2) management and sourcing of LNG fuel supply; and 3) potential participation in aspects of plant operation and maintenance (O&M).

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 ABOITIZ POWER CORPORATION

Principal Accounting Officer   
Myla M. Espineda

Signature and Title VP for Finance

Date November 12, 2021

Authorized Officer of the Issuer   
Manuel Alberto R. Colayco

Signature and Title Corporate Secretary

Date November 12, 2021

# Aboitiz Power Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As of September 30, 2021 (with Comparative Figures as of December 31, 2020)  
and For the Nine-Month Periods Ended September 30, 2021 and 2020

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET****(With Comparative Figures as of December 31, 2020)****(Amounts in Thousands)**

	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱32,601,066	₱38,699,545
Trade and other receivables (Note 6)	24,987,270	22,017,309
Derivative assets (Note 20)	5,278,389	—
Inventories	9,392,974	6,308,200
Other current assets (Note 7)	10,009,038	10,479,648
<b>Total Current Assets</b>	<b>82,268,737</b>	<b>77,504,702</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 8)	64,681,038	61,828,801
Property, plant and equipment	202,302,429	203,451,243
Intangible assets (Note 10)	46,448,229	44,279,386
Derivative assets - net of current portion (Note 20)	25,932	—
Net pension assets	50,410	50,410
Deferred income tax assets	1,530,636	1,539,020
Other noncurrent assets	7,844,115	9,271,556
<b>Total Noncurrent Assets</b>	<b>322,882,789</b>	<b>320,420,416</b>
<b>TOTAL ASSETS</b>	<b>₱405,151,526</b>	<b>₱397,925,118</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans (Note 12)	₱11,038,310	₱11,743,413
Current portions of:		
Long-term debts (Note 13)	22,773,825	17,254,213
Lease liabilities (Note 21)	7,887,951	7,104,181
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities (Note 20)	238,539	787,273
Trade and other payables (Note 11)	21,884,610	18,371,798
Income tax payable	593,167	722,715
<b>Total Current Liabilities</b>	<b>64,456,402</b>	<b>56,023,593</b>

(Forward)



**ABOITIZ POWER CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET****(With Comparative Figures as of December 31, 2020)****(Amounts in Thousands)**

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Noncurrent Liabilities</b>		
Noncurrent portions of:		
Long-term debts (Note 13)	₱144,602,367	₱160,067,119
Lease liabilities (Note 21)	27,602,383	32,158,796
Long-term obligation on power distribution system	160,008	143,436
Derivative liabilities - net of current portion (Note 20)	273,320	1,001,529
Customers' deposits	7,142,348	6,798,845
Decommissioning liability	5,755,145	5,008,033
Deferred income tax liabilities	612,636	745,214
Net pension liabilities	294,086	294,086
Other noncurrent liabilities	315,220	1,099,394
<b>Total Noncurrent Liabilities</b>	<b>186,757,513</b>	<b>207,316,452</b>
<b>Total Liabilities</b>	<b>251,213,915</b>	<b>263,340,045</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	98,602
Cumulative translation adjustments	6,834,269	(2,446,773)
Share in cumulative translation adjustments of associates and joint ventures (Note 8)	57,637	(684,042)
Actuarial losses on defined benefit plans	(1,239,184)	(1,239,612)
Share in actuarial gains on defined benefit plans of associates and joint ventures (Note 8)	7,607	8,748
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	20,060,000	33,660,000
Unappropriated	108,022,071	84,989,900
	<b>146,612,758</b>	<b>127,158,579</b>
<b>Non-controlling Interests</b>	<b>7,324,853</b>	<b>7,426,494</b>
<b>Total Equity</b>	<b>153,937,611</b>	<b>134,585,073</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱405,151,526</b>	<b>₱397,925,118</b>

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

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

	Jan - Sep 2021	Jan - Sep 2020	Jul - Sep 2021	Jul - Sep 2020
<b>OPERATING REVENUES (Note 18)</b>	<b>₱93,601,574</b>	₱81,129,541	<b>₱33,250,457</b>	₱28,097,687
<b>OPERATING EXPENSES (Note 15)</b>	<b>72,498,852</b>	61,852,466	<b>25,228,198</b>	19,856,136
<b>FINANCIAL EXPENSES - net</b>				
Interest income	<b>256,843</b>	540,235	<b>65,168</b>	134,940
Interest expense and other financing costs (Note 19)	<b>(10,294,844)</b>	(10,614,840)	<b>(3,182,102)</b>	(3,417,717)
	<b>(10,038,001)</b>	(10,074,605)	<b>(3,116,934)</b>	(3,282,777)
<b>OTHER INCOME</b>				
Share in net earnings of associates and joint ventures (Note 8)	<b>7,111,247</b>	1,709,968	<b>1,881,742</b>	730,150
Other income - net (Note 16)	<b>456,272</b>	2,517,714	<b>5,615</b>	1,089,998
	<b>7,567,519</b>	4,227,682	<b>1,887,357</b>	1,820,148
<b>INCOME BEFORE INCOME TAX</b>	<b>18,632,240</b>	13,430,152	<b>6,792,682</b>	6,778,922
<b>PROVISION FOR INCOME TAX</b>	<b>1,641,434</b>	4,785,682	<b>739,461</b>	2,903,173
<b>NET INCOME</b>	<b>₱16,990,806</b>	₱8,644,470	<b>₱6,053,221</b>	₱3,875,749
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	<b>₱15,686,985</b>	₱7,005,701	<b>₱5,553,236</b>	₱3,268,761
Non-controlling interests	<b>1,303,821</b>	1,638,769	<b>499,985</b>	606,988
	<b>₱16,990,806</b>	₱8,644,470	<b>₱6,053,221</b>	₱3,875,749
<b>EARNINGS PER COMMON SHARE (Note 17)</b>				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	<b>₱2.13</b>	₱0.95	<b>₱0.75</b>	₱0.44

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Jan - Sep 2021	Jan - Sep 2020	Jul - Sep 2021	Jul - Sep 2020
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱15,686,985	₱7,005,701	₱5,553,236	₱3,268,761
Non-controlling interests	1,303,821	1,638,769	499,985	606,988
	<b>16,990,806</b>	<b>8,644,470</b>	<b>6,053,221</b>	<b>3,875,749</b>
<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)	—	(3,125)	—	—
Movement in cumulative translation adjustments	9,474,337	(2,917,314)	6,442,495	(1,344,191)
Share in movement in cumulative translation adjustment of associates and joint ventures (Note 8)	741,679	(253,075)	405,953	(297,262)
	<b>10,216,016</b>	<b>(3,173,514)</b>	<b>6,848,448</b>	<b>(1,641,453)</b>
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Actuarial loss on defined benefit plans, net of tax	(2)	—	—	—
Share in actuarial gains (loss) on defined benefit plans of associates and joint ventures, net of tax (Note 8)	(1,141)	1,220	(69)	—
	<b>(1,143)</b>	<b>1,220</b>	<b>(69)</b>	<b>—</b>
Total other comprehensive income (loss) for the period, net of tax	<b>10,214,873</b>	<b>(3,172,294)</b>	<b>6,848,379</b>	<b>(1,641,453)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱27,205,679</b>	<b>₱5,472,176</b>	<b>₱12,901,600</b>	<b>₱2,234,296</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱25,708,993	₱4,376,837	₱12,208,750	₱2,170,738
Non-controlling interests	1,496,686	1,095,339	692,850	63,558
	<b>₱27,205,679</b>	<b>₱5,472,176</b>	<b>₱12,901,600</b>	<b>₱2,234,296</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**ABOITIZ POWER CORPORATION AND SUBSIDIARIES**
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**
**(Amounts in Thousands, Except Dividends Per Share Amounts)**

	Attributable to Equity Holders of the Parent												Total
	Paid-in Capital	Share in Net Unrealized Valuation Gain on FVOCI Investments of an Associate (Note 8)	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Actuarial Gains (Losses) on Defined Benefit Plans	Share in 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	
										Appropriated	Unappropriated		
<b>Balances at January 1, 2021</b>	<b>₱19,947,498</b>	<b>₱98,602</b>	<b>(₱2,446,773)</b>	<b>(₱684,042)</b>	<b>(₱1,239,612)</b>	<b>₱8,748</b>	<b>(₱6,321,325)</b>	<b>(₱421,260)</b>	<b>(₱433,157)</b>	<b>₱33,660,000</b>	<b>₱84,989,900</b>	<b>₱7,426,494</b>	<b>₱134,585,073</b>
Net income for the period	—	—	—	—	—	—	—	—	—	—	15,686,985	1,303,821	16,990,806
Other comprehensive income (loss)	—	—	9,281,042	741,679	428	(1,141)	—	—	—	—	—	192,865	10,214,873
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>9,281,042</b>	<b>741,679</b>	<b>428</b>	<b>(1,141)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>15,686,985</b>	<b>1,496,686</b>	<b>27,205,679</b>
Cash dividends - P0.85 per share (Note 22)	—	—	—	—	—	—	—	—	—	—	(6,254,814)	—	(6,254,814)
Reversal of appropriation	—	—	—	—	—	—	—	—	—	(13,600,000)	13,600,000	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(1,449,797)	(1,449,797)
Change in non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(148,530)	(148,530)
<b>Balances at September 30, 2021</b>	<b>₱19,947,498</b>	<b>₱98,602</b>	<b>₱6,834,269</b>	<b>₱57,637</b>	<b>(₱1,239,184)</b>	<b>₱7,607</b>	<b>(₱6,321,325)</b>	<b>(₱421,260)</b>	<b>(₱433,157)</b>	<b>₱20,060,000</b>	<b>₱108,022,071</b>	<b>₱7,324,853</b>	<b>₱153,937,611</b>
<b>Balances at January 1, 2020</b>	<b>₱19,947,498</b>	<b>₱101,727</b>	<b>(₱994,253)</b>	<b>(₱153,485)</b>	<b>(₱923,833)</b>	<b>(₱14,299)</b>	<b>(₱6,321,325)</b>	<b>(₱421,260)</b>	<b>(₱433,157)</b>	<b>₱33,660,000</b>	<b>₱81,095,377</b>	<b>₱8,100,021</b>	<b>₱133,643,011</b>
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)
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>(3,125)</b>	<b>(2,373,884)</b>	<b>(253,075)</b>	<b>—</b>	<b>1,220</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,005,701</b>	<b>1,095,339</b>	<b>5,472,176</b>
Cash dividends - P1.18 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)
<b>Balances at September 30, 2020</b>	<b>₱19,947,498</b>	<b>₱98,602</b>	<b>(₱3,368,137)</b>	<b>(₱406,560)</b>	<b>(₱923,833)</b>	<b>(₱13,079)</b>	<b>(₱6,321,325)</b>	<b>(₱421,260)</b>	<b>(₱433,157)</b>	<b>₱33,660,000</b>	<b>₱79,417,925</b>	<b>₱7,445,930</b>	<b>₱128,682,604</b>

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

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

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

	Jan - Sep 2021	Jan - Sep 2020	Jul - Sep 2021	Jul - Sep 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	₱18,632,240	₱13,430,152	₱6,792,682	₱6,778,922
Adjustments for:				
Interest expense and other financing costs (Note 19)	10,294,844	10,614,840	3,182,102	3,417,717
Depreciation and amortization	8,378,668	8,124,636	2,914,937	2,786,413
Net unrealized foreign exchange loss (gain)	1,909,504	(1,753,018)	1,344,240	(1,034,825)
Loss (gain) on disposal of property, plant and equipment	31,338	66,992	(319)	22,082
Share in net earnings of associates and joint ventures (Note 8)	(7,111,247)	(1,709,968)	(1,881,742)	(730,150)
Interest income (Note 18)	(256,843)	(540,235)	(65,168)	(134,940)
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL (Note 20)	(71,248)	835,812	(34,306)	805,384
Write-off of project costs and other assets	—	7,240	—	7,240
Operating income before working capital changes	31,807,256	29,076,451	12,252,426	11,917,843
Decrease (increase) in:				
Trade and other receivables	(4,475,805)	(1,686,773)	(4,475,805)	1,771,691
Inventories	(3,084,774)	82,263	742,970	(205,226)
Other current assets	1,170,387	(2,623,132)	1,196,671	(3,376,748)
Increase (decrease) in:				
Trade and other payables	4,459,832	2,441,136	4,459,832	867,765
Customers' deposits	343,503	258,786	(3,497,543)	44,538
Net cash generated from operations	30,220,399	27,548,731	10,678,551	11,019,863
Income and final taxes paid	(2,311,028)	(3,345,630)	(310,123)	(1,572,155)
Net cash flows from operating activities	27,909,371	24,203,101	10,368,428	9,447,708
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash dividends received (Note 8)	7,456,908	2,097,127	1,621,449	855,188
Interest received	267,567	544,248	95,303	132,251
Proceeds from redemption of shares	14,413	6,939	—	—
Decrease (increase) in other noncurrent assets	2,231,083	(2,366,315)	753,621	(3,051,937)
Net payment of advances	(18,384)	(15,789)	(23,000)	—
Proceeds from sale of property, plant and equipment	3,348	—	—	—
Proceeds (acquisition) of assets at FVTPL	—	(5,254)	—	1,306
Acquisitions through business combinations, net of cash acquired	1,367	—	—	—
Additions to:				
Property, plant and equipment	(4,437,399)	(3,365,818)	(2,020,301)	(1,545,436)
Intangible assets - service concession rights (Note 10)	(24,279)	(57,008)	(6,532)	(10,200)
Additional investments (Note 8)	(954,384)	(2,252,987)	—	(719,569)
Net cash flows from (used in) investing activities	4,540,240	(5,414,857)	420,540	(4,338,397)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from (payments of) long-term debt (Note 13)	(13,531,522)	3,921,619	(12,683,075)	7,061,716
Net availments (payments) of short-term loans (Note 12)	(705,103)	3,156,394	(465,218)	(9,516,520)
Cash dividends paid (Note 22)	(6,254,626)	(8,682,746)	—	—
Payments of lease liabilities, including interest accretion (Note 21)	(7,935,160)	(6,428,396)	(2,881,834)	(2,624,668)
Changes in non-controlling interests	(1,449,797)	(1,446,981)	(211,200)	(299,200)
Interest paid	(8,950,849)	(8,938,539)	(3,616,366)	(3,728,013)
Net cash flows used in financing activities	(38,827,057)	(18,418,649)	(19,857,693)	(9,106,685)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,377,446)</b>	<b>369,595</b>	<b>(9,068,725)</b>	<b>(3,997,374)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<b>278,967</b>	<b>236,062</b>	<b>74,973</b>	<b>106,056</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>38,699,545</b>	<b>37,433,929</b>	<b>41,594,818</b>	<b>41,930,904</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>₱32,601,066</b>	<b>₱38,039,586</b>	<b>₱32,601,066</b>	<b>₱38,039,586</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

## ABOITIZ POWER CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONDENSED NOTES TO FINANCIAL STATEMENTS

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

#### 1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of September 30, 2021, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 77% 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 controlled by the Company and a joint operation that is subject to joint control (collectively referred to as “the Group”).

The following are the subsidiaries as of September 30, 2021 and December 31, 2020:

	Nature of Business	September 30, 2021		December 31, 2020	
		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

(Forward)

	Nature of Business	September 30, 2021		December 31, 2020	
		Direct	Indirect	Direct	Indirect
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. *	Power generation	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	–	100.00	–	100.00
La Filipina Electrica Inc.*	Power generation	–	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. (formerly GNPower Mariveles Coal Plant) (GMEC)	Power generation	–	78.33	–	78.33
Therma Dinginin Holdings, Inc.	Holding company	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power generation	–	80.00	–	80.00
Abovant Holdings, Inc. (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. (Sacasan)	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, 2021

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

#### Statement of Compliance

The 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, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

On October 29, 2021, the Audit Committee of the Board of Directors (BOD) of the Company 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, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 9, PFRS 7, PFRS 4, Insurance Contracts, and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly RFR:

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating rate debt and the associated swap and the corresponding update of the hedge designation. However, the



change reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

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

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

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

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#### 5. Cash and Cash Equivalents

	September 30, 2021	December 31, 2020
Cash on hand and in banks	₱18,522,599	₱14,790,197
Short-term deposits	14,078,467	23,909,348
	<b>₱32,601,066</b>	<b>₱38,699,545</b>

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.

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## 6. Trade and Other Receivables

	September 30, 2021	December 31, 2020
Trade receivables - net of allowance for expected credit losses	<b>₱19,033,297</b>	₱15,450,006
Others:		
Dividends receivable	—	1,498,000
Advances to contractors	<b>376,533</b>	226,123
Non-trade receivable	<b>4,511,410</b>	3,766,426
Interest receivable	<b>23,169</b>	33,893
PSALM deferred adjustment	<b>1,042,861</b>	1,042,861
	<b>₱24,987,270</b>	₱22,017,309

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

Non-trade receivable relates mostly to claims from insurance against the property damage and business interruption insurance policies of TSI, and receivable of GMEC from National Grid Corporation of the Philippines (NGCP) related to the sale of transmission assets in 2019 and advances to partners in GMEC.

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## 7. Other Current Assets

	September 30, 2021	December 31, 2020
Restricted cash	<b>₱4,741,000</b>	₱5,324,213
Input VAT	<b>1,249,827</b>	1,972,706
Prepaid expenses	<b>2,256,354</b>	561,739
Advances to National Grid Corporation of the Philippines (NGCP)	<b>615,785</b>	1,167,296
Prepaid tax	<b>1,069,582</b>	1,352,645
Others	<b>76,490</b>	101,049
	<b>₱10,009,038</b>	₱10,479,648

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

Advances to NGCP pertain to TVI's cost of installation of substation and transmission facilities which are subject for reimbursement after completion of the project in 2020.

Prepaid expenses mainly include prepayments for insurance and real property taxes.

## 8. Investments and Advances

	September 30, 2021	December 31, 2020
Acquisition cost:		
Balance at beginning of period	₱60,470,649	₱58,144,997
Additions during the period	954,384	2,332,591
Step acquisition to subsidiary	(77)	—
Redemptions during the period	(14,413)	(6,939)
Balance at end of period	61,410,543	60,470,649
Accumulated equity in net earnings:		
Balance at beginning of period	2,482,442	3,345,164
Share in net earnings	7,111,247	2,675,136
Step acquisition to subsidiary	1,082	—
Dividends received or receivable	(5,958,908)	(3,537,858)
Balance at end of period	3,635,863	2,482,442
Share in net unrealized valuation gain on FVOCI investment of an associate	98,602	98,602
Share in actuarial gains on defined benefit plans of associates and joint ventures	7,607	8,748
Share in cumulative translation adjustments of associates and joint ventures	57,637	(684,042)
	163,846	(576,692)
	65,210,252	62,376,399
Less allowance for impairment losses	568,125	568,125
Investments at equity	64,642,127	61,808,274
Advances	38,911	20,527
	₱64,681,038	₱61,828,801

### 2021

In 2021, the Group, through TPI and ATI, made capital contributions to GNPD amounting to ₱952.1 million.

In 2021, the Group made capital contributions to MEC amounting to ₱2.2 million.

In 2021, AEV Aviation, Inc. (AAI) redeemed 6,406 RPS held by the Company for ₱6.4 million.

In 2021, the Group, through Aboitiz Renewables, Inc. acquired 100% of La Filipina Electrica, Inc. (LFEI) from TPI (40%) and La Filipina Uy Gongco Corporation (60%) at its par value of ₱192,500. As a result, LFEI (formerly an associate) became a subsidiary.

The Group's associates and joint ventures and the corresponding equity ownership as of September 30, 2021 and December 31, 2020 are as follows:

	Nature of Business	Percentage of ownership	
		September 30, 2021	December 31, 2020
Manila-Oslo Renewable Enterprise, Inc. (MORE) <sup>1</sup>	Holding company	<b>83.33</b>	83.33
GNPower Dinginin Ltd. Co. (GNPD) <sup>2</sup>	Power generation	<b>70.00</b>	70.00
AA Thermal, Inc. (ATI)	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. (SFELAPCO)	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	—	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.

\* No commercial operations as of September 30, 2021

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, information about these associates and joint ventures are the same as those presented in the December 31, 2020 audited financial statements.

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

	September 30, 2021	December 31, 2020
ATI	<b>₱26,012,724</b>	₱24,146,045
GNPD	<b>21,479,028</b>	17,713,271
MORE	<b>8,294,157</b>	10,653,803
STEAG	<b>3,230,347</b>	3,855,162
CEDC	<b>3,498,613</b>	3,409,799
RPEI	<b>519,852</b>	522,347
PEVI	<b>585,325</b>	532,796
SFELAPCO	<b>449,118</b>	395,698
Hijos	<b>212,038</b>	213,524
WMPC	<b>164,354</b>	168,244
SPPC	<b>51,051</b>	53,246
Others	<b>145,520</b>	144,339
	<b>₱64,642,127</b>	₱61,808,274

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## 9. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership	
		September 30, 2021	December 31, 2020
Pagbilao Energy Corporation (PEC)	Power generation	50%	50%

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

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

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

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

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**10. Intangible Assets****September 30, 2021**

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
<b>Cost:</b>							
Balances at beginning of period	₱38,812,852	₱5,411,326	₱3,078,431	₱702,671	₱60,068	₱538,776	₱48,604,124
Additions	—	24,279	—	74,950	—	22,263	121,492
Exchange differences	2,351,547	61,580	—	—	—	—	2,413,127
Balances at end of period	41,164,399	5,497,185	3,078,431	777,621	60,068	561,039	51,138,743
<b>Accumulated amortization:</b>							
Balances at beginning of period	—	3,403,951	583,620	—	60,068	277,099	4,324,738
Amortization	—	260,087	57,720	—	—	47,969	365,776
Balances at end of period	—	3,664,038	641,340	—	60,068	325,068	4,690,514
Net book values	₱41,164,399	₱1,833,147	₱2,437,091	₱777,621	₱—	₱235,971	₱46,448,229

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## 11. Trade and Other Payables

	September 30, 2021	December 31, 2020
Trade payables	₱13,175,670	₱9,266,804
Output VAT	3,290,921	3,370,163
Amounts due to contractors and other third parties	633,608	397,707
PSALM deferred adjustment	1,042,861	1,042,861
Accrued expenses:		
Interest	1,183,243	2,134,625
Materials and supplies cost	66,087	66,087
Taxes and fees	914,827	896,429
Claims conversion costs	65,192	105,627
Insurance	25,163	21,464
Dividends payable (see Note 22)	172,220	235,538
Unearned revenues	36,680	37,337
Customers' deposit	26,583	23,378
Nontrade	967,057	329,490
Others	284,498	444,288
	<b>₱21,884,610</b>	<b>₱18,371,798</b>

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

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

Amounts due to contractors and other third parties include liabilities arising from construction projects.

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

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## 12. Short-term Loans

		September 30, 2021	December 31, 2020
Peso loans - financial institutions - unsecured	1.95% - 4.92% in 2021 2.00% - 4.92% in 2020	₱10,997,000	₱11,717,000
Temporary advances		41,310	26,413
		<b>₱11,038,310</b>	<b>₱11,743,413</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

	2021 Interest Rate	2020 Interest Rate	September 30, 2021	December 31, 2020
Company:				
Bonds (see Note 14)	3.13% to 8.51%	3.13% to 8.51%	<b>₱38,000,000</b>	₱40,000,000
Financial institutions - unsecured	4.00% to 5.28%	5.28%	<b>10,950,000</b>	4,950,000
Financial institutions - unsecured	LIBOR + 1.20%	LIBOR + 1.20%	<b>2,805,000</b>	14,406,900
Subsidiaries:				
GMEC				
Financial institutions - unsecured	LIBOR + 1.7% - 4.85%	LIBOR + 1.7% - 4.00%	<b>36,587,236</b>	33,711,803
TMI				
Financial institutions - secured	4.54%	—	<b>780,000</b>	—
TVI				
Financial institutions - secured	5.56% to 9.00%	5.56% to 9.00%	<b>26,947,493</b>	29,418,667
AESI				
Financial institutions - secured	4.87%	4.87%	<b>594,000</b>	600,000
TSI				
Financial institutions - secured	5.26%	5.26%	<b>18,314,624</b>	18,729,025
APRI				
Financial institutions - secured	4.25% - 5.20%	4.48% - 5.20%	<b>5,623,920</b>	6,873,920
Hedcor Bukidnon				
Financial institutions - secured	4.00% - 5.34%	4.00% - 5.34%	<b>8,714,717</b>	9,315,000
TPVI				
Financial institutions - unsecured	3.32%-5.06%	3.32%-5.06%	<b>1,500,000</b>	1,500,000
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	4.63% - 5.42%	4.63% - 5.42%	<b>3,702,401</b>	3,702,401
HI				
Financial institution - secured	7.41%	7.41%	<b>423,000</b>	423,000
Financial institution - secured	7.87%	7.87%	<b>1,077,000</b>	1,207,000
VECO				
Financial institution - unsecured	4.73% - 4.81%	4.73% - 4.81%	<b>579,000</b>	579,000
LHC				
Financial institutions - secured	LIBOR + 2.00%	LIBOR + 2.00%	<b>175,950</b>	271,330
DLP				
Financial institution - unsecured	4.73% to 4.92%	4.73% to 4.92%	<b>434,250</b>	434,250
AI				
AEV - unsecured	3.50%	3.50%	<b>300,000</b>	300,000
SEZ				
Financial institution - unsecured	5.00%	5.00%	—	56,500
CLP				
Financial institution - unsecured	4.73% to 4.92%	4.73% to 4.92%	<b>86,850</b>	86,850
Joint operation (see Note 9)				
Financial institutions - secured	5.77% - 6.27%	5.50% - 8.31%	<b>11,146,344</b>	12,251,259
			<b>168,741,785</b>	178,816,905
Less deferred financing costs			<b>1,365,593</b>	1,495,573
			<b>167,376,192</b>	177,321,332
Less current portion - net of deferred			<b>22,773,825</b>	17,254,213
			<b>₱144,602,367</b>	₱160,067,119



In September 2021, the Company settled its 2014 Series 'B' Bonds by prepaying ₱3.4 billion twelve-year bond maturing in 2026 and paying as scheduled its ₱6.6 billion ten-year bond.

In April and July 2021, the Company prepaid a total of \$245.0 million of the \$300.0 million syndicated bridge loan facility availed in 2019 to finance the AA Thermal, Inc. acquisition. This loan is due in 2024.

Loss on extinguishment of the above loans amounted to ₱447.5 million included as part of the "Interest expense and other financing costs" account in the interim consolidated statement of income for the period ended September 30, 2021.

In July 2021, the Company availed ₱6.00 billion 5-year fixed-rate notes due 2026 at an annual fixed rate equivalent to 4%.

In March 2021, the Company issued another ₱8.00 billion 5-year bond due 2026 at an annual fixed rate equivalent to 3.82% as part of the first tranche of its ₱30.00 billion debt securities program.

In March 2021, TMI availed of a new loan for a total of ₱780.0 million.

#### Loan covenants

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

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

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## 14. Debt Securities

As of September 30, 2021, the Company registered and issued peso-denominated fixed-rate retail bonds totaling ₱38.0 billion under the following terms:

<b>Maturity</b>	<b>Interest Rate (p.a.)</b>	<b>Amount</b>
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, 2028	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
5-year bonds to mature on March 16, 2026	3.82%	8,000,000
		<b>₱38,000,000</b>

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**15. Operating Expenses**

	For the periods ended September 30	
	2021	2020
Cost of purchased power	<b>₱29,094,492</b>	₱23,669,136
Cost of generated power	<b>20,734,530</b>	17,896,769
Depreciation and amortization	<b>8,378,668</b>	8,124,636
General and administrative	<b>6,894,392</b>	6,016,254
Operations and maintenance	<b>7,396,770</b>	6,145,671
	<b>₱72,498,852</b>	₱61,852,466

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**16. Other Income (Expenses)**

	For the periods ended September 30	
	2021	2020
Surcharges	<b>₱468,519</b>	₱315,159
Non-utility operating income	<b>104,635</b>	166,912
Rental income	<b>84,707</b>	29,296
Losses on disposal of property, plant and equipment	<b>(31,338)</b>	(66,992)
Net foreign exchange gain (loss)	<b>(1,247,604)</b>	1,480,964
Others - net	<b>1,077,353</b>	599,615
	<b>₱456,272</b>	₱2,517,714

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

“Others” include other non-recurring items like sale of scrap and sludge oil.

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**17. Earnings Per Common Share**

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

	For the periods ended September 30	
	2021	2020
a. Net income attributable to equity holders of the parent	<b>₱15,686,985</b>	₱7,005,701
b. Weighted average number of outstanding shares	<b>7,358,604,307</b>	7,358,604,307
Basic and diluted earnings per share	<b>₱2.13</b>	₱0.95

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There are no dilutive potential common shares for the nine-month periods ended September 30, 2021 and 2020.

## 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 2021

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱36,367,569	₱-	₱-	₱36,367,569
Revenue from distribution services	-	32,476,789	-	32,476,789
Revenue from retail electricity sales	-	-	14,508,709	14,508,709
Revenue from non-power supply contracts	10,186,176	-	-	10,186,176
Revenue from technical and management services	-	-	62,331	62,331
	₱46,553,745	₱32,476,789	₱14,571,040	₱93,601,574

### January - September 2020

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱32,551,069	₱-	₱-	₱32,551,069
Revenue from distribution services	-	31,336,833	-	31,336,833
Revenue from retail electricity sales	-	-	11,696,258	11,696,258
Revenue from non-power supply contracts	5,432,401	-	-	5,432,401
Revenue from technical and management services	-	-	112,980	112,980
	₱37,983,470	₱31,336,833	₱11,809,238	₱81,129,541

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 PFRSs. The presentation and classification of segment revenue and segment expenses are consistent with the unaudited interim condensed consolidated statements of income. Interest expense and other financing costs, depreciation and amortization expense and income taxes are managed on a per segment basis.

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

Adjustments as shown below include items not presented as part of segment assets and liabilities.

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

**September 30, 2021**

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
<b>REVENUE</b>					
External	₱46,553,745	₱32,476,789	₱14,571,040	₱—	₱93,601,574
Inter-segment	20,431,003	1,336,899	663,491	(22,431,393)	—
<b>Total Revenue</b>	<b>₱66,984,748</b>	<b>₱33,813,688</b>	<b>₱15,234,531</b>	<b>(₱22,431,393)</b>	<b>₱93,601,574</b>
Segment Results	₱16,967,142	₱4,203,758	(₱68,178)	₱—	₱21,102,722
Unallocated corporate income - net	(306,261)	744,211	18,322	—	456,272
<b>INCOME FROM OPERATIONS</b>	<b>16,660,881</b>	<b>4,947,969</b>	<b>(49,856)</b>	<b>—</b>	<b>21,558,994</b>
Interest expense and other financing	(7,041,481)	(450,758)	(2,802,605)	—	(10,294,844)
Interest income	94,553	4,888	157,402	—	256,843
Share in net earnings of associates and joint ventures	6,900,656	208,479	18,945,357	(18,943,245)	7,111,247
Provision for income tax	(698,440)	(783,888)	(159,106)	—	(1,641,434)
<b>NET INCOME</b>	<b>₱15,916,169</b>	<b>₱3,926,690</b>	<b>₱16,091,192</b>	<b>(₱18,943,245)</b>	<b>₱16,990,806</b>
<b>OTHER INFORMATION</b>					
Investments	₱63,250,126	₱1,045,432	₱186,568,598	(₱186,222,029)	₱64,642,127
Segment Assets	₱300,108,502	₱35,314,795	₱216,138,882	(₱146,410,653)	₱405,151,526
Segment Liabilities	₱169,535,322	₱28,813,330	₱66,001,043	(₱13,135,780)	₱251,213,915
Depreciation and Amortization	₱7,367,405	₱865,474	₱37,025	₱108,764	₱8,378,668

September 30, 2020

	Power Generation	Power Distribution	Parent Company/ 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 and other financing	(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

## 19. Financial Risk Management Objectives and Policies

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

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases and interest rate swap agreement to hedge its floating rate exposure on its foreign currency-denominated loan.

### Risk Management Structure

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

### *Financial risk committee*

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

### *Treasury service group*

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

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

#### Market Risk

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

#### Liquidity risk

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

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 14.60% of the Group's debt will mature in less than one year as of September 30, 2021 (December 31, 2020: 10.90%). 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, 2021 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	₱11,038,310	₱11,038,310	₱—	₱11,038,310	₱—	₱—
Trade and other payables*	17,956,807	17,960,863	2,436,838	15,208,805	315,220	—
Long-term debts	167,376,192	168,741,785	—	22,943,716	83,200,285	62,597,784
Customers'	7,142,348	7,142,348	—	171	429,403	6,712,774
Lease liabilities	35,490,334	45,754,101	—	10,849,520	30,017,977	4,886,604
Long-term obligation on PDS	200,008	320,000	—	40,000	200,000	80,000
Derivative	511,859	511,859	—	238,539	273,320	—
	₱239,715,858	₱251,469,266	₱2,436,838	₱60,319,061	₱114,436,205	₱74,277,162

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

### Commodity swap contracts

In 2018, TLI entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

### *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, 2021, 11% of the Group's long-term debt had annual floating interest rates ranging from 1.32% to 2.27%, and 89% have annual fixed interest rates ranging from 4.00% to 9.00%. As of December 31, 2020, 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, 2021**

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,150,946	₱7,324,378	₱9,330,440	₱17,805,764

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

	For the period ended September 30	
	2021	2020
Short-term loans and long-term debt	₱7,671,885	₱8,256,917
Lease liabilities (Note 21)	2,007,517	2,192,202
Loss on loan extinguishment (Note 13)	447,502	—
Customers' deposits	2,186	940
Other long-term obligations	165,754	164,781
	₱10,294,844	₱10,614,840

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 2021</b>	<b>100</b>	<b>(₱178,058)</b>
	<b>(50)</b>	<b>89,029</b>
September 2020	200	(₱545,768)
	(100)	272,884

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

#### *Foreign exchange risk*

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 27% and 32% of total consolidated borrowings as of September 30, 2021 and December 31, 2020.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of September 30, 2021 and December 31, 2020, translated to Philippine Peso:

	<b>September 30, 2021</b>		December 31, 2020	
	<b>US Dollar</b>	<b>Philippine Peso equivalent<sup>1</sup></b>	US Dollar	Philippine Peso equivalent <sup>2</sup>
Financial assets:				
Cash and cash equivalents	<b>\$69,897</b>	<b>₱3,564,747</b>	\$156,869	₱7,533,320
Trade and other receivables	<b>3,605</b>	<b>183,855</b>	461	22,139
<b>Total financial assets</b>	<b>73,502</b>	<b>3,748,602</b>	157,330	7,555,459
Financial liabilities:				
Short-term loans	<b>810</b>	<b>41,310</b>	550	26,413
Trade and other payables	<b>35,967</b>	<b>1,834,317</b>	39,054	1,875,490
Long-term debt	<b>55,000</b>	<b>2,805,000</b>	300,000	14,406,900
Lease liabilities	<b>340,471</b>	<b>17,364,003</b>	394,341	18,937,438
<b>Total financial liabilities</b>	<b>432,248</b>	<b>22,044,630</b>	733,945	35,246,241
<b>Total net financial liabilities</b>	<b>(\$358,746)</b>	<b>(₱18,296,028)</b>	(\$576,615)	(₱27,690,782)

<sup>1</sup>\$1 = 51.00

<sup>2</sup>\$1 = 48.02



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:

	Increase (decrease)	Effect on income
<b>2021</b>		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱914,801)
US Dollar denominated accounts	US Dollar weakens by 5%	914,801
<b>2020</b>		
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 unaudited interim consolidated statements of comprehensive income.

#### Credit risk

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

#### *Concentration Risk*

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

	September 30, 2021	December 31, 2020
<b>Power distribution:</b>		
Industrial	<b>₱5,481,592</b>	₱4,005,713
Residential	<b>2,125,510</b>	1,922,998
Commercial	<b>980,830</b>	1,144,382
City street lighting	<b>620,721</b>	764,702
<b>Power generation:</b>		
Power supply contracts	<b>10,157,068</b>	8,066,769
Non-power supply contracts	<b>2,286,299</b>	1,821,815
	<b>₱21,652,020</b>	₱17,726,379

### 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, 2021 and December 31, 2020 are as follows:

	<b>September 30, 2021</b>	December 31, 2020
Short-term loans	<b>₱11,038,310</b>	₱11,743,413
Long-term obligations	<b>202,866,526</b>	216,584,309
Cash and cash equivalents	<b>(32,601,066)</b>	(38,699,545)
Restricted cash	<b>(4,741,000)</b>	(5,324,213)
Net debt (a)	<b>176,562,770</b>	184,303,964
Equity	<b>153,937,611</b>	134,585,073
Equity and net debt (b)	<b>330,500,381</b>	318,889,037
Gearing ratio (a/b)	<b>53.42 %</b>	57.80 %

No changes were made in the objectives, policies or processes during the periods ended September 30, 2021 and December 31, 2020.

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## **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, 2021		December 31, 2020	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Asset</b>				
PSALM deferred adjustment	₱1,358,081	₱1,259,233	₱2,140,226	₱1,939,398
<b>Financial Liabilities</b>				
Lease liabilities	₱35,490,334	₱33,665,249	₱39,262,977	₱37,907,883
Long-term debt - fixed rate	149,570,428	175,207,412	149,420,018	164,336,417
PSALM deferred adjustment	1,358,081	1,259,233	2,140,226	1,939,398
Long-term obligation on power distribution system	200,008	162,164	183,436	162,164
	₱186,618,851	₱210,294,058	₱191,006,657	₱204,345,862

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

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

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

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

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

*Long-term obligation on PDS and PSALM deferred adjustment.* The fair value of the long-term obligation is calculated by discounting expected future cash flows at prevailing market rates.

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

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

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

the interest rate swap and interest rate cap are determined by generally accepted valuation techniques with reference to observable market data such as interest rates.

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

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

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

The movements in fair value changes of all derivative instruments for the nine-month period ended September 30, 2021 and for the year ended December 31, 2020 are as follows:

	2021	2020
At beginning of period	<b>(₱1,788,802)</b>	(₱2,385,997)
Net changes in fair value of derivatives designated as cash flow hedges	<b>6,150,169</b>	1,107,316
Net changes in fair value of derivatives not designated as accounting hedges	<b>71,248</b>	(4,848)
Fair value of settled instruments	<b>359,847</b>	(505,273)
At end of period	<b>₱4,792,462</b>	(₱1,788,802)

#### 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, 2021, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative assets	₱5,304,321	₱-	₱5,304,321	₱-
Derivative liabilities	511,859	-	511,859	-
Disclosed at fair value:				
Lease liabilities	33,665,249	-	-	33,665,249
Long-term debt - fixed rate	175,207,412	-	-	175,207,412
Long-term obligation on PDS	162,164	-	-	162,164

During the nine-month period ended September 30, 2021, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

## 21. Leases

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

	Land	Building	Power Plant	Equipment and Others	Total	Lease liabilities
As at January 1, 2021	₱2,822,342	₱71,638	₱32,504,564	₱82,094	₱35,480,638	₱39,262,977
Amortization expense	(128,174)	(17,744)	(785,951)	(6,229)	(938,098)	—
Interest expense	—	—	—	—	—	2,007,517
Payments	—	—	—	—	—	(7,935,161)
Others	—	—	—	220,852	220,852	2,155,000
As at September 30, 2021	₱2,694,168	₱53,894	₱31,718,613	₱296,717	₱34,763,392	₱35,490,334

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

	For the periods ended September 30	
	2021	2020
Amortization expense of right-of-use assets	₱938,098	₱925,582
Interest expense on lease liabilities	2,007,517	2,192,202
Rent expense - short-term leases	49,585	58,218
	₱2,995,200	₱3,176,002

## 22. Retained Earnings

- On March 5, 2021, the BOD approved the declaration of regular cash dividends of ₱0.85 a share (₱6.25 billion) to all stockholders of record as of March 19, 2021. These dividends were paid on March 31, 2021.
- On March 5, 2021, the BOD also approved the reversal of a total of ₱13.60 billion retained earnings.
- On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 a share (₱8.68 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.
- The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱70.40 billion and ₱65.96 billion as at September 30, 2021 and December 31, 2020, 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. Disclosures

### 1. COVID 19

The Philippines has been placed in a stringent community quarantine, varying in terms of degree and location since the COVID-19 outbreak in 2020. The community quarantine negatively affects business, especially those that are not considered essentials.

The Group has experienced the negative effect of the COVID-19 pandemic in its 2020 operations, but on a lesser magnitude. This includes lower energy dispatch level because of the decreased demand during the community quarantines as well as certain delays in terms of collections of energy billings because of the staggered payment scheme implemented by the Energy Regulatory Commissions in 2020. In addition, because of the decrease in energy demand, market prices are down. Significant improvements have been felt in the latter part of 2020, as the economy started to improve, and has been continuing during the first nine months of 2021.

The Group has an in-placed and extensive business continuity plan on similar risk, including the lay out of the necessary steps that will help address or minimize the Group's business exposures. However, considering the evolving nature of this outbreak, the Group will continue to monitor the situation and adjust the steps it is currently implementing 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

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

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

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

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

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

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

During the nine-month period ended September 30, 2021, the Group's additions to property, plant and equipment amounted to ₱4.44 billion.

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

The Group's material partly-owned subsidiary VECO paid cash dividends amounting to ₱938.1 million and ₱952.7 million to non-controlling interests during the nine-month periods ended September 30, 2021 and 2020, respectively.

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

##### **₱8 billion bond issuance**

The Company issued the first tranche of its 30 billion debt securities program, equivalent to ₱8 billion in March 2021. The Fixed Rate "Series A Bonds" has an interest rate of 3.8224% per annum maturing in 2026. The bonds have been rated PRS Aaa by PhilRatings.

On September 30, 2021, the Company filed the application with the Securities and Exchange Commission (SEC) for the issuance of the second tranche of its Php30 billion fixed-rate retail bonds registered on March 1, 2021 under the shelf registration program of SEC (the "Second Tranche Bonds"). The Second Tranche Bonds, with an aggregate principal amount of up to ₱12 billion, including oversubscription, is expected to be issued in the fourth quarter of 2021, in one or two series.

#### **7. Contingencies**

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

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

## **9. Application of the Provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**

On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the consolidated financial statements of the Group as of and for the year ended December 31, 2020 because of their retroactive effect:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the consolidated financial statements of the Group as of and for the year ended December 31, 2020. Accordingly, current and deferred income taxes continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The Group reflected the changes in the current and deferred income taxes in its unaudited interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱333 million.



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**SCHEDULE A - USE OF PROCEEDS**1) Series "E" and "F" of the Thirty Billion Shelf Registration issued in 2020

As of September 30, 2021, the proceeds from the 2020 bonds were fully 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	2,522,627
General corporate purposes	614,889	177,077
Bond issuance costs	115,489	113,547
TOTAL	9,550,000	9,550,000

	Per Final Prospectus	Actual
Gross proceeds	9,550,000	9,550,000
Net proceeds	9,434,511	9,436,453

Balance of the proceeds as of September 30, 2021:	—
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2) Series "A" of the Thirty Billion Shelf Registration issued in 2021

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

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Redemption of the 2014 Series A Bonds Maturing in 2021	6,600,000	6,600,000
Partial Funding for the Early Redemption of the 2014 Series B Bonds Originally Maturing in 2026	1,295,303	1,303,093
Bond issuance costs	104,697	96,907
TOTAL	8,000,000	8,000,000

	Per Final Prospectus	Actual
Gross proceeds	8,000,000	8,000,000
Net proceeds	7,895,303	7,906,195

Balance of the proceeds as of September 30, 2021:	—
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**SCHEDULE B – RELEVANT FINANCIAL RATIOS**

	Formula	September 30, 2021	December 31, 2020
<b>LIQUIDITY RATIOS</b>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.28</b>	1.38
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	<b>0.98</b>	1.08
<b>SOLVENCY RATIOS</b>			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>1.63</b>	1.96
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.63</b>	2.96
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	<b>1.15</b>	1.37
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	<b>53.42%</b>	57.80%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	<b>n.a</b>	2.54
<b>PROFITABILITY RATIOS</b>			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	<b>n.a</b>	24%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	<b>n.a</b>	11%

*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, 2021

	30 Days	60 Days	90 Days	Over 90 Days	Total
<b>Trade receivables</b>					
Power Distribution Customers	4,082,527	564,401	198,456	846,998	5,692,382
Power Generation Customers	8,593,275	272,550	223,796	3,353,746	12,443,367
Management & Other Services Customers	3,363,948	28,227	52,367	71,729	3,516,271
	16,039,750	865,178	474,619	4,272,473	21,652,020
<b>Less : Allowance for estimated credit losses</b>					2,618,723
<b>Net trade receivables</b>					19,033,297
<b>Non-trade receivables</b>	5,934,863	1,566	3,106	14,438	5,953,973
<b>Grand Total</b>	21,974,613	866,744	477,725	4,286,911	24,987,270

### 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