

**12 MAR 2019**

**SECURITIES AND EXCHANGE COMMISSION**

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

SECURITIES AND EXCHANGE  
COMMISSION

**RECEIVED**  
**MAR 12 2019**

ATTENTION

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

*via PSE EDGE*

**PHILIPPINE STOCK EXCHANGE, INC.**

PSE Tower, 28th Street cor. 5th Avenue,  
Bonifacio Global City, Taguig City

ATTENTION

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

*via electronic mail*

**PHILIPPINE DEALING & EXCHANGE CORP.**

Market Regulatory Services Group  
37/F, Tower 1, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas, Makati City

ATTENTION

: **ATTY. JOSEPH B. EVANGELISTA**  
Head – Issuer Compliance and Disclosures Department

Gentlemen:

Attached is the SEC Form 20-IS (Preliminary Information Statement 2018) of Aboitiz Power Corporation for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ POWER CORPORATION**

By:



**MANUEL ALBERTO R. COLAYCO**  
Corporate Secretary



# COVER SHEET

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S.E.C. Registration Number

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( Company's Full Name )

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

**MANUEL ALBERTO R. COLAYCO**

Contact Person  
Contact Person

**02- 886-2338**

Company Telephone Number

1	2		3	1
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Month Day  
Fiscal Year

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FORM TYPE

4th Monday of April

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Month Day  
Annual Meeting

N/A

Secondary License Type, if Applicable

**SEC**

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

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Total No. of Stockholders

**x**

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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## NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

### ABOITIZ POWER CORPORATION

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

NOTICE is hereby given that the Annual Meeting of the Stockholders of ABOITIZ POWER CORPORATION (the "Company") will be held on April 22, 2019, Monday, 11:00 a.m., at the The Ballroom, 2<sup>nd</sup> Floor New World Makati Hotel, Esperanza Street corner Makati Avenue, Ayala Center, Makati City 1228, Philippines.

The Agenda\* of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 21, 2018
5. Presentation of the President's Report
6. Approval of the 2018 Annual Report and Financial Statements
7. Appointment of the Company's External Auditor for 2019
8. Election of the Members of the Board of Directors
9. Approval of the Increase in the Directors' Per Diem and Monthly Allowance
10. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management from 2018 up to April 22, 2019
11. Other Business
12. Adjournment

Only stockholders of record at the close of business hours on March 25, 2019 are entitled to notice of and to vote at this meeting. Registration will start at 9:00 a.m. on April 22, 2019 and will end at 10:45 a.m. of that day. Stockholders are requested to present any valid proof of identification, such as driver's license, passport, company ID, or SSS/GSIS ID. Aside from personal identification, representatives of corporate stockholders and other juridical entities must also present a duly sworn secretary's certificate or any similar document showing his or her authority to represent the corporation or entity.

Stockholders who are unable to attend the meeting may execute a proxy in favor of a representative. In accordance with the Amended By-Laws of the Company, proxies must be submitted to the Office of the Corporate Secretary for inspection, validation and recording at least seven days prior to the opening of the Annual Stockholders' Meeting, or on or before the close of business hours on April 15, 2019, at the 18th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. The Proxy Validation Committee will inspect, examine, and validate the sufficiency of the proxy forms received.

We enclose a sample proxy form for your convenience. **No proxy solicitation is being made.**

For the Board of Directors:



**MANUEL ALBERTO R. COLAYCO**  
Corporate Secretary

*\*The rationale for each Agenda item is explained in the attached Annex "A" and may also be viewed at AboitizPower's website at [www.aboitizpower.com](http://www.aboitizpower.com) under Annual Stockholders' Meeting in the Investor Relations page.*

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
☒ Preliminary Information Statement  
☐ Definitive Information Statement
2. Name of Registrant as specified in its charter: **ABOITIZ POWER CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
4. SEC Identification Number: **C199800134**
5. BIR Tax Identification Code: **200-652-460-000**
6. Address of principal office: **32ND STREET, BONIFACIO GLOBAL CITY  
TAGUIG CITY, METRO MANILA  
1634 PHILIPPINES**
7. Registrant's telephone number, including area code: **(02) 886-2800**
8. Date, time and place of the meeting of security holders:
 

Date	: <b>APRIL 22, 2019</b>
Time	: <b>11:00 A.M.</b>
Place	: <b>THE BALLROOM, 2<sup>ND</sup> FLOOR, NEW WORLD MAKATI HOTEL ESPERANZA STREET CORNER MAKATI AVENUE, AYALA CENTER, MAKATI CITY 1228, PHILIPPINES</b>
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **MARCH 26, 2019**
10. In case of Proxy Solicitations: **No proxy solicitation is being made.**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

**Authorized Capital Stock:** **₱17,000,000,000.00**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	16,000,000,000	₱16,000,000,000.00
Preferred	₱1.00	1,000,000,000	₱1,000,000,000.00
<b>Total</b>		<b>17,000,000,000</b>	<b>₱17,000,000,000.00</b>

No. of Common Shares Outstanding as of December 31, 2018	7,358,604,307
Amount of Debt Outstanding as of December 31, 2018	₱216,498,606,000.00

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes **X**      No     

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The common stock of the Company is listed at the Philippine Stock Exchange, Inc. (PSE).



## INFORMATION REQUIRED IN INFORMATION STATEMENT

## A. GENERAL INFORMATION

## Item 1. Date, time and place of the 2019 Annual Stockholders' Meeting

Date of meeting : **April 22, 2019**  
 Time of meeting : **11:00 a.m.**  
 Place of meeting : **The Ballroom, 2<sup>nd</sup> Floor, New World Makati Hotel  
 Esperanza Street corner Makati Avenue,  
 Ayala Center, Makati City 1228 Philippines**

Approximate mailing date  
 of this statement : **March 26, 2019**

Complete mailing address  
 of the principal office of the  
 Registrant : **18<sup>th</sup> Floor, NAC Tower  
 32<sup>nd</sup> Street, Bonifacio Global City  
 Taguig City, Metro Manila  
 1634 Philippines**

## Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by the stockholders of their appraisal rights. Generally, however, the stockholders of Aboitiz Power Corporation (hereinafter referred to as AboitizPower or the Company or the Registrant) have the right of appraisal in the following instances: (a) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code of the Philippines (Revised Corporation Code); and (c) in case of merger or consolidation.

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action. He must make a written demand on AboitizPower, within 30 days after the date on which the vote was taken, for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of such appraisal right. If the proposed corporate action is implemented or effected, AboitizPower shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within a period of 60 days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and AboitizPower cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by AboitizPower, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by AboitizPower within 30 days after such award is made. No payment shall be made to any dissenting stockholder unless AboitizPower has unrestricted retained earnings in its books to cover such payment. Upon payment by AboitizPower of the agreed or awarded price, the stockholder shall forthwith transfer his shares to AboitizPower.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) Other than the proposed increase in the directors' monthly allowance and per diem, and the election to AboitizPower's Board of Directors, no current director or officer of AboitizPower, or nominee for election as director of AboitizPower, or any associate of any of the foregoing persons, has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting.
- (b) No director has informed AboitizPower in writing that he intends to oppose any action to be taken by AboitizPower at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION****Item 4. Voting Securities and Principal Holders Thereof****(a) Class of Voting Shares as of January 31, 2019:**

Nationality	Class of Voting Shares	Number of Shares	Percentage
Filipino	Common	6,889,534,725	93.63%
Non-Filipino	Common	469,069,582	6.37%
<b>Total No. of Shares Entitled to Vote</b>		<b>7,358,604,307</b>	<b>100.00%</b>

Every stockholder shall be entitled to one vote for each share of stock held, as of the established record date.

**(b) Record Date**

All common stockholders of record as of March 25, 2019 are entitled to notice of and to vote at AboitizPower's 2019 Annual Stockholders' Meeting.

**(c) Election of Directors and Cumulative Voting Rights**

With respect to the election of directors, a stockholder may vote in person or by proxy, the number of shares of stock standing in his own name on the stock and transfer book of the Company. A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of AboitizPower, multiplied by the number of directors to be elected, provided, further, that no delinquent stock shall be voted.

Section 5, Article I of the Amended By-Laws of AboitizPower provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Moreover, Section 6 of the same Article states that stockholders may vote at all meetings either in person, or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation and recording, at least seven days prior to the said meeting.

In accordance with Section C(1) of the Amended Guidelines for the Nomination and Election of Independent Directors (the "Guidelines"), nominations for independent directors must be submitted to the Corporate Secretary from January 1, 2019 to February 15, 2019.

Section 7, Article I of the Amended By-Laws of AboitizPower provides that nominations for the election of directors, other than independent directors, for the ensuing year must be received by the Corporate Secretary no less than 15 working days prior to the Annual Meeting of Stockholders, except as may be provided by the Board in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

### Security Ownership of Certain Record and Beneficial Ownership and Management

#### (1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of January 31, 2019

Title of Class of Shares	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	<b>1. Aboitiz Equity Ventures Inc. (AEV)<sup>1</sup></b> 32nd Street, Bonifacio Global City, Taguig City (Stockholder)	Aboitiz Equity Ventures Inc. <sup>2</sup>	Filipino	5,657,530,774 (Record and Beneficial)	76.88%
Common	<b>2. PCD Nominee Corporation (Filipino)<sup>3</sup></b> 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers <sup>4</sup>	Filipino	953,212,812 (Record)	12.95%
Common	<b>3. PCD Nominee Corporation (Foreign)<sup>5</sup></b> 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers <sup>6</sup>	Non-Filipino	467,766,264 (Record)	6.36%

Aboitiz Equity Ventures Inc. (AEV) is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of January 31, 2019, the following entities own at least five per centum (5%) or more of AEV:

Title of Class of Shares	Name, Address of Stockholder and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Record and/ or Beneficial)	Percentage of Ownership
Common	<b>1. Aboitiz &amp; Company, Inc.</b> Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	Aboitiz & Company, Inc.	Filipino	2,735,600,915 (Record and Beneficial)	48.57%
Common	<b>2. PCD Nominee Corporation (Filipino)</b>	PCD participants acting for	Filipino	801,851,868 (Record)	14.24%

<sup>1</sup> AEV is the parent company of AboitizPower.

<sup>2</sup> Mr. Erramon I. Aboitiz, President and Chief Executive Officer of AEV, will vote the shares of AEV in AboitizPower in accordance with the directive of the AEV Board of Directors.

<sup>3</sup> The PCD Nominee Corporation (Filipino and Foreign) is not related to the Company. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

<sup>4</sup> Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. AboitizPower has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of the beneficial owners under a PCD participant owns more than 5% of the Company's common shares.

<sup>5</sup> *Supra* note 3.

<sup>6</sup> *Supra* note 4.

	37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	themselves or for their customers			
Common	<b>3. PCD Nominee Corporation (Foreign)</b> 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Non-Filipino	514,689,488 (Record)	9.14%
Common	<b>4. Ramon Aboitiz Foundation, Inc.</b> 35 Lopez Jaena St., Cebu City (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	424,538,863 (Record and Beneficial)	7.54%

## (2) Security Ownership of Management as of January 31, 2019 (Record and Beneficial)

Title of Class of Shares	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	<b>Mikel A. Aboitiz</b> Chairman of the Board	1	Direct	Filipino	0.00%
		21,381,059	Indirect		0.29%
Common	<b>Enrique M. Aboitiz</b> Vice Chairman of the Board	758	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Erramon I. Aboitiz</b> Director/President and Chief Executive Officer	1,300,001	Direct	Filipino	0.02%
		83,776,414	Indirect		1.14%
Common	<b>Luis Miguel O. Aboitiz</b> Director/Chief Strategy Officer	11,167,081	Direct	Filipino	0.15%
		0	Indirect		0.00%
Common	<b>Jaime Jose Y. Aboitiz</b> Director/Executive Vice President and Chief Operating Officer – Power Distribution Group	5,367,397	Direct	Filipino	0.07%
		4,719,302	Indirect		0.06%
Common	<b>Danel C. Aboitiz</b> Director	4,081,636	Direct	Filipino	0.06%
		0	Indirect		0.00%
Common	<b>Romeo L. Bernardo</b> Lead Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Carlos C. Ejercito</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Eric Ramon O. Recto</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Emmanuel V. Rubio</b> Chief Operating Officer	89,130	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Felino M. Bernardo</b> Chief Operating Officer – Power Generation Group	2,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Juan Antonio E. Bernad</b> Executive Vice President for Regulatory and Industry Affairs	520,001	Direct	Filipino	0.01%
		488,734	Indirect		0.01%
Common	<b>Gabriel T. Mañalac</b> Senior Vice President and Group Treasurer	111,139	Direct	Filipino	0.00%

Title of Class of Shares	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
		0	Indirect		0.00%
Common	<b>Susan V. Valdez</b> Senior Vice President and Chief Reputation and Risk Management Officer	754,862	Direct	Filipino	0.01%
		0	Indirect		0.00%
Common	<b>Liza Luv T. Montelibano</b> Senior Vice President/Chief Financial Officer/Corporate Information Officer	500	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Robert McGregor</b> Executive Director – Chief Investment Officer	0	Direct	British	0.00%
		5,000	Indirect		0.00%
Common	<b>Christopher B. Sangster</b> Executive Director – Business Development and Project Development and Execution	109,936	Direct	Australian	0.00%
		0	Indirect		0.00%
Common	<b>Joseph Trillana T. Gonzales</b> General Counsel and Compliance Officer	62,527	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Manuel Alberto R. Colayco</b> Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Mailene M. de la Torre</b> Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		5,000	Indirect		0.00%
Common	<b>Joanne L. Ranada</b> Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Noreen Marie N. Vicencio</b> Data Privacy Officer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Saturnino E. Nicanor, Jr</b> Group Internal Audit Head	26,896	Direct	Filipino	0.00%
		0	Indirect		0.00%
	<b>TOTAL</b>	<b>133,971,374</b>			<b>1.82%</b>

**(3) Voting Trust Holders of Five Per Centum (5%) or More of Common Equity**

No person holds under a voting trust or similar agreement more than five percent (5%) of AboitizPower's common equity.

**(4) Changes in Control**

There are no arrangements that may result in a change in control of AboitizPower during the period covered by this report.

**Item 5. Directors and Executive Officers****(a) Directors and Officers for 2018-2019****(1) Directors for 2018-2019**

Below is the list of AboitizPower's directors for 2018-2019 with their corresponding positions and offices held for the past five years. Except for Messrs. Luis Miguel O. Aboitiz and Danel C. Aboitiz who assumed directorships to serve for the unexpired terms of Messrs. Antonio R. Moraza and Jon Ramon Aboitiz, respectively, the directors assumed their directorship during AboitizPower's Annual Stockholders' Meeting in 2018 for a term of one year.

<p><b>MIKEL A. ABOITIZ</b>  Chairman of the Board  Member – Board Audit Committee  – Board Risk and Reputation Management Committee  – Board Corporate Governance Committee  – Board Executive Committee</p>	<p>Mr. Mikel A. Aboitiz, 64 years old, Filipino, has been Director of AboitizPower since February 13, 1998 and was appointed as Chairman of the Board on September 1, 2018. He has been a member of the Company's Board Audit Committee since October 26, 2007, the Board Risk and Reputation Management Committee since May 19, 2014, the Board Corporate Governance Committee since December 11, 2018, and the Board Executive Committee since May 21, 2018. He was Vice Chairman of City Savings Bank, Inc. (CitySavings) from 2015 to 2016, and was the bank's President and Chief Executive Officer from 2001 to 2014. He is currently Chairman of the Board of Aboitiz &amp; Company, Inc. (ACO); Vice Chairman of Aboitiz Equity Ventures, Inc. (AEV), a publicly-listed company, since May 15, 2017; and Trustee and Vice Chairman of Ramon Aboitiz Foundation, Inc. (RAFI).</p> <p>Mr. Aboitiz holds a degree in Bachelor of Science in Business Administration from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p><b>ENRIQUE M. ABOITIZ</b>  Vice Chairman of the Board  Chairman – Board Risk and Reputation Management Committee  Member – Board Audit Committee  – Board Executive Committee</p>	<p>Mr. Enrique M. Aboitiz, 65 years old, Filipino, was appointed as Vice Chairman of AboitizPower on December 11, 2018. Mr. Aboitiz has served as Director of the Company since May 18, 2009, and as Chairman of the Board of Directors from 2009 to May 2018. He has been the Chairman of the Board Risk and Reputation Management Committee since May 16, 2011, and member the Board Audit Committee since September 1, 2018 and of the Board Executive Committee since December 11, 2018. On December 11, 2018, Mr. Aboitiz was appointed the Chairman of the Board of AEV, a publicly-listed company. He is also the Vice Chairman of Aboitiz &amp; Company, Inc. (ACO).</p> <p>Mr. Aboitiz graduated with a degree in Bachelor of Science in Business Administration, Major in Economics from Gonzaga University, Spokane, Washington, U.S.A. Mr. Aboitiz is not connected with any government agency or instrumentality.</p>
<p><b>ERRAMON I. ABOITIZ</b>  Director  President and Chief Executive Officer  Chairman – Board Executive Committee  Member – Board Corporate Governance Committee</p>	<p>Mr. Erramon I. Aboitiz, 62 years old, Filipino, was appointed as President and Chief Executive Officer of AboitizPower on September 1, 2018. He has been a Director of the Company since February 13, 1998 and has served as Chief Executive Officer from 1998 to September 2018. He is a member of the Board Corporate Governance Committee since May 17, 2010, and was appointed as Chairman of the Board Executive Committee on September 1, 2018.</p> <p>Mr. Aboitiz is currently the President &amp; Chief Executive Officer of AEV, a publicly-listed company. He has been Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to 2008. Mr. Aboitiz is also the President and Chief Executive Officer of ACO; Chairman of the Board of Directors of the</p>

	<p>following companies: Aboitiz Infracapital, Inc. (Aboitiz InfraCapital), Aboitiz Land, Inc. (AboitizLand), San Fernando Electric Light and Power Co., Inc. (SFELAPCO), the SN Aboitiz Power Group, Therma Power, Inc. (TPI), CRH Aboitiz Holdings, Inc. (CRH Aboitiz), and Aboitiz Renewables, Inc. (ARI). He is Vice Chairman of Republic Cement and Building Materials, Inc. (RCBM) and of Union Bank of the Philippines (UnionBank), a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nominations Committee. Lastly, he is Chairman of the Board of Trustees of Aboitiz Foundation, Inc. (Aboitiz Foundation), and is a director of the Philippine Disaster Recovery Foundation.</p> <p>Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst &amp; Young's Entrepreneur of the Year both in 2011.</p> <p>Mr. Aboitiz holds a Bachelor of Science degree in Business Administration, Major in Accounting and Finance from Gonzaga University in Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.</p>
<b>LUIS MIGUEL O. ABOITIZ</b> Director Chief Strategy Officer Member – Board Executive Committee	<p>Mr. Luis Miguel O. Aboitiz, 54 years old, Filipino, was appointed as Chief Strategy Officer of AboitizPower on May 21, 2018, and as Director on September 1, 2018. Prior to this, he served as AboitizPower's Executive Vice President and Chief Operating Officer-Corporate Business Group from 2016 to 2018 and as Senior Vice President-Power Marketing and Trading from 2009 to 2015. He was appointed as member of the Board Executive Committee on September 1, 2018.</p> <p>Mr. Aboitiz is also currently Senior Vice President of AEV, a publicly-listed company, a position which he held since 2015. He is Director and First Vice President of ACO, and Trustee of Aboitiz Foundation. He also serves as Director and President of Manila-Oslo Renewable Enterprise, Inc. (MORE); and Director of Abovant Holdings, Inc. (Abovant), ARI, TPI, Pilmico, Pilmico Animal Nutrition Corporation (PANC), Therma South, Inc. (TSI), Therma Luzon, Inc. (TLI), Aboitiz InfraCapital, San Carlos Sun Power Inc. (Sacasan), Cebu Energy Development Corporation (Cebu Energy), Southern Philippines Power Corporation (SPPC), Western Mindanao Power Corporation (WMPC), and Unionbank, a publicly-listed company. He is also Chairman of UnionBank's Technology Steering Committee, member of the Audit Committee and Operations Risk Management Committee, and alternate member of the Executive Committee. He holds a management position in GNPowder Mariveles Coal Plant Ltd. Co. (GMCP) and its holding company. Mr. Aboitiz is also a member of the Board of Trustees of the Philippine Independent Power Producers Association, Inc. (PIPPA).</p>

	<p>Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master's degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p><b>JAIME JOSE Y. ABOITIZ</b>  Director  Executive Vice President and Chief Operating Officer – Power Distribution Group  Member – Board Risk and Reputation Management Committee  – Board Executive Committee</p>	<p>Mr. Jaime Jose Y. Aboitiz, 57 years old, Filipino, was Director of AboitizPower from 2004 to April 2007, and was re-elected as Director on May 18, 2009. He is also the Company's Executive Vice President and Chief Operating Officer-Power Distribution Group, a position he has held since August 14, 2008. He was appointed as member of the Board Executive Committee on May 21, 2018 and of the Board Risk and Reputation Management Committee on September 1, 2018.</p> <p>Mr. Aboitiz is a member of the Board of Advisers of ACO, Chairman of the Board of Aboitiz Construction, Inc. (ACI), and a Trustee of Aboitiz Foundation. He is also Chairman of the Board of Subic EnerZone Corporation (SEZ), Mactan Enerzone Corporation (MEZ), Lima Enerzone Corporation (LEZ), Balamban Enerzone Corporation (BEZ), Malvar Enerzone Corporation (Malvez), and Cebu Private Power Corporation (CPPC); President and Chief Executive Officer of Abovant, Cotabato Light &amp; Power Company (Cotabato Light), and Davao Light and Power Company, Inc. (Davao Light); President of Visayan Electric Company, Inc. (VECO); and Director of ARI, SFELAPCO, AboitizLand, Cebu Industrial Park Developers, Inc. (CIPDI), Hedcor, Inc. (Hedcor), Hedcor Sabangan, Inc. (Hedcor Sabangan), Hedcor Sibulan, Inc. (Hedcor Sibulan), Hedcor Tudaya, Inc. (Hedcor Tudaya), Hedcor Bukidnon, Inc. (Hedcor Bukidnon), Tsuneishi Heavy Industries (Cebu), Inc. (THICI), Aboitiz InfraCapital and Apo Agua Infraestructura, Inc. (Apo Agua).</p> <p>Mr. Aboitiz holds a degree in Mechanical Engineering from Loyola Marymount University in California, U.S.A., and a Master's Degree in Management from the Asian Institute of Management. He is not connected with any government agency or instrumentality. He is not a director of any other publicly-listed company.</p>
<p><b>DANEL C. ABOITIZ</b>  Director</p>	<p>Mr. Danel C. Aboitiz, 37 years old, Filipino, was appointed as Director of AboitizPower on December 11, 2018.</p> <p>He is the President and Chief Operating Officer (COO) of AboitizPower's Coal Business Unit, under which are AboitizPower subsidiaries and affiliates that own, manage, or operate coal-fueled power generation assets. These include TLI, TSI, and TVI.</p> <p>Mr. Aboitiz is also Director of Pagbilao Energy Corporation (PEC), GMCP, GNPowr Dinginin Ltd. Co. (GNPD), Cebu Energy, STEAG State Power Inc. (STEAG State), Abovant and Redondo Peninsula Energy, Inc. (RP Energy). He holds</p>



	<p>management positions in GMCP, as well as in GNPD, where he is also the Chief Commercial Officer.</p> <p>Mr. Aboitiz is also Director of various companies under AboitizPower's Oil Business Unit, such as Therma Mobile, Inc. (TMO), Therma Power-Visayas, Inc. (TPVI), East Asia Utilities Corporation (EAUC), and Therma Marine, Inc. (TMI). He also serves as a Member of the Board of Advisers of Aboitiz &amp; Company (ACO).</p> <p>Mr. Aboitiz obtained his Master of Arts (MA) in Philosophy and Politics degree from the University of Edinburgh, where he graduated with honors. He also studied the Chinese language at the Beijing Language and Culture University.</p> <p>He is a private sector representative to the Regional Development Council XI. He is not a Director of any other publicly-listed company.</p>
<p><b>ROMEO L. BERNARDO</b> Lead Independent Director Chairman – Board Corporate Governance Committee Member – Board Audit Committee – Board Risk and Reputation Management Committee – Board Related Party Transactions Committee</p>	<p>Mr. Romeo L. Bernardo, 64 years old, Filipino, was elected Lead Independent Director of AboitizPower on May 15, 2017. He has been an Independent Director of the Company, and a member of its Board Audit Committee and Board Corporate Governance Committee since May 19, 2008. He was appointed as member of the Board Related Party Transactions Committee on May 15, 2017, and Chairman of the Board Corporate Governance Committee on December 11, 2018.</p> <p>Mr. Bernardo is the Managing Director of Lazaro Bernardo Tiu and Associates, a boutique financial advisory firm based in Manila. He is also an economist of GlobalSource in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund. He is an Independent Director of the following publicly-listed corporations: Globe Telecom, RFM Corporation, and Bank of the Philippine Islands (BPI). He is likewise Independent Director of several companies and organizations, including BPI Capital Corporation, BPI/MS Insurance Corporation, and BPI-Philam Life Assurance Corporation. He is currently affiliated in various capacities with the Foundation for Economic Freedom, World Bank Philippine Advisory Group, and International Centre for Settlement of Investment Disputes.</p> <p>Mr. Bernardo previously served as Undersecretary for International Finance of the Department of Finance, and as Alternate Executive Director of the Asian Development Bank. He has held various positions in government, including the National Power Corporation and Philippine National Bank. He was a member of the Board of Trustees of the Philippine Institute for Development Studies from October 2005 until March 2016. He was an Advisor of the World Bank and the International Monetary Fund, and served as Deputy Chief of the Philippine Delegation to the General Agreement on Tariffs and Trade (World Trade Organization) in 1979. In the same year, he was Finance Attaché of the Philippine Mission to the United Nations in</p>

	<p>Geneva, Switzerland. He was formerly President of the Philippine Economics Society, Chairman of the Federation of ASEAN Economic Societies, and a faculty of the College of Business Administration of the University of the Philippines.</p> <p>Mr. Bernardo holds a Bachelor of Science degree in Business Economics from the University of the Philippines (magna cum laude) and a Master's degree in Development Economics from Williams College in Williamstown, Massachusetts, U.S.A. where he graduated top of the class. He is not connected with any government agency or instrumentality.</p>
<p><b>CARLOS C. EJERCITO</b> Independent Director Chairman – Board Audit Committee Member – Board Risk and Reputation Management Committee – Board Corporate Governance Committee – Board Related Party Transactions Committee</p>	<p>Mr. Carlos C. Ejercito, 72 years old, Filipino, has been an Independent Director of AboitizPower since May 19, 2014. He is the Chairman of the Board Audit Committee, member of the Board Corporate Governance Committee and the Board Risk and Reputation Management Committee since May 19, 2014, and a member of the Board Related Party Transactions Committee since May 15, 2017.</p> <p>Mr. Ejercito is also an Independent Director and Chairman of the Board Audit Committee of Bloomberry Resorts Corporation and an independent Director of Century Properties Group, Inc., both publicly-listed companies. He is also an Independent Director of Monte Oro Resources and Energy Corporation.</p> <p>Mr. Ejercito is President and Chief Executive Officer of Mount Grace Hospitals, Inc., Chairman and Chief Executive Officer of Forum Cebu Coal Corporation, and Chairman of Northern Access Mining, Inc. He is a Board Member of thirteen (13) hospitals, including Medical Center Manila, VR Potenciano Medical Center, Tagaytay Medical Center, Pinehurst Medical Services Inc., Grace General Hospital, Healthserv Medical Center, Lorma Medical Center, Mary Mediatrix Medical Center, and Silvermed Corporation, and Capitol Medical Center. He was formerly the Chairman of the Board of United Coconut Planters Bank, and a former Director of the National Grid Corporation of the Philippines. He was also the President and Chief Executive Officer of United Laboratories, Inc., Unilab Group of Companies, Univet Agricultural Products, Inc., and Greenfield Development Corporation, as well as the Vice President and Senior Country Operation Officer of Citibank, NA. Prior to Citibank, Mr. Ejercito was a System Engineer in IBM Philippines, and Accounting Unit Head in Procter &amp; Gamble Philippines, Inc. He was a member of the Board of Governors of the Management Association of the Philippines.</p> <p>Mr. Ejercito graduated cum laude from the University of the East with a degree in Bachelor of Science in Business Administration. He also completed the Management Development Program of the Harvard Business School in 1983, and has completed the coursework for Masters in</p>

	<p>Business Administration at the Ateneo Graduate School of Business.</p> <p>Mr. Ejercito is a certified public accountant. He is not connected with any government agency or instrumentality.</p>
<p><b>ERIC RAMON O. RECTO</b>  Independent Director  Chairman – Board Related Party Transaction Committee  Member – Board Audit Committee  – Board Corporate Governance Committee  – Board Risk and Reputation Management Committee</p>	<p>Mr. Eric O. Recto, 55 years old, Filipino, was elected as Independent Director of AboitizPower, Chairman of the Board Related Party Transaction Committee, and a member of the Company's Board Audit Committee, Board Corporate Governance Committee, and Board Risk and Reputation Management Committee on May 21, 2018.</p> <p>He currently holds positions in the following publicly-listed companies: Chairman and President of ISM Communications Corporation; Chairman of the Philippine Bank of Communications, Vice Chairman and President of Atok-Big Wedge Co., Inc.; and Independent Director in PH Resorts Group Holdings, Inc. He is also the Chairman and President of Bedfordbury Development Corporation; President/Director of Q-Tech Alliance Holdings, Inc.; and Supervisory Board Member of Acentic GmbH and Ltd.</p> <p>Mr. Recto held various positions in Philweb Corporation from 2005 to 2015. He was also the Vice Chairman of Alphaland Corporation from 2007 to 2014; Director of San Miguel Corporation from 2010 to 2014, and of Manila Electric Company from 2010 to 2013 and President of Top Frontier Investment Holdings, Inc. from 2010 to 2013. Mr. Recto was formerly the Undersecretary of the Philippine Department of Finance from 2002 to 2005.</p> <p>Mr. Recto earned his Bachelor of Science degree in Industrial Engineering from the University of the Philippines Diliman. He completed his Masters in Business Administration, with concentration in Finance and Operation Management, from the Johnson Graduate School of Management at the Cornell University in Ithaca, New York, U.S.A. He is not connected with any government agency or instrumentality.</p>

#### Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the Independent Directors is in accordance with Rule 38 of the Securities Regulation Code ("SRC Rule 38"), AboitizPower's Amended By-Laws, and the Guidelines. The Guidelines were approved by the AboitizPower Board on May 15, 2007 and disclosed to all stockholders. On June 14, 2007, AboitizPower initially adopted and incorporated the provisions of SRC Rule 38 in its Amended By-Laws. Thereafter, the AboitizPower Board approved the Amended Guidelines for the Nomination and Election of Independent Directors (the "Amended Guidelines") on March 23, 2017, which was disclosed to all stockholders.

Nominations for Independent Directors were opened beginning January 1, 2019 and the table for nominations was closed on February 15, 2019, in accordance with Section C(1) of the Guidelines.

SRC Rule 38 further requires the Board Corporate Governance Committee to meet and pre-screen all nominees and submit a Final List of Nominees to the Corporate Secretary, so that such list will be included in the Company's Preliminary and Definitive Information Statements. Only nominees whose names

appear on the Final List shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of nominees has been prepared. The name of the person or group of persons who nominates an Independent Director shall be identified in such report including any relationship with the nominee.

In approving the nominations for Independent Directors, the Board Corporate Governance Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Amended Guidelines, and AboitizPower's Revised Manual on Corporate Governance (the "Revised Manual"). The Revised Manual was approved by the AboitizPower Board of Directors on July 24, 2014, March 23, 2017 and further amended on November 23, 2018. All amendments to the Revised Manual were timely disclosed to all stockholders. With the approval of the Revised Manual in 2014, the Board Corporate Governance Committee took over the functions of the Board Nominations and Compensation Committee. In 2018, Mr. Jon Ramon Aboitiz was the Chairman of the Board Corporate Governance Committee, until his untimely demise in November 2018. Mr. Romeo L. Bernardo, Lead Independent Director, replaced Mr. Aboitiz as the Chairman of the Corporate Governance Committee. The voting members are Messrs. Erramon I. Aboitiz, Mikel A. Aboitiz, Carlos C. Ejercito, Eric Ramon O. Recto, while the *ex-officio* non-voting members are Mr. Joseph Trillana T. Gonzales and Ms. Susan V. Valdez.

No nominations for Independent Director shall be accepted at the floor during the Annual Stockholders' Meeting at which such nominee is to be elected. Independent Directors shall be elected in the Annual Stockholders' Meeting during which other members of the Board are to be elected.

Messrs. Romeo L. Bernardo, Carlos C. Ejercito, and Eric Ramon O. Recto are the nominees for Independent Directors of AboitizPower. They are neither officers nor employees of AboitizPower or any of its Affiliates, and do not have any relationship with AboitizPower which would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director. Attached as Annexes "B-1," "B-2", and "B-3" are the Certifications of Qualification as Independent Director of Messrs. Bernardo, Ejercito, and Recto, respectively.

AboitizPower stockholders, Ms. Esmeraldo C. Dano, Ms. Joy Ann Bisnar, and Ms. Katrina B. Aliman, have respectively nominated Messrs. Bernardo, Ejercito, and Recto as AboitizPower's Independent Directors. None of the nominating stockholders have any relation to the respective independent director they are nominating.

#### **Other Nominees for Election as Members of the Board of Directors**

As the Board Corporate Governance Committee conveyed to the Corporate Secretary on February 18, 2018, the following were also nominated and qualified as candidates to the AboitizPower Board of directors for the ensuing year 2019-2020:

**Mikel A. Aboitiz**  
**Enrique M. Aboitiz**  
**Erramon I. Aboitiz**  
**Luis Miguel O. Aboitiz**  
**Jaime Jose Y. Aboitiz**  
**Danel C. Aboitiz**

Pursuant to Section 7, Article I of the Amended By-Laws of AboitizPower, nominations for members of the Board, other than Independent Directors, for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the Annual Stockholders' Meeting on April 22, 2019 or not later than March 27, 2019.

All other information regarding the positions and offices by the abovementioned nominees are integrated in Item 5 (a)(1) above.

**Officers for 2018-2019**

Below is the list of AboitizPower's officers for 2018-2019 with their corresponding positions and offices held for the past five (5) years. Unless otherwise indicated hereunder, the officers assumed their positions during AboitizPower's organizational meeting in 2018 for a term of one year.

<p><b>MIKEL A. ABOITIZ</b>  Chairman of the Board  Member – Board Audit Committee  – Board Risk and Reputation Management Committee  – Board Corporate Governance Committee  – Board Executive Committee</p>	<p>Mr. Mikel A. Aboitiz, 64 years old, Filipino, has been Director of AboitizPower since February 13, 1998 and was appointed as Chairman of the Board on September 1, 2018. He has been a member of the Company's Board Audit Committee since October 26, 2007, the Board Risk and Reputation Management Committee since May 19, 2014, the Board Corporate Governance Committee Meeting since December 11, 2018, and the Board Executive Committee since May 21, 2018. He was Vice Chairman of CitySavings from 2015 to 2016, and the bank's President and Chief Executive Officer from 2001 to 2014. He is currently Chairman of the Board of ACO; Vice Chairman of AEV, a publicly-listed company, since May 15, 2017; and Trustee and Vice Chairman of RAFL.</p> <p>Mr. Aboitiz holds a degree in Bachelor of Science in Business Administration from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.</p>
<p><b>ENRIQUE M. ABOITIZ</b>  Vice Chairman of the Board  Chairman – Board Risk and Reputation Management Committee  Member – Board Audit Committee  – Board Executive Committee</p>	<p>Mr. Enrique M. Aboitiz, 65 years old, Filipino, was appointed as Vice Chairman of AboitizPower on December 11, 2018. Mr. Aboitiz has served as Director of the Company since May 18, 2009, and as Chairman of the Board of Directors from 2009 to May 2018. He has been the Chairman of the Board Risk and Reputation Management Committee since May 16, 2011, member the Board Audit Committee since September 1, 2018 and of the Board Executive Committee since December 11, 2018. On December 11, 2018, Mr. Aboitiz was appointed the Chairman of the Board of AEV, a publicly-listed company. He is also the Vice Chairman of ACO.</p> <p>Mr. Aboitiz graduated with a degree in Bachelor of Science in Business Administration, Major in Economics from Gonzaga University, Spokane, Washington, U.S.A. Mr. Aboitiz is not connected with any government agency or instrumentality.</p>
<p><b>ERRAMON I. ABOITIZ</b>  Director  President and Chief Executive Officer  Chairman – Executive Committee  Member – Board Corporate Governance Committee</p>	<p>Mr. Erramon I. Aboitiz, 62 years old, Filipino, was appointed as President and Chief Executive Officer on September 1, 2018. He has been a Director of the Company since February 13, 1998 and has served as Chief Executive Officer from 1998 to September 2018. He is a member of the Board Corporate Governance Committee since May 17, 2010, and was appointed as Chairman of the Board Executive Committee on September 1, 2018.</p> <p>Mr. Aboitiz is currently the President &amp; Chief Executive Officer of AEV, a publicly-listed company. He has been Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to 2008.</p>

	<p>Mr. Aboitiz is also the President and Chief Executive Officer of ACO; Chairman of the Board of Directors of the following companies: Aboitiz Infracapital, AboitizLand, SFELAPCO, the SN Aboitiz Power Group, TPI, CRH Aboitiz, and ARI. He is Vice Chairman of RCBM and of UnionBank, a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nominations Committee. Lastly, he is Chairman of the Board of Trustees of Aboitiz Foundation, and is a director of the Philippine Disaster Recovery Foundation.</p> <p>Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst &amp; Young's Entrepreneur of the Year both in 2011.</p> <p>Mr. Aboitiz holds a Bachelor of Science degree in Business Administration, Major in Accounting and Finance from Gonzaga University in Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.</p>
<b>LUIS MIGUEL O. ABOITIZ</b> Director Chief Strategy Officer Member – Board Executive Committee	<p>Mr. Luis Miguel O. Aboitiz, 54 years old, Filipino, was appointed as Chief Strategy Officer of AboitizPower on May 21, 2018, and as Director on September 1, 2018. Prior to this, he served as Executive Vice President and Chief Operating Officer-Corporate Business Group from 2016 to 2018 and as Senior Vice President-Power Marketing and Trading from 2009 to 2015. He was appointed as member of the Board Executive Committee on September 1, 2018.</p> <p>Mr. Aboitiz is also currently Senior Vice President of AEV, a publicly-listed company, a position which he held since 2015. He is Director and First Vice President of ACO, and Trustee of Aboitiz Foundation. He also serves as Director and President of MORE; and Director of Abovant, ARI, TPI, Pilmico, PANC, TSI, TLI, Aboitiz InfraCapital, Sacasun, Cebu Energy, SPPC, WMPC, and Unionbank, a publicly-listed company. He is also Chairman of UnionBank's Technology Steering Committee and member of the Audit Committee and Operations Risk Management Committee, and alternate member of the Executive Committee. He holds a management position in GMCP and its holding company. Mr. Aboitiz is also a member of the Board of Trustees of the PIPPA.</p> <p>Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master's degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.</p>

<p><b>JAIME JOSE Y. ABOITIZ</b>  Director  Executive Vice President and Chief Operating Officer – Power Distribution Group  Member – Board Risk and Reputation Management Committee  – Board Executive Committee</p>	<p>Mr. Jaime Jose Y. Aboitiz, 57 years old, Filipino, was Director of AboitizPower from 2004 to April 2007, and was re-elected as Director on May 18, 2009. He is also the Company's Executive Vice President and Chief Operating Officer-Power Distribution Group, a position held since August 14, 2008. He was appointed as member of the Executive Committee on May 21, 2018 and of the Board Risk and Reputation Management Committee on September 1, 2018.</p> <p>Mr. Aboitiz is a member of the Board of Advisers of ACO, Chairman of the Board of ACI, and a Trustee of Aboitiz Foundation. He is also Chairman of the Board of SEZ, MEZ, LEZ, BEZ, Malvez, and CPPC; President and Chief Executive Officer of Abovant, Cotabato Light, and Davao Light; President of VECO; and Director of ARI, SFELAPCO, AboitizLand, CIPDI, Hedcor, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor Bukidnon, THICI, Hijos, Aboitiz InfraCapital and Apo Agua.</p> <p>Mr. Aboitiz holds a degree in Mechanical Engineering from Loyola Marymount University in California, U.S.A., and a Master's Degree in Management from the Asian Institute of Management. He is not connected with any government agency or instrumentality. He is not a director of any other publicly-listed company.</p>
<p><b>EMMANUEL V. RUBIO</b>  Chief Operating Officer</p>	<p>Mr. Emmanuel V. Rubio, 54 years old, Filipino, was appointed as Chief Operating Officer of AboitizPower on June 1, 2018. He served as the Company's Executive Vice President and Chief Operating Officer - Power Generation Group from 2014 to June 2018.</p> <p>Mr. Rubio is currently Chairman of Sacasun, TSI, TVI, Luzon Hydro Corporation (LHC), Hedcor, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor Bukidnon, and PEC; President and Director of TPI; and Director of ARI, Abovant, Cebu Energy, East Asia Utilities Corporation (EAUC), MORE, STEAG Power, TMI, TMO, TPVI, VECO, CPPC, and RP Energy. He holds directorship and management positions in GMCP and GNPD and their holding companies. He is also a member of the Board of Trustees and President of Philippine Electricity Market Corporation (PEMC) and Trustee of Aboitiz Foundation.</p> <p>Prior to joining AboitizPower, Mr. Rubio was connected with Consolidated Industrial Gases, Inc. (CIGI) Philippines, where he worked in various capacities, including Vice President for Sales and Marketing from 1996 to 2001, and eventually, President from 2003 to 2007.</p> <p>Mr. Rubio is a graduate of Bachelor of Science in Industrial Management Engineering, with a minor in Mechanical Engineering, from De La Salle University, where he also completed his post-graduate studies. He is also a certificate course graduate of the University of Michigan Executive Education Program, the LEAD program of Columbia University, and the Strategic Management Course of the</p>

	<p>Nanyang Technological University in Singapore. He recently completed the Advanced Management Program of Columbia University. Mr. Rubio is a holder of the Executive Certificate in Directorship from the Singapore Management University-Singapore Institute of Directors (SMU-SID). He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.</p>
<p><b>FELINO M. BERNARDO</b> Chief Operating Officer – Power Generation Group</p>	<p>Mr. Felino M. Bernardo, 55 years old, Filipino, was appointed as Chief Operating Officer – Power Generation Group on June 1, 2018. Prior to this, he served as President &amp; Chief Operating Officer of APRI from 2015 to 2018.</p> <p>Mr. Bernardo is currently Chairman of the Board of EAUC, TMI, and TMO; Director and Chief Executive Officer of AP Renewables Inc. (APRI); and Director of CPPC, Hedcor, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor Bukidnon, LHC, MORE, Sacasun, TLI, TPI, TSI, TVI, TPVI, PEC, and STEAG State. He holds directorship and management positions in GMCP and GNPD and their holding companies.</p> <p>Mr. Bernardo has a proven track record in leading companies to growth and profitability under competitive market conditions. Prior to joining the Aboitiz Group, Mr. Bernardo was the Country Manager of LIXIL for Philippines, Singapore, and Malaysia from 2005 to 2015, and the Country Manager of Kodak Philippines from 1997 to 2005.</p> <p>Mr. Bernardo graduated from the University of the Philippines – Diliman with a degree in Bachelor of Science in Electrical Engineering, Major in Electronics. He has also completed the Strategic Business Economics course conducted by the University of Asia and Pacific. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.</p>
<p><b>JUAN ANTONIO E. BERNAD</b> Executive Vice President for Regulatory and Industry Affairs</p>	<p>Mr. Juan Antonio E. Bernad, 62 years old, Filipino, has been AboitizPower's Executive Vice President for Regulatory and Industry Affairs since May 18, 2009. He has served the Company in several capacities, as Director from 1998 until 2009, as Executive Vice President/Chief Financial Officer/Treasurer from 1998 to 2003, and as Executive Vice President for Regulatory Affairs/ Chief Financial Officer from 2004 to 2007.</p> <p>Mr. Bernad was Senior Vice President-Electricity Regulatory Affairs from 2004 to 2007, Senior Vice President - Chief Financial Officer from 1995 to 2004, and Senior Vice President from 1995 to 2018 of AEV, a publicly-listed company. Mr. Bernad is also Vice Chairman of the Board of VECO; Director and the Executive Vice President - Regulatory Affairs of Davao Light; Director and Chief Financial Officer/Treasurer of Hijos; and Director of Cotabato Light, and SFELAPCO. He is also Vice Chairman of the National Renewable Energy Board (NREB), representing Private Distribution Utilities.</p>



	<p>Mr. Bernad graduated with a degree in Economics from Ateneo de Manila University and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not a director of a publicly-listed company.</p>
<p><b>GABRIEL T. MAÑALAC</b> Senior Vice President and Group Treasurer</p>	<p>Mr. Gabriel T. Mañalac, 62 years old, Filipino, has been AboitizPower's Treasurer since May 11, 2004 and its Senior Vice President and Group Treasurer since May 17, 2010. He has been Senior Vice President and Group Treasurer of AEV, a publicly-listed company, since 2009. Mr. Mañalac joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004. He is also Vice President and Treasurer of Davao Light and Treasurer of Cotabato Light.</p> <p>Mr. Mañalac graduated cum laude with a Bachelor of Science degree in Finance and a Bachelor of Arts in Economics degree from De La Salle University. He obtained his Masters of Business Administration in Banking and Finance degree from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.</p>
<p><b>SUSAN V. VALDEZ</b> Senior Vice President and Chief Reputation and Risk Management Officer Ex-Officio Member – Board Risk and Reputation Management Committee – Board Corporate Governance Committee</p>	<p>Ms. Susan V. Valdez, 58 years old, Filipino, has been the Chief Reputation Officer and Risk Management Officer of AboitizPower since December 14, 2012. She was appointed Senior Vice President and Chief Reputation and Risk Management Officer on May 18, 2015. She has been an <i>Ex-Officio</i> member of the Board Risk and Reputation Management Committee since May 21, 2012 and of the Board Corporate Governance Committee since January 1, 2019. She is also Senior Vice President and Chief Human Resources Officer of AEV, a publicly-listed company. She is currently Trustee and President of Aboitiz Foundation; Trustee and President of WeatherPhilippines Foundation, Inc. (WeatherPhilippines); and Director of Archipelago Insurance Pte Ltd (Archipelago Insurance).</p> <p>Before joining the Company, Ms. Valdez held various executive positions for 15 years in Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc., a publicly-listed company), as Chief Finance Officer, Chief Information Officer, and Chief Operating Officer of its freight and supply chain business units.</p> <p>Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa's College with a degree of Bachelor of Science in Commerce, Major in Accounting. She earned her Master's degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School. She is not connected with any government agency or instrumentality. She is also not a director of a publicly-listed company.</p>

<p><b>LIZA LUV T. MONTELIBANO</b>          Senior Vice President/Chief Financial Officer/Corporate Information Officer          Ex-Officio Member – Board Risk and Reputation Management Committee</p>	<p>Ms. Liza Luv T. Montelibano, 43 years old, Filipino, was appointed as Chief Financial Officer-Power Generation Group of AboitizPower on January 2, 2014 until she was promoted as First Vice President/Chief Financial Officer/Corporate Information Officer on May 18, 2015. She was appointed as <i>Ex-officio</i> member of the Board Risk and Reputation Management Committee on the same date. On May 16, 2016, Ms. Montelibano was promoted to Senior Vice President and Chief Financial Officer/Corporate Information Officer, a position that she holds to date.</p> <p>Ms. Montelibano is Director and Senior Vice President-Finance of ARI, and Director of MORE, VECO, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor, LHC, TPI, SEZ, AboitizPower International Pte. Ltd. (AboitizPower International), and Archipelago Insurance. She holds a management position in GMCP and its holding company.</p> <p>Prior to joining AboitizPower, Ms. Montelibano was the Country Controller of NXP Semiconductors. Her background is in finance, risk assessment, and internal audit, arising from her previous experience with various multinational companies. She also served as Chief Financial Officer of SteelAsia Manufacturing Corporation from September 2012 to March 2013, and as General Manager for Finance and Administration at L’Oreal Philippines, Inc. from March 2006 to August 2012.</p> <p>Ms. Montelibano graduated cum laude from the Ateneo de Manila University with a degree in Bachelor of Science in Management, Minor in Finance. She is also a Certified Internal Auditor under the Institute of Internal Auditors. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.</p>
<p><b>ROBERT MCGREGOR</b>          Executive Director – Chief Investment Officer</p>	<p>Mr. Robert McGregor, 59 years old, British, was appointed as Executive Director – Chief Investment Officer of AboitizPower on June 1, 2018. He was Executive Director for Business Development of AboitizPower from May 2017 to May 2018, and Executive Director – Investments from 2015 to 2017. Mr. McGregor is concurrently the Executive Director – Chief Investment Officer of AEV, a publicly-listed company. He first joined the Aboitiz Group as AEV’s Senior Vice President - Chief Strategy Officer in May 2014, and was appointed as Chief Strategy and Investment Officer in November of the same year.</p> <p>Mr. McGregor brings with him a wealth of experience in management, investment banking, and private equity investing, with almost 39 years of experience in energy markets. He also has extensive experience in corporate strategy, marketing and business planning in oil, gas and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up a partnership in Actis, an emerging market</p>

	<p>private equity company. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation Limited as an investment banker.</p> <p>Mr. McGregor completed his honours degree in Applied Chemistry from The University of Strathclyde in Glasgow, United Kingdom and obtained his Masters Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is also not a director of a publicly-listed company.</p>
<p><b>CHRISTOPHER B. SANGSTER</b> Executive Director – Business Development and Project Development and Execution</p>	<p>Mr. Christopher B. Sangster, 51 years old, Australian, was appointed Executive Director – Business Development and Project Development and Execution on May 1, 2018, he was previously the Company's Executive Director – Power Generation Group from May 2017 to May 2018. He first joined the Aboitiz Group in May 2008, and served as Executive Director of LHC.</p> <p>Prior to joining the Aboitiz Group, Mr. Sangster was Executive Manager for Asian Development and Operations of Pacific Hydro Pty Ltd. from August 2005 to May 2008. He has over 20 years of experience in the power sector with expertise on international development, construction, economic analysis, and technical and risk evaluations.</p> <p>Mr. Sangster earned his degree in Civil Engineering from the University of Adelaide in Adelaide, South Australia and his Masters in Business Administration degree from Melbourne Business School in Melbourne, Victoria, Australia. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.</p>
<p><b>JOSEPH TRILLANA T. GONZALES</b> General Counsel and Compliance Officer Ex-Officio Member – Board Corporate Governance Committee</p>	<p>Mr. Joseph Trillana T. Gonzales, 51 years old, Filipino, was appointed General Counsel of AboitizPower on January 1, 2015. He was appointed as the Company's Compliance Officer and <i>Ex-officio</i> member of the Board Corporate Governance Committee on March 1, 2018.</p> <p>He previously served as Assistant Corporate Secretary of the Company from August 2007 to May 2016. He was Vice President for Legal and Corporate Services of AEV from 2008 to 2014.</p> <p>Mr. Gonzales was Special Counsel of SyCip Salazar Hernandez &amp; Gatmaitan Law Offices until he joined the Aboitiz Group as Assistant Vice President of the Corporate and Legal Services of ACO in 2007.</p> <p>Mr. Gonzales is a graduate of Bachelor of Arts, Major in Economics, and Bachelor of Laws from the University of the Philippines. He has a Master of Laws degree from the University of Michigan in Ann Arbor, Michigan, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.</p>

<p><b>MANUEL ALBERTO R. COLAYCO</b> Corporate Secretary</p>	<p>Mr. Manuel Alberto R. Colayco, 49 years old, Filipino, has been Corporate Secretary of AboitizPower since March 1, 2018. He is concurrently Chief Legal Officer of AEV, a publicly-listed company, since July 11, 2016, Corporate Secretary and Compliance Officer since March 1, 2018.</p> <p>Mr. Colayco has practice in various areas of corporate law, including mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf &amp; Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher &amp; Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc &amp; De Los Angeles from 1996 to 2000.</p> <p>Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from New York University School of Law in New York, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.</p>
<p><b>MAILENE M. DE LA TORRE</b> Assistant Corporate Secretary</p>	<p>Ms. Mailene M. de la Torre, 37 years old, Filipino, was appointed Assistant Corporate Secretary of AboitizPower on November 24, 2016. She is concurrently Assistant Vice President - Governance and Compliance and Assistant Corporate Secretary of AEV, a publicly-listed company. She was previously Senior Associate General Counsel for Governance and Compliance of AEV since November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group.</p> <p>Ms. de la Torre has practice in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra &amp; Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member of good standing in the Integrated Bar of the Philippines. She is not connected with any government</p>

	agency or instrumentality. She is not a director of a publicly-listed company.
<b>JOANNE L. RANADA</b> Assistant Corporate Secretary	<p>Ms. Joanne L. Ranada, 40 years old, Filipino, was appointed as Assistant Corporate Secretary of AboitizPower on October 3, 2018. She is concurrently Senior Associate General Counsel for the Governance and Compliance Team and Assistance Corporate Secretary of AEV, a publicly-listed company. Ms. Ranada also serves as Corporate Secretary of the SN Aboitiz Power Group and Assistant Corporate Secretary of ARI, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor, MORE, TSI, and TVI.</p> <p>Ms. Ranada has over a decade of practice in the areas of regulatory compliance, corporate law, foreign investments, capital markets, securities, and corporate governance. Prior to joining the Aboitiz Group, she was the Legal Manager - Corporate Secretarial and Corporate Maintenance Services at Quisumbing Torres law firm from November 2015 to August 2018, and as Senior Corporate Lawyer at GWI Business Solutions, Inc. from November 2014 to October 2015. She was also a Chief Counsel at the Securities and Exchange Commission (SEC) from January 2006 to October 2014. While with the SEC, Ms. Ranada was a representative to the International Finance Corporation Accreditation Workshop conducted by the International Finance Corporation, the Asia Regional Funds Passport conducted by the Australian Department of Foreign Affairs, and the Credit Information Systems Training conducted by the Credit Information Corp. and the US Federal Trade Commission.</p> <p>Ms. Ranada earned her Bachelor's Degree in International Studies from the College of the Holy Spirit and her Bachelor of Laws degree from Philippine Law School. She has also completed the Trust Operations and Investment Management course conducted by the Trust Institute Foundation of the Philippines, and the Corporate Governance Training conducted by the New York Institute of Finance. She is not connected with any government agency or instrumentality. She is also not a director of any publicly-listed company.</p>
<b>NOREEN MARIE N. VICENCIO</b> Data Privacy Officer	<p>Ms. Noreen Marie N. Vicencio, 40 years old, Filipino, was appointed Data Privacy Officer of AboitizPower on November 23, 2017. She is also the Assistant Vice President for Risk Management of the Company since November 21, 2017.</p> <p>Ms. Vicencio brings with her experience in risk management, quality management, and systems integration. Prior to joining AboitizPower, she held various positions in AboitizLand from 2005 to 2017, as Assistant Vice President for Risk Management and Corporate Social Responsibility, and Assistant Vice President for Corporate Planning, Risk Management and Quality Management System. She obtained her Bachelor of Arts degree in</p>

	Psychology from St. Theresa's College, Cebu City. She also earned units in Masters in Management from the University of the Philippines Cebu. Ms. Vicencio has met the requirements and passed the examination for Data Protection Officer (DPO) (TÜV) Training and Certification Program. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.
<b>SATURNINO E. NICANOR, JR.</b> Group Internal Audit Head	<p>Mr. Saturnino E. Nicanor, Jr., 56 years old, Filipino, was appointed as Group Internal Audit Head of AboitizPower on July 26, 2018. He is concurrently the Assistant Vice President for Internal Audit since July 2016. He has extensive experience in internal audit and controllership in various industries. He also served as Internal Audit Head for the Company's Generation Group from August 2012 to July 2016, and held various audit-related positions in the Aboitiz Group from 1983 to 2005.</p> <p>Mr. Nicanor earned his Bachelor of Science in Commerce, Major in Accounting (magna cum laude) degree from the University of San Jose Recoletos, Cebu City. He is an Accredited Training Facilitator of the Institute of Internal Auditors Philippines. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.</p>

**Period in which the Directors Should Serve**

The directors shall serve for a period of one year.

**Term of Office of a Director**

Pursuant to the Amended By-Laws of AboitizPower, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election or for a term of one year and until his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board, other than by removal or expiration of term, may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his/her predecessor in office.

**(2) Significant Employees**

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

**(3) Family Relationships**

Messrs. Jaime Jose and Luis Miguel Aboitiz are first cousins. Messrs. Erramon and Enrique Aboitiz are brothers. Mr. Enrique Aboitiz is the father of Mr. Danel Aboitiz. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

**(4) Involvement in Certain Legal Proceedings as of January 31, 2019**

To the knowledge and/or information of AboitizPower, none of its nominees for election as directors, its present members of the Board, or its executive officers, is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order,

judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere, for the past five years until January 31, 2019, which would put to question his/her ability and integrity to serve AboitizPower and its stockholders.

#### **(5) Certain Relationships and Related Transactions**

AboitizPower and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into related party transactions consisting of professional fees, advances, various guarantees, construction contracts, and rental fees. These are made on an arm's length basis as of the time of the transactions.

AboitizPower ("Parent") has provided support services to its Business Units, such as marketing, trading, billing and other technical services, necessary for the effective and efficient management and operations among and between the Subsidiaries and Associates.

The Group has existing Service Level Agreements (SLAs) with its parent company, AEV, for corporate center services, such as human resources, internal audit, legal, information technology, treasury and corporate finance, among others. These services are obtained from AEV to enable the Group to realize cost synergies and optimize expertise at the corporate center. AEV maintains a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transaction costs are always benchmarked on third party rates to ensure competitive pricing and consistency with prevailing industry standards. SLAs are in place to ensure quality of service.

Material and significant related party transactions are reviewed and approved by the Related Party Transactions Committee of the Board.

No other transactions, without proper disclosure, were undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AboitizPower employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are brought to the attention of the management.

For detailed discussion on related party transactions, please refer to Note 32 of the Consolidated Financial Statements.

#### **(6) Parent Company**

AboitizPower's parent company is AEV. As of January 31, 2019, AEV owns 76.88% of the voting shares of AboitizPower. In turn, ACO owns, as of January 31, 2019, 48.57% of the voting shares of AEV.

#### **(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors**

No director has resigned or declined to stand for re-election to the Board since the date of AboitizPower's last Annual Stockholders' Meeting because of a disagreement with AboitizPower on matters relating to its operations, policies and practices.

### **Item 6. Compensation of Directors and Executive Officers**

#### **(a) Summary of Compensation of Executive Officers**

Information as to the aggregate compensation paid or accrued to AboitizPower's Chief Executive Officer and other highly compensated executive officers, as well as other officers and directors during the last two completed fiscal years and the ensuing fiscal year, is as follows:

Name of Officer and Principal Position*	Year	Salary	Bonus	Other Compensation
<b>Chief Executive Officer and the Four Most Highly Compensated Officers:</b>				
1. <b>ERRAMON I. ABOITIZ</b> - President & Chief Executive Officer				
2. <b>ANTONIO R. MORAZA**</b>				
3. <b>JUAN ANTONIO R. BERNAD</b> - Executive Vice President for Regulatory and Industry Affairs				
4. <b>EMMANUEL V. RUBIO</b> - Chief Operating Officer				
5. <b>JAIME JOSE Y. ABOITIZ</b> - Executive Vice President & Chief Operating Officer – Power Distribution Group				
6. <b>CHRISTOPHER B. SANGSTER***</b> - Executive Director – Business Development and Project Development and Execution				
All above named officers as a group	<b>Actual 2018</b>	<b>₱203,300,000.00</b>	<b>₱9,370,000.00</b>	<b>₱17,730,000.00</b>
	Actual 2017	₱166,030,000.00	₱5,740,000.00	₱18,140,000.00
	Projected 2019	₱201,140,000.00	₱9,193,360.00	₱15,200,000.00
All other officers and directors as a group	<b>Actual 2018</b>	<b>₱60,790,000.00</b>	<b>₱3,470,000.00</b>	<b>₱34,180,000.00</b>
	Actual 2017	₱122,710,000.00	₱5,910,000.00	₱39,660,000.00
	Projected 2019	₱89,360,000.00	₱4,930,000.00	₱41,900,000.00

\* The four most highly compensated officers in 2017 were Messrs. Antonio Moraza, Emmanuel Rubio, Juan Antonio Bernad, and Jaime Jose Aboitiz.

\*\*Mr. Moraza has retired as President & Chief Executive Officer of the Company effective August 31, 2018.

\*\*\*Mr. Sangster has qualified as one of the five most highly compensated officers in 2018.

The Amended By-Laws of the Company, as approved by the Securities and Exchange Commission (SEC) on May 16, 2014, defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer(s); the Chief Operating Officer(s); the Treasurer; the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board of Directors. For the year 2018, the Company's Summary of Compensation covers the compensation of officers as reported under Item 5 (a)(1) of the Information Statement.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

## (b) Compensation of Directors

### (1) Standard Arrangements

Following the May 18, 2015 stockholders' meeting, the directors receive a monthly allowance of ₱120,000.00 while the Chairman of the Board receives a monthly allowance of ₱180,000.00.



In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱100,000.00	₱150,000.00

Type of Meeting	Members	Chairman of the Committee
Board Committee Meeting	₱80,000.00	₱100,000.00

During its February 18, 2019 meeting, the Board Corporate Governance Committee, which performs the function of the Nomination and Compensation Committee, proposed to increase the directors' monthly allowance from ₱180,000.00 to ₱200,000.00 for the Chairman of the Board, and from ₱120,000.00 to ₱150,000.00 for other directors. The committee also proposed to increase the per diem for every meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

Type of Meeting	Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

During its March 7, 2019 meeting, the Board of Directors approved the proposed increase in the monthly allowance and per diem, and endorsed the same for the stockholders' approval.

A resolution approving the proposed increase in monthly allowance and per diem will be presented to the stockholders for approval at the 2019 Annual Stockholders' Meeting.

## (2) Other Arrangements

Other than payment of the directors' per diem and monthly allowance as stated, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

## (c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AboitizPower and any executive officer in case of resignation or any other termination of employment or from a change in the management or control of AboitizPower.

## (d) Warrants and Options Outstanding

To date, AboitizPower has not granted any stock options to its directors or officers.

## Item 7. Independent Public Accountant

As a matter of policy, the Board Audit Committee (the "Committee") selects, monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors, in consultation with the Chief Executive Officer, the Chief Financial Officer, and the Group Internal Audit Head. Where appropriate, the Committee may recommend to the Board of Directors the re-appointment or replacement of the current external auditor.

During the March 7, 2019 board meeting, the Chairman of the Committee, Mr. Carlos C. Ejercito, reported to the Board that the Committee evaluated and assessed the performance for the previous year of the Company's external auditor, SyCip Gorres Velayo & Co. (SGV). Based on the results of its evaluation, the Committee advised the Board of Directors that it is satisfied with SGV's performance for the previous year and recommended SGV's re-appointment as the Company's external auditor for 2019.

The Board of Directors discussed the Committee's recommendation, and after discussion, approved the re-appointment of SGV. The Board of Directors will endorse to the shareholders the re-appointment of SGV as the Company's external auditor for 2019.

The accounting firm of SGV has been AboitizPower's Independent Public Accountant for the last twenty years. Ms. Maria Veronica Andresa R. Pore has been AboitizPower's audit partner since audit year 2017. AboitizPower complies with the requirements of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There was no event in the past twenty years wherein AboitizPower and SGV (or its handling partner) had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Representatives of SGV will be present during the 2019 Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

The Chairman of the Audit Committee is Mr. Carlos C. Ejercito, an Independent Director. The members are Messrs. Romeo L. Bernardo and Eric Ramon O. Recto, both Independent Directors, and Messrs. Mikel A. Aboitiz and Enrique M. Aboitiz, directors of AboitizPower.

#### Item 8. Compensation Plans

No action is to be taken during the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

#### C. ISSUANCE AND EXCHANGE OF SECURITIES

#### Item 9. Authorization or Issuance of Securities Other Than for Exchange

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to authorization or issuance of any securities other than for exchange for outstanding securities.

#### Recent Issuance of Registered Debt Securities

##### (a) Ten Billion Fixed Rate Bonds issued in August 2014

On August 29, 2014, SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for AboitizPower's ₱10bn-retail bonds ("2014 Bonds"). BPI Capital Corporation (BPI Capital) acted as the Issue Manager and Lead Underwriter, BPI Asset Management and Trust Group (BPI AMTG) as the Trustee, and Philippine Depository & Trust Corporation (PDTC) as the Registry and Paying Agent for the transaction. The 2014 Bonds received the highest possible rating of PRS "Aaa" from Philippine Rating Services Corporation (PhilRatings). The 2014 Bonds were listed with the Philippine Dealing & Exchange Corporation (PDEX) on September 10, 2014.

The 2014 Bonds were issued in two series, seven-year bonds with a fixed interest rate of 5.205% per annum, and twelve-year bonds with a fixed interest rate of 6.10% per annum. Interest rate is calculated on a 30/360-day count basis and is paid quarterly in arrears every March 10, June 10, September 10, and December 10 of each year at which the bonds are outstanding, or the subsequent banking day without adjustment if such interest payment date is not a banking day. The Company has the option, but not the obligation, to redeem in whole (and not in part) any series of the outstanding 2014 Bonds, on the following dates or the immediately succeeding banking day if such date is not a banking day:

	Early Redemption Option Dates
Series A Bonds	5.25 years from Issue Date
	6 years from Issue Date
Series B Bonds	7 years from Issue Date
	8 years from Issue Date

	9 years from Issue Date
	10 years from Issue Date
	11 years from Issue Date

AboitizPower has been paying interest to its bond holders since December 10, 2014.

#### *Use of Proceeds*

Following the offer and sale of the 2014 Bonds, AboitizPower received the aggregate amount of ₱10 bn as proceeds. As of December 31, 2016, the proceeds from the 2014 Bonds were fully utilized for the following projects:

- i. 400 MW (net) Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon;
- ii. 68 MW Manolo Fortich Hydropower Plant Project;
- iii. 300 MW Cebu Coal Project;
- iv. 300 MW Davao Coal Project; and
- v. 14 MW Sabangan Hydropower Plant Project.

#### **(b) Shelf Registration of Thirty Billion Fixed-Rate Bonds issued in 2017 and 2018**

On June 19, 2017, SEC issued an Order of Registration and a Certificate of Permit to Offer Securities for AboitizPower's ₱30 bn fixed-rate corporate retail bonds in the aggregate amount of up to ₱30 bn ("2017 Bonds"). The 2017 Bonds was registered under the shelf registration program of the SEC and was to be issued in tranches.

##### *Series "A" Three Billion Fixed Rate Bonds issued in July 2017*

Series "A" was issued on July 3, 2017 with an aggregate amount of ₱3 bn, a tenor of ten (10) years, and fixed interest rate of 5.3367% per annum. Interest is payable quarterly in arrears on January 3, April 3, July 3, and October 3 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day. AboitizPower engaged BPI Capital as Issue Manager and Underwriter, BPI-AMTG as Trustee, and PDTC as the Registrar and Paying Agent. The Series "A" bonds received a credit rating of "PRS Aaa" with Stable Outlook from Philratings, and is listed with PDEX.

AboitizPower received the aggregate amount of ₱2.97 bn as proceeds from the offer and sale of the Series "A" bonds. As of December 31, 2017, the proceeds were utilized for the following projects:

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

*Note: Amounts are in thousands*

##### *Series "B" and Series "C" Ten Billion Fixed Rate Bonds issued in October 2018*

Series "B" and Series "C" bonds, with an aggregate amount of ₱10 bn and an oversubscription option ₱5 bn, were issued on October 12, 2018. The Series "B" bonds have an interest rate of 7.5095% per annum, and mature in 2024, while the Series "C" bonds have an interest rate of 8.5091% per annum, and mature in 2028. Interest is payable quarterly in arrears on January 25, April 25, July 25, and October 25 of each year, or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AboitizPower appointed BDO Capital Corporation as Issue Manager, BDO Capital Corporation, BPI Capital, and United Coconut Planters Bank as Joint Lead Underwriters, BDO Unibank, Inc. Trust & Investments Group as Trustee, and PDTC as the Registry and Paying Agent for the transaction. The

Series “B” and Series “C” bonds received the highest possible rating of PRS “Aaa” from PhilRatings and is listed with PDEX.

*Use of Proceeds*

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Refinancing of the Medium-Term Loan of Therma Power, Inc.	₱8,700,000	₱8,700,000
Bond issuance costs	118,868	121,924
General corporate purposes	1,381,132	–
<b>TOTAL</b>	<b>₱10,200,000</b>	<b>₱8,821,924</b>

*Note: Amounts are in thousands*

*Series “D” Bonds*

On January 29, 2019, the Board of Directors of AboitizPower approved the issuance of up to Php16.8 billion fixed-rate retail bonds (the “Third Tranche Bonds”) out of the Php30 billion bonds registered in 2017 under the shelf registration program of the SEC.

Subject to market conditions, the Third Tranche Bonds are expected to be offered to the general public in the second half 2019 and will be listed with the PDEX as and when issued.

Proceeds of the Third Tranche Bonds will be used to finance planned acquisitions, future investments, and/or other corporate requirements.

**Item 10. Modification or Exchange of Securities**

No action is to be taken during the 2019 Annual Stockholders’ Meeting with respect to modification of any class of securities of AboitizPower, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

**Item 11. Financial and Other Information**

No action is to be taken during the 2019 Annual Stockholders’ Meeting with respect to any matter specified in Items 9 or 10.

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action is to be taken during the 2019 Annual Stockholders’ Meeting with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with AboitizPower; (ii) acquisition by AboitizPower or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of AboitizPower; or (v) liquidation or dissolution of AboitizPower.

**Item 13. Acquisition or Disposition of Property**

No action is to be taken during the 2019 Annual Stockholders’ Meeting with respect to acquisition or disposition of any property of AboitizPower.

**Item 14. Restatement of Accounts**

No action is to be taken during the 2019 Annual Stockholders’ Meeting with respect to restatement of any asset, capital or surplus account of AboitizPower.

**D. OTHER MATTERS****Item 15. Action with Respect to Reports**

- (a) Approval of the Minutes of the 2018 Annual Meeting of Stockholders dated May 21, 2018 (A summary of the Minutes is attached hereto as Annex "C");
- (b) Approval of the 2018 Annual Report of Management and Financial Statements of the Company; and
- (c) General ratification of the acts of the Board of Directors, Corporate Officers, and the Management from the date of the last Annual Stockholders' Meeting up to April 22, 2019. These acts are covered by resolutions of the Board duly adopted during the normal course of trade or business of the Company.

**Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Ratification of the acts of the Board, corporate officers and management in 2018 up to April 22, 2019 refers only to acts done in the ordinary course of business and operations of AboitizPower, which have been duly disclosed to the SEC, the PSE, and the PDEX, as may be required and in accordance with the applicable laws. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual meeting of AboitizPower stockholders.

Below is a summary of board resolutions approved during the period of May 21, 2018 to March 7, 2019:

**Regular Board Meeting, May 21, 2018**

- (a) Borrow and Transact for Short Term Facilities with Various Banks
- (b) Allow and Guarantee the Availments by Company's EnerZone Subsidiaries of the Company's Credit Facilities with Various Banks
- (c) Delegate to Management Power to Explore and Possibly Issue the Remaining Php27 billion Fixed-Rate Bonds Registered Under the Shelf Registration Program of the Securities and Exchange Commission
- (d) Participate in the Auction for the Acquisition of Economic and Voting Interests in ACE Thermal, Inc. and Appoint Authorized Representatives for the Transaction
- (e) Participate in the Competitive Bidding for the Acquisition of Direct or Indirect Equity Interests in PT Barjradaya Sentranusa, Appoint Authorized Representatives for the Transaction and Fund the Project
- (f) Renew the Appointment of Authorized Representatives to Attend and Represent the Company during the Annual or Special Stockholders' Meeting of its Investee Companies
- (g) Renew the Authority to Purchase, Sell, or Deal in Any Manner with the Motor Vehicles of the Company and to Appoint Representatives of the Company
- (h) Renew the Authority to Enter into Non-Disclosure Agreements, Letters of Instruction, Memoranda of Agreement and Other Preliminary Agreements Involving Potential Acquisitions or Transactions and Appointment of Authorized Representatives
- (i) Update List of Officers Authorized to Transact with Philippine Depository & Trust Corporation
- (j) Enter into Data Sharing Agreement/s within the Aboitiz Group

**Special Board Meeting, July 10, 2018**

- (a) Submit a Binding Offer for the Acquisition of AA Thermal Holding Company
- (b) Transact and Obtain Loans and/or Credit Facilities from Various Banks

**Regular Board Meeting, July 26, 2018**

- (a) Issue the Remaining Amounts of the Php30 billion Fixed Rate Bonds Registered Under the 2017 Shelf Registration with the SEC
- (b) Infuse Capital and Subscribe to Shares to Various Subsidiaries

- (c) Participate in the Competitive Bidding for the Acquisition of Direct or Indirect Equity Interests in Philippine Wind Holdings Corporation and UPC Philippines Holdco I B.V., and Appoint Authorized Representatives for the Transaction
- (d) Early Cessation of Extended Tenure of Mr. Antonio R. Moraza
- (e) Appoint Mr. Erramon I. Aboitiz as President and Chief Executive Officer of the Company
- (f) Appoint Mr. Saturnino E. Nicanor, Jr. as Group Internal Audit Head
- (g) Appoint Authorized Representative to File Reports to the PSE, PDEx, and SEC
- (h) Issue General Authority to Purchase Shares in VECO, and in other Subsidiaries of the Company
- (i) Transact with and Apply for Credit Line with Hotels
- (j) Update the Company's Financial Levels of Authority

**Special Board Meeting, September 1, 2018**

- (a) Appoint Mr. Mikel A. Aboitiz as the Chairman of the Board of Directors
- (b) Appoint Mr. Luis Miguel Aboitiz as Director and Appoint New Board Committee Members
- (c) Apply as Member of the PhilHydro Association, Inc.

**Special Board Meeting, September 26, 2018**

- (a) Acquire Economic and Voting Interests in AA Thermal, Inc. and Appoint Authorized Representatives for the Transaction

**Regular Board Meeting, October 3, 2018**

- (a) Guarantee Olongapo Energy Corporation's Obligations and Covenants under the Competitive Selection Process for the Development of the Electric Power Distribution System of New Clark City
- (b) Allow and Guarantee the Availment by Therma Luzon, Inc. of the Company's Credit Facilities with Various Banks
- (c) Appoint Ms. Joanne L. Ranada as Assistant Corporate Secretary
- (d) Update the List of Authorized Representatives to File Reports with the PSE, PDEx and SEC

**Regular Board Meeting, November 23, 2018**

- (a) Update the Signatories for the Company's Accounts Maintained with Various Banks
- (b) Pledge the Company's Shares in Hedcor, Inc. to Secure Hedcor's Loan Obligation Under the Loan Agreement
- (c) Infuse Additional Equity in Olongapo Energy Corporation (OEC) for the Funding of the New Clark City Project
- (d) Enter into a Security Service Contract with Multimodal Security and Investigation Agency Inc.
- (e) Appoint Authorized Representatives to Transact with Various Government Agencies related to the Company's Projects for Development and/or Execution
- (f) Apply for Trademark Registration in Indonesia, Myanmar, and Vietnam
- (g) Obtain Permits with the Optical Media Board (OMB) in Relation to the Distribution of Reports for the Stockholders Meeting
- (h) Approve Amendments to the Company's Manual on Corporate Governance

**Special Board Meeting, December 11, 2018**

- (a) Appoint Mr. Danel C. Aboitiz as Director of the Company
- (b) Appoint Mr. Enrique M. Aboitiz as the Vice Chairman of the Board of Directors
- (c) Appoint Board Committee Members

**Regular Board Meeting, January 29, 2019**

- (a) Issue Fixed-Rate Retail Bonds of up to Php16.8 Billion Constituting the Last Tranche of the 2017 Shelf Registration with the SEC
- (b) Borrow and Guarantee the Borrowings by AboitizPower International Pte. Ltd from a Consortium of Banks
- (c) Allow and Guarantee the Availments by Therma Marine, Inc. of the Company's Credit Facilities from Various Banks
- (d) Provide Debt Servicing Reserve Account Standby Letter of Credit for Hedcor, Inc. from Various Banks
- (e) Apply for Trademark Registration in Malaysia

**Special Board Meeting, March 7, 2019**

- (a) Approve the 2018 Audited Financial Statements
- (b) Approve the Agenda, Venue, and Record Date of the Stockholders Entitled to Vote for the 2019 Annual Stockholders' Meeting
- (c) Appoint Luis Cañete and Company as the Board of Election Inspectors for the 2019 Annual Stockholders' Meeting
- (d) Appoint the Proxy Validation Committee Members
- (e) Approve the Increase in the Directors' Monthly Allowance and Per Diem for Board and Committee meetings
- (f) Endorse SyCip Gorres Velayo & Co. as the Company's External Auditor for 2019
- (g) Obtain Permits with the Optical Media Board in relation to the Distribution of Reports for the Stockholders Meeting
- (h) Declare the Regular Cash Dividend Pursuant to the Disclosed Policy
- (i) Avail of the Corporate Check Writer Facility of Union Bank of the Philippines for the Company's 2019 Dividend Payments
- (j) Apply and Secure Work Permits, Visas and Other Authorizations from various Government Agencies
- (k) Appropriate a Portion of the Unrestricted Retained Earnings of the Company to Fund Projects
- (l) Reversal of the Company's Appropriated Retained Earnings
- (m) Authority of the Company's Chief Finance Officer to Determine the Timing when to Reclassify the Company's Appropriated Retained Earnings to Unappropriated Retained Earnings

**Item 17. Amendment of Charter, By-Laws or Other Documents**

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to the amendment of the Company's Charter, By-Laws or other documents.

**Item 18. Other Proposed Actions**

- (a) *Approval of the 2018 Annual Report and Financial Statements.* The proposal is intended to present to the stockholders the results of the Company's operations in 2018, in accordance with Section 74 of the Revised Corporation Code.

The Company's audited financial statements as of December 31, 2018 will be integrated and made part of the Company's 2018 Definitive Information Statement (2018 Information Statement). The 2018 Information Statement will be distributed to the stockholders at least 15 days prior to the Annual Stockholders' Meeting, and the same will be posted at the Company's website at [www.aboitzpower.com](http://www.aboitzpower.com).

A resolution approving the 2018 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

- (b) *Appointment of the Company's External Auditor for 2019.* The proposal is intended to appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse SGV as the external auditor for 2019 for the shareholders to appoint.

The profile of the external auditor is disclosed in the 2018 Preliminary and Definitive Information Statement.

A resolution for the appointment of the Company's external auditor for 2019 shall be presented to the stockholders for approval.

- (c) *Ratification of Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2018 up to April 22, 2019.* The proposal is intended to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board, Corporate Officers and Management in the ordinary course of business. The board resolutions are enumerated in this 2018 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing at, and can be downloaded from, the Company's website at [www.aboitizpower.com](http://www.aboitizpower.com).

A resolution to ratify the acts, resolutions and proceedings of the Board of Directors, corporate officers and management in 2018 up to the date of the Annual Stockholders' Meeting shall be presented to the stockholders for approval.

## **Item 19. Voting Procedures**

### **(a) Votes Required for Matters Submitted for Approval of the Shareholders**

Section 4, Article I of the Amended By-Laws of AboitizPower states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AboitizPower. Majority of such quorum shall decide on any question in the meeting, except those matters in which the Revised Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members of the Board, nominees who receive the highest number of votes shall be declared elected, pursuant to Section 23 of the Revised Corporation Code.

For other matters submitted to the stockholders for approval, a vote by a majority of the shares entitled to vote present or represented during the meeting shall be necessary to approve the proposed actions. There are no proposed actions in the 2019 Annual Stockholders' Meeting that requires approval by a higher percentage of votes from the stockholders.

### **(b) The Method by which Votes will be Counted**

In the election of directors, the nine nominees with the most number of votes shall be declared elected. If the number of nominees does not exceed the recorded number of directors to be elected, all the shares present or represented at the meeting will be voted in favor of the nominees. If there is an objection to the motion to elect all the nominees, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

- (i) Vote such number of shares for as many person(s) as there are directors to be elected;
- (ii) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or
- (iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him, multiplied by the whole number of directors to be elected.

The method of counting the votes shall be in accordance with the general provisions of the Revised Corporation Code. The counting of votes shall be done by representatives of the Office of the Corporate Secretary, who shall serve as members of the Election Committee. The voting shall be witnessed and the results shall be verified by the duly appointed Independent Board of Election Inspectors, Luis Cañete & Company, an independent accounting firm.

Other than the nominees' election as directors and the proposed increase in the directors' monthly allowance and per diem, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect, by security holdings or otherwise, in any way in the matters to be taken up during the meeting. AboitizPower has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the 2019 Annual Stockholders' Meeting.



This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Annual Stockholders' Meeting of the Company. AboitizPower stockholders may likewise request for a copy of the Annual Report in SEC Form 17-A which will be given free of charge upon written request. Please write to:

Investor Relations Office  
Aboitiz Power Corporation  
NAC Tower, 32nd Street  
Bonifacio Global City  
Taguig City, Metro Manila  
1634 Philippines  
email: ap\_investor@aboitiz.com

Attention: Mr. Francisco Victor "Judd" G. Salas

This Information Statement and the Annual Report in SEC Form 17-A will also be posted at AboitizPower's website: [www.aboitizpower.com](http://www.aboitizpower.com).

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on 12 MAR 2019.

**ABOITIZ POWER CORPORATION**

By:



**MANUEL ALBERTO R. COLAYCO**  
Corporate Secretary

## DEFINITION OF TERMS

2014 Bonds	Refers to the Company's fixed-rate corporate retail bonds with an aggregate principal amount of up to ₱10 bn with tenors of seven and twelve years
2017 Bonds	Refers to the Company's fixed-rate corporate retail bonds with an aggregate principal amount of up to ₱30 bn registered under the shelf registration program of the SEC to be issued in tranches. As of the date of this report, the 2017 Bonds have been issued in 3 tranches
Aboitiz Group	ACO and the companies or entities in which ACO has a beneficial interest, over which ACO directly or indirectly exercises management control, including, without limitation, AEV, AboitizPower and their respective Subsidiaries and Affiliates
Aboitiz InfraCapital	Aboitiz InfraCapital, Inc.
AboitizLand	Aboitiz Land, Inc.
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables, Inc.
AboitizPower, the Company, the Issuer or the Registrant	Aboitiz Power Corporation
AboitizPower Group or the Group	AboitizPower and its Subsidiaries
Abovant	Abovant Holdings, Inc.
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV	Aboitiz Equity Ventures Inc.
Affiliate	With respect to any Person, any other Person directly or indirectly controlled or is under common control by such Person
Aggregator	Refers to a person or entity, engaged in consolidating electric power demand of end-users in the contestable market, for the purpose of purchasing and reselling electricity on a group basis
Ambuklao-Binga Hydroelectric Power Complex	Refers to SN Aboitiz Power-Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
Amended Guidelines	Refers to AboitizPower's Amended Guidelines for the

	Nomination and Election of Independent Directors
AP Solar	AP Solar Tiwi, Inc.
APRI	AP Renewables, Inc.
ARI	Aboitiz Renewables, Inc. (formerly: Philippine Hydropower Corporation)
AS	Ancillary Services
Aseagas	Aseagas Corporation
ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies.
Bakun AC Plant	70-MW Bakun AC run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
BCQ	Bilateral Contract Quantity
BEZ	Balamban Enerzone Corporation
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BOI	Board of Investments
BOT	Build-Operate-Transfer
Brownfield	Power generation projects that are developed on sites which have had previous developments
Bunker C	A term used to designate the thickest of the residual fuels that is produced by blending any oil remaining at the end of the oil-refining process with lighter oil
Business Unit	A Subsidiary of AboitizPower
CA	Court of Appeals
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals
Cebu Energy	Cebu Energy Development Corporation
CIPDI	Cebu Industrial Park Developers, Inc.
CFB	Circulating Fuelized Bed
Cleanergy	Cleanergy, Inc. (formerly, Northern Mini – Hydro Corporation)
Coal Group	Composed of the following Business Units: Therma Luzon, Inc., Therma South, Inc., Therma Visayas, Inc., GNPowder Mariveles Coal Plant Ltd. Co., GNPowder Dinginin Ltd. Co., Pagbilao Energy Corporation, Redondo Peninsula Energy, Inc., STEAG State Power, Inc., and Cebu Energy Development

	Corporation, which own and/or operate coal-fired power plants
COC	Certificate of Compliance
Code	AboitizPower's Code of Ethics and Business Conduct
Contestable Customer	An electricity end-user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with Republic Act 9136 or the EPIRA
Contestable Market	Refers to the electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with Sec. 4 (h) of the EPIRA
Control	Possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings.
Corporation Code	Corporation Code of the Philippines
Cotabato Light	Cotabato Light & Power Company
CPPC	Cebu Private Power Corporation
CSEE	Contract for the Supply of Electric Energy
CTA	Court of Tax Appeals
DAU	Declaration of Actual Use
Davao Light	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
DOE	Department of Energy
DOLE	Department of Labor and Employment
Distribution Companies or Distribution Utilities	Refers to the companies within the AboitizPower Group engaged in power distribution, such as BEZ, Cotabato Light, Davao Light, LEZ, MEZ, SEZ, SFELAPCO, and VECO. "Distribution Company" or "Distribution Utility" may refer to any one of the foregoing companies.
EAUC	East Asia Utilities Corporation
ECC	Environmental Compliance Certificate

Enerzone Companies	Refers to BEZ, LEZ, MEZ and SEZ and other Distribution Utilities of the AboitizPower Group operating within special economic zones
EPC	Engineering, Procurement and Construction
EPIRA	RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
EPPA	Electric Power Purchase Agreement
ERC	Energy Regulatory Commission
FIT	Feed-in-Tariff
FIT-All	FIT-Allowance
GCGI	Green Core Geothermal Incorporated
Generation Companies	Refers to the companies within the AboitizPower Group engaged in power generation; "Generation Company" may refer to any one of these companies.
GNPowerDingin in or GNPD	GNPower Dinginin Ltd. Co.
GNPowerMariveles or GMCP	GNPower Mariveles Coal Plant Ltd. Co.
Government	The Government of the Republic of the Philippines
Greenfield	Power generation projects that are developed from inception on previously undeveloped sites
Grid	As defined in the Implementing Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas and Mindanao or as may be otherwise determined by the ERC in accordance with Section 45 of the EPIRA
GRSC	Geothermal Resource Sales Contract
Guidelines	AboitizPower's Amended Guidelines for the Nomination and Election of Independent Directors
GWh	Gigawatt-hour, or one million kilowatt-hours
Hedcor	Hedcor, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc.
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
HEPP	Hydroelectric Power Plant
Hijos	Hijos De F. Escaño, Inc.

IEMOP	Independent Electricity Market Operator of the Philippines Inc.
IPPA	Independent Power Producer Administrator
IPO	Initial Public Offering
Joint Venture	Refers to a type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control
kV	Kilovolt or one thousand volts
kW	Kilowatt or one thousand watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour.
LBAA	Local Board of Assessment Appeals
LEZ	Lima Enerzone Corporation
LHC	Luzon Hydro Corporation
LTC	Lima Technology Center
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Magat Plant	The 360-MW Magat HEPP of SN Aboitiz Power-Magat located at the border of Isabela and Ifugao provinces
Manual	Refers to the Company's Manual of Corporate Governance
Maris Plant	The 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant
Mariveles Project	2x316MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
MERALCO	Manila Electric Company
MEZ	Mactan Enerzone Corporation
MOA	Memorandum of Agreement
MORE	Manila-Oslo Renewable Enterprise, Inc.
MW	Megawatt or one million watts
MWh	Megawatt-hour
MWp	Megawatt-peak
MVA	Megavolt Ampere
NGCP	National Grid Corporation of the Philippines
NPC	National Power Corporation
NPPC	Naga Power Plant Complex, the 55 MW land-based gas turbine

	power plant located in Colon, Naga City, Cebu
Oil Group	Refers to the following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation, which own and operate Bunker C-fired power plants
Open Access	Retail Competition and Open Access
PA	Provisional Authority
Pagbilao Plant or Pag1 and Pag2	The 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon
PBR	Performance-based Rate-setting Regulation
PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEx	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed-income securities
PDTC	Philippine Depository and Trust Corporation
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	An individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PEZA	Philippine Economic Zone Authority
Philippine Pesos or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Ratings Services Corporation
PIPPA	Philippine Independent Power Producers Association, Inc.
PPA	Power Purchase Agreement
Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	Power Supply Contract
PSE	The Philippine Stock Exchange, Inc.
RA	Republic Act
RE Law	RA 9513, otherwise known as the Renewable Energy Act of 2008

REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESC	Renewable Energy Service Contract
RORB	Return-on-Rate Base
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Real Property Tax
RSC	Retail Supply Contract
RTC	Regional Trial Court
Run-of-river hydroelectric plant	Hydroelectric power plant that generates electricity from the natural flow and elevation drop of a river
Sacasun	San Carlos Sun Power Inc.
Sacasun Plant	The 58.98 MWdc, greenfield, stand-alone solar power generation project located at San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SEC	The Securities and Exchange Commission of the Philippines
SEZ	Subic EnerZone Corporation
SFELAPCO	San Fernando Electric Light & Power Co., Inc.
Sibulan Project	The two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SN Aboitiz Power-Benguet	SN Aboitiz Power – Benguet, Inc. (formerly, SN Aboitiz Power – Hydro, Inc.) which owns and operates the Ambuklao-Binga Hydroelectric Power Complex in Bokod, Benguet
SN Aboitiz Power-Magat	SN Aboitiz Power – Magat, Inc. which owns and operates the 360-MW Magat Plant located in Ramon, Isabela and Alfonso Lista, Ifugao, and the 8.5-MW Maris Plant in Ramon, Isabela
SN Aboitiz Power Group	The collective name of companies formed out of the strategic partnership between AboitizPower and SN Power, and refers to MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc. SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
SN Power	SN Power AS, a consortium between Statkraft AS and Norfund of Norway
SN Power Group	Refers to the group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It

	is the leading Norwegian hydropower group with operations in Asia, Africa and Latin America.
SPC	SPC Power Corporation (formerly: Salcon Power Corporation)
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines
STEAG Power	STEAG State Power Inc.
Subsidiary	In respect of any Person, any entity: (i) who has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) who has exposure, or rights, to variable returns from its involvement with the investee; and (iii) who has ability to use its power over the investee to affect its returns.
TCIC	Taiwan Cogeneration International Corporation
TeaM Energy	Team Energy Corporation
Team Philippines	Team Philippines Industrial Power II Corporation (formerly Mirant (Phils.) Industrial Power II Corp.)
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TSI	Therma South, Inc. (formerly Therma Pagbilao, Inc.)
THC	Tsuneishi Holdings (Cebu), Inc.
THI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-Makban Geothermal Facilities	The geothermal facilities composed of twelve geothermal plants and one binary plant, located in the provinces of Batangas, Laguna and Albay
TPI	Therma Power, Inc.
TPVI	Therma Power-Visayas, Inc.
Transco	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines (NGCP) which is the Transco concessionaire
TSA	Transmission Service Agreement
TSI	Therma South, Inc. (formerly: Therma Pagbilao, Inc.)
TVI	Therma Visayas, Inc. (formerly: Vesper Industrial and Development Corporation)
ULGEI	Unified Leyte Geothermal Energy, Inc.
US\$	The lawful currency of the United States of America
VAT	Value Added Tax

VEC	Vivant Energy Corporation
VECO	Visayan Electric Company, Inc.
VIGC	Vivant Integrated Generation Corporation
Vivant Group	Refers to Vivant Corporation and its subsidiaries
WCIP	West Cebu Industrial Park
WCIP-SEZ	West Cebu Industrial Park - Special Economic Zone
WESM	Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation

## PART I – BUSINESS AND GENERAL INFORMATION

## Item 1. Business

## (1) Business Development

Aboitiz Power Corporation (AboitizPower) was incorporated on February 13, 1998 in Cebu City, Philippines as a private holding company with a corporate life valid for 50 years from date of incorporation, or until 2048. In 2013, AboitizPower transferred its principal address from Cebu City to its current principal address located at 32<sup>nd</sup> St., Bonifacio Global City, Taguig City. The Company retained its business address at Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave, Kasambagan, Cebu City.

Since its incorporation, AboitizPower has become a publicly-listed holding company that, through its Subsidiaries and Affiliates, is now a leader in the Philippine power industry and has interests in a number of privately-owned generation companies, retail electricity supply services, and distribution utilities throughout the Philippines, from Benguet in the north to Davao in the south. As of December 31, 2018, its generation companies have an attributable net sellable capacity of 3,206 MW, which is equivalent to 17% market share of the national grid's installed generating capacity. The Company also owns interests in nine (9) distribution utilities in Luzon, Visayas, and Mindanao, including the second and third largest distribution utilities in the Philippines, VECO and Davao Light. AboitizPower's Subsidiaries engaged in the supply retail electricity sold a total of 5.32 TWh as of December 31, 2018.

As of January 31, 2019, AEV owns 76.88% of the outstanding capital stock of AboitizPower, 3.81% are owned by directors, officers and related parties, while the rest are owned by the public.

Neither AboitizPower nor any of its Subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

*Brief History*

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired 20% ownership interest in VECO in the early 1900s. In the 1930s, ACO acquired Ormoc Electric Light Company and its accompanying ice plant, Jolo Power Company, and Cotabato Light. In July 1946, the Aboitiz Group further strengthened its position in power distribution in Southern Philippines when it acquired Davao Light, which is now the third largest privately-owned electric utility in the Philippines in terms of customers and annual gigawatt hour (GWh) sales.

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

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated HEDC, which began conducting feasibility studies, hydroelectric power installation and maintenance, and began developing hydroelectric projects, initially in and around Davao City. On June 26, 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now Cleanergy, Inc.), which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating 14 plants with combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a Build-Operate-Transfer (BOT) agreement with the National Power Corporation (NPC) to develop and operate the 70-MW Bakun AC hydroelectric plant in Ilocos Sur ("Bakun AC Plant").

*Growth Years*

In 2003, to prepare for growth in the power generation industry, AboitizPower positioned itself as a holding company that owned power generation assets only. AboitizPower divested of its power distribution assets through a property dividend declaration in the form of AboitizPower's ownership interests in the different power distribution companies and transferred direct control over the power distribution business to AEV. Further, in 2005, AboitizPower consolidated its investments in mini-hydroelectric plants in a single

company by transferring all of HEDC's and Cleanergy's mini-hydroelectric assets to Hedcor, Inc. (Hedcor).

In December 2006, the Company and its partner, Statkraft Norfund Power Invest AS of Norway, through SN Aboitiz Power-Magat, submitted the highest bid of US\$530 million (mn) for the 360-MW Magat hydroelectric plant (Magat Plant) auctioned by the Power Sector Assets and Liabilities Management (PSALM) Corporation. PSALM turned over possession and control of the Magat Plant to SN Aboitiz Power-Magat on April 26, 2007.

In a share swap agreement with AEV on January 20, 2007, AboitizPower issued a total of 2,889,320,292 of its common shares in exchange for AEV's ownership interests in VECO (55%), Davao Light (100%), Cotabato Light (100%), SEZ (64%), and SFELAPCO (44%).

In February 2007, the Company, through its wholly-owned Subsidiary, Therma Power, Inc. (TPI), entered into a Memorandum of Agreement (MOA) with Taiwan Cogeneration International Corporation (TCIC) to collaborate in the building and operation of an independent coal-fired power plant in the Subic Bay Freeport Zone ("Subic Coal Project"). In May 2007, Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company that will undertake the Subic Coal Project. In July 2011, Meralco PowerGen Corporation (MPGC), TCIC, and TPI entered into a Shareholders' Agreement to formalize their participation in RP Energy. MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.

On April 20, 2007, the Company acquired 50% of the outstanding capital stock of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. (El Paso Philippines). EAUC operates a 50 MW Bunker C-fired plant within the Mactan Export Processing Zone I (MEPZ I) in Mactan Island, Cebu. On the same date, the Company also acquired 60% of the outstanding common shares of Cebu Private Power Corporation (CPPC), which operates a 70-MW Bunker C-fired plant in Cebu City. On June 14, 2016, in line with its target to increase its attributable net sellable capacity to 4,000 MW by 2020, AboitizPower, through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.

On June 8, 2007, as part of the reorganization of the power-related assets of the Aboitiz Group, the Company acquired from AboitizLand, a 100% interest in Mactan Enerzone Corporation (MEZ), and a 60% interest in Balamban Enerzone Corporation (BEZ). The Company also consolidated its ownership interests in SEZ by acquiring the combined 25% interest in SEZ held by AEV, SFELAPCO, Okeelanta Corporation (Okeelanta), and Pampanga Sugar Development Corporation (PASUDECO). These acquisitions were made through a Share Swap Agreement, which involved the issuance of the Company's 170,940,307 common shares issued at the initial public offering (IPO) price of ₱5.80 per share in exchange for the foregoing equity interests in MEZ, BEZ, and SEZ.

#### *AboitizPower as a Publicly-listed Company*

Ownership in AboitizPower was opened to the public through an IPO of its common shares in July 2007. Its common shares were officially listed on the PSE on July 16, 2007.

In August 2007, the Company, together with Vivant Energy Corporation (VEC), signed a MOA with Global Business Power Corporation (Global Power) of the Metrobank group for the construction and operation of a 3x82-MW coal-fired power plant in Toledo City, Cebu ("Cebu Coal Project"). TPI and Vivant Integrated Generation Corporation (VIGC) thereafter formed Abovant as the investment vehicle of their 44% equity interest in Cebu Energy Development Corporation (Cebu Energy), the project company of the Cebu Coal Project.

On November 15, 2007, AboitizPower closed the purchase of the 34% equity ownership in STEAG Power, owner and operator of a 232-MW coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The Company won the competitive bid to buy the 34% equity in STEAG Power from Evonik Steag GmbH (formerly known as Steag GmbH) in August 2007. The total purchase price for the 34% equity in STEAG Power is US\$102 mn, inclusive of interests.

On November 28, 2007, SN Aboitiz Power-Benguet submitted the highest bid (US\$325 mn) for the Ambuklao-Binga Hydroelectric Power Complex, then consisting of the 75-MW Ambuklao hydroelectric



power plant (HEPP) located in Bokod, Benguet and the 100-MW Binga hydroelectric power plant located in Itogon, Benguet.

In 2007, AboitizPower entered into an agreement to buy the 20% equity of Team Philippines Industrial Power II Corporation (formerly: Mirant (Phils.) Industrial Power II Corp.) (Team Philippines) in SEZ for ₱92 mn. Together with Davao Light's 35% equity in SEZ, this acquisition brought AboitizPower's total equity in SEZ to 100%.

In 2008, AboitizPower bought the 40% equity ownership of Tsuneishi Holdings (Cebu), Inc. (THC) in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

On May 26, 2009, AP Renewables Inc. (APRI) took over the ownership and operations of the 289-MW Tiwi geothermal power facility in Albay and the 458-MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan Geothermal Facilities") after winning the competitive bid conducted by PSALM on July 30, 2008. Currently, the Tiwi-MakBan Geothermal Facilities have a sustainable capacity of approximately 693.2 MW.

On August 28, 2009, Therma Luzon, Inc. (TLI) won the competitive bidding for the appointment of the Independent Power Producer Administrator (IPPA) of the 700-MW (2x350 MW) contracted capacity of the Pagbilao Coal-Fired Power Plant ("Pagbilao Plant"). It assumed dispatch control of the Pagbilao Plant on October 1, 2009, becoming the first IPPA in the country, responsible for procuring the fuel requirements of, and for selling the electricity generated by the Pagbilao Plant.

AboitizPower, through its wholly-owned Subsidiary, Therma Marine, Inc. (TMI), assumed ownership over Mobile 1 (Power Barge 118) and Mobile 2 (Power Barge 117), both barge-mounted diesel-powered generation plants, on February 6, 2010 and March 1, 2010, respectively. TMI acquired these power barges from PSALM for US\$30 mn through a negotiated bid concluded on July 31, 2009. Each of the power barges have a generating capacity of 100 MW. Mobile 1 and Mobile 2 are moored at Barangay San Roque, Maco, Compostela Valley and Nasipit, Agusan del Norte, respectively.

On May 27, 2011, Therma Mobile, Inc. (TMO) acquired from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation four barge-mounted floating power plants located at Navotas Fishport, Manila, including their respective operating facilities. The barges, having a total installed capacity of 242 MW, underwent rehabilitation in July 2011, and started commercial operations on November 12, 2013 at a capacity of 100 MW.

In 2013, Aboitiz Energy Solutions, Inc. (AESI) won 40 strips of energy corresponding to 40 MW capacity of Unified Leyte Geothermal Power Plant (ULGPP). The notice of award was issued to AESI on January 29, 2014 and allowed AESI to sell 40 MW of geothermal power from ULGPP beginning January 1, 2015.

On March 31, 2014, Therma Power Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC) located in Colon, Naga City, Province of Cebu. SPC Power Corporation (SPC), the other bidder, exercised its right-to-top under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement, and PSALM declared SPC as the winning bidder. After protracted legal proceedings, TPVI accepted the turn-over for the NPPC plant on July 16, 2018.

On May 15, 2014, TPI entered into a Joint Venture Agreement with TPEC Holdings Corporation to form Pagbilao Energy Corporation (PEC). PEC is the project company that owns and operates the 400-MW Pagbilao Unit 3 (Pag3), located in the same site as the existing 700-MW Pagbilao Units 1 and 2 coal-fired thermal power plants in Pagbilao Quezon. PEC began commercial operations in March 2018.

On June 19, 2014, AboitizPower acquired 100% ownership interest in Lima Utilities Corporation, now Lima Enerzone Corporation (LEZ), from Lima Land, a wholly-owned Subsidiary of AboitizLand. LEZ is the Distribution Utility serving the Lima Technology Center (LTC) located in Lipa City, Batangas. LEZ manages a 50-megavolt ampere (MVA) substation with dual power supply system connected through a 69-kilovolt (kV) transmission line of the NPC. The LEZ substation is directly connected to the grid in Batangas City with an alternate connection to the MakBan geothermal line.

On August 28, 2014, TPI signed a Shareholders' Agreement with Vivant Group which owns 20% issued and outstanding shares of Therma Visayas, Inc. (TVI), the project company for the construction of the 2x150 MW circulating fluidized bed (CFB) coal-fired power plant in Barangay Bato, Toledo City, Cebu. The plant is currently in the testing and commissioning phase, but is experiencing technical issues with turbines that will delay commercial operation date (COD) of the first unit to June 2019 and the second unit to April of 2019.

On August 29, 2014, the SEC approved AboitizPower's application for the issuance of fixed-rate corporate retail bonds with an aggregate principal amount of up to ₱10 bn. The 2014 Bonds, which received the highest possible rating of "PRS Aaa" rating from the PhilRatings, were issued simultaneously in two series, the 7-year bonds with a fixed-interest rate of 5.205% per annum, and the 12-year bonds with a fixed-interest rate of 6.10% per annum. The 2014 Bonds are listed with the PDEX.

On August 18, 2015, Aboitiz Renewables entered into a Shareholders' Agreement with Sun Edison Philippines Helios BV (Sunedison Philippines) to jointly explore, develop, construct, and operate utility scale solar photovoltaic power generation projects in the Philippines. Their project vehicle, San Carlos Sun Power, Inc. (Sacasan), has undertaken the acquisition, development, and exploration of the 59-Megawatt peak (MWp) solar photovoltaic power generation project in San Carlos City, Negros Occidental. Following the voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code filed by Sunedison Inc. (SUNE), the parent company of Sunedison Philippines, on December 4, 2017, AboitizPower International acquired SunE Solar B.V.'s (SunE Solar) equity interest in Sunedison Philippines, resulting in the divestment by SUNE and its subsidiaries' participation in the Sacasan Project.

On September 18, 2015, TSI declared full commercial operations of the first of its two 150-MW units of the 300-MW CFB coal-fired power plants in Davao del Sur. TSI's Unit 1 delivered contracted power to more than twenty customers consisting of electric cooperatives and distribution utilities all over Mindanao. TSI's Unit 2 started full commercial operations on February 2, 2016.

On December 27, 2016, upon receipt of the PCC and BOI approvals, TPI completed the acquisition of all the partnership interest of The Blackstone Group, L.P. in GNPowder Mariveles Coal Plant Ltd. Co. (GNPover Mariveles or GMCP) and GNPowder Dinginin Ltd. Co. (GNPover Dinginin or GNPD). TPI restructured its share ownership in GNPD and GMCP, through the transfer of direct ownership of GNPD and GMCP from the offshore Subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary Subsidiaries that own the GNPD and GMPC shares. As of December 31, 2018, TPI directly owns 66.07% of the partnership interest in GMCP and 45% of the partnership interest in GNPD.

On March 23, 2017, the Company issued fixed-rate corporate retail bonds in the aggregate amount of up to ₱30 bn (the "2017 Bonds"), registered under the shelf registration program of the SEC, to be issued in tranches.

SEC issued the Order of Registration and Certificate of Permit to Offer Securities for Sale on June 19, 2017 for the Series "A" bonds. The bonds had an aggregate amount of ₱3 bn with a fixed interest rate of 5.3367% per annum and was listed with PDEX.

SEC issued the Certificate of Permit to Sell Securities on October 11, 2018 for the Series "B" and Series "C" bonds in the aggregate amount of ₱10 bn with an oversubscription option ₱5 bn. The Series "B" bonds has an interest rate of 7.5095% per annum, maturing in 2024, while Series "C" bonds has an interest rate of 8.5091% per annum, maturing in 2028. Same as the 2017 Bonds, PhilRatings assigned an issue credit rating of "PRS Aaa" with Stable Outlook for the bonds which were also listed with PDEX on October 25, 2018.

On January 15, 2018, Aseagas announced that it will permanently cease operations of its 8.8-MW biomass plant in Lian, Batangas. Aseagas has earlier suspended its commissioning on November 24, 2017 due to the unavailability of the supply of organic effluent wastewater from its supplier, Absolut Distillers, Inc. Aseagas also prepaid its outstanding loan with the Development Bank of the Philippines amounting to ₱3.7 bn.

AboitizPower plans to enter the rooftop solar business through APX1 and expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. AboitizPower first ventured into the solar market in 2016 with

Sacasun. As of December 31, 2018, AboitizPower has 988 MW of net sellable capacity, through its partners, under its Cleanergy brand. The Company is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

On August 24, 2018, APRI and Philippine Geothermal Production Company, Inc. (PGPC, formerly Philippine Geothermal Inc.) signed a Geothermal Resources Supply and Services Agreement with the supply of steam and drilling of new production wells in the Tiwi and MakBan Geothermal Complex. The agreement ensures competitive fuel pricing in the long term and is in line with APRI's commitment to deliver reliable and renewable power to its customers.

On September 26, 2018, AboitizPower and Arlington Mariveles Netherlands Holding B.V., an affiliate of AC Energy, Inc. ("AC Energy"), entered into a Share Purchase Agreement for AboitizPower's acquisition of 49% voting interest and 60% economic interest in AA Thermal. The AA Thermal platform initially consists of AC Energy's limited partnership interests in GMCP and in GNPD where AboitizPower, through its Subsidiary TPI, already holds direct partnership interests. The acquisition was approved by the Philippine Competition Commission (PCC) on February 28, 2019, and completion is pending based on satisfaction of the remaining conditions precedent.

On January 4, 2019, TMO notified Manila Electric Company (MERALCO) that it will physically disconnect from MERALCO's system and will deregister as a Trading Participant in the Wholesale Electricity Spot Market (WESM) effective February 5, 2019. This is due to TMO's commercial inactivity since June 26, 2018, following the absence of an approved power supply agreement for its four barges. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were sent to PEMC, DOE, ERC and Independent Electricity Market Operator of the Philippines Inc. (IEMOP), following the applicable legal notice requirements.

Neither AboitizPower nor any of its Subsidiaries has been the subject of any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

## (2) Business of Issuer

With investments in power generation, retail electricity supply, and power distribution throughout the Philippines, AboitizPower is considered one of the leading Filipino-owned companies in the power industry. Based on SEC's parameters of what constitutes a significant Subsidiary under Item XX of Annex B (SRC Rule 12), the following are AboitizPower's significant Subsidiaries at present: ARI and its Subsidiaries, and Therma Power and its Subsidiaries. (Please see Annex "D" hereof for AboitizPower's corporate structure.)

### (a) Description of Registrant

#### (i) Principal Products or Services

#### GENERATION OF ELECTRICITY

Since its incorporation in 1998, AboitizPower has accumulated interests in both renewable and non-renewable generation plants. As of 2018, the power generation business accounted for 82% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of December 31, 2018 compared to the same period in 2017 and 2016:

Generation Companies	Energy Sold			Revenue		
	2018	2017	2016	2018	2017	2016
	(in GWh)			(in mn Pesos)		
APRI	2,857	2,747	2,688	12,518	11,645	10,334
Hedcor	172	162	140	694	821	776
LHC	291	272	263	970	774	801

Generation Companies	Energy Sold			Revenue		
	2018	2017	2016	2018	2017	2016
	(in GWh)			(in mn Pesos)		
Hedcor Sibulan	213	259	189	1,385	1,591	1,131
Hedcor Tudaya	32	41	30	191	240	180
Hedcor Sabangan	53	55	28	315	325	166
SN Aboitiz Power-Magat	2,379	1,324	923	7,182	8,298	6,308
SN AboitizPower-Benguet	2,085	989	867	6,070	6,996	6,307
TLI	6,808	5,126	5,091	26,603	22,939	19,661
TSI	1,959	1,647	1,640	11,141	10,535	8,869
Cebu Energy	1,978	1,724	1,723	9,724	8,752	7,966
STEAG Power	1,840	1,212	1,605	4,373	4,255	4,706
GMCP*	5,498	5,482	0	23,492	21,644	0
WMPC	438	221	355	1,393	1,439	1,636
SPPC	161	50	155	161	524	633
CPPC	551	141	146	1,253	1,484	1,292
EAUC	368	63	90	819	844	725
TMI	1,432	182	917	2,016	2,076	4,268
TMO	814	286	336	1,694	3,111	2,911
Davao Light*	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light*	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

\*TPI completed the acquisition of GMCP on December 27, 2016.

\*\*Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by the ERC.

## Renewables

### Aboitiz Renewables, Inc. (ARI)

Since the start of its operations in 1998, AboitizPower has been committed to developing expertise in renewable energy technologies. The Company believes that due to the growing concerns on the environmental impact of power generation using traditional fossil fuel energy sources, greater emphasis should be placed on providing adequate, reliable and reasonably priced energy through innovative and renewable energy technologies such as hydroelectric and geothermal. As such, a significant component of AboitizPower's future projects is expected to focus on those that will allow the Company to leverage its experience in renewable energy, while maintaining its position as a leader in the Philippine renewable energy industry.

As one of the providers of renewable energy in the country, AboitizPower holds all its investments in renewable energy through its wholly-owned Subsidiary, ARI. ARI was incorporated on January 19, 1995 and owns equity interests in the following Generation Companies:

- 100% equity interest in Luzon Hydro Corporation (LHC), which operates the 70-MW Bakun AC Plant in Ilocos Sur in Northern Luzon;
- 100% equity interest in Hedcor, which operates 13 mini-hydroelectric plants (each with less than 10 MW in installed capacity) with a total capacity of 37.90 MW located in Benguet Province in Northern Luzon and in Davao City in Southeastern Mindanao;
- 100% equity interest in Hedcor Sibulan, which operates the 49-MW Sibulan HEPP and Tudaya 1 HEPP in Davao del Sur;
- 100% equity interest in Hedcor Tudaya, which operates the 7-MW Tudaya 2 HEPP in Davao del Sur;
- 100% equity interest in Hedcor Sabangan, which operates the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province;
- 100% equity interest in Hedcor Bukidnon, which is currently building a 68-MW run-of-river HEPP in Manolo Fortich, Bukidnon;
- 83.33% equity interest in Manila-Oslo Renewable Enterprise, Inc. (MORE), which owns SN Aboitiz Power-Magat, the company that operates the 360-MW Magat HEPP and the 8.5-MW Maris Plant in Isabela in Northern Luzon; and SN Aboitiz Power-Benguet, the company that operates the 245-MW Ambuklao-Binga Hydroelectric Power Complex in Northern Luzon; and

- (h) 100% equity interest in APRI, which owns and operates the 344-MW Tiwi-MakBan geothermal facilities located in Albay, Laguna and Batangas; 100% beneficial ownership interest in Sacasun, the company that owns and operates the 59-MWp utility-scale photovoltaic solar project in San Carlos City, Negros Occidental; and
- (i) 100% equity interest in Aseagas, the company that owns the biomass plant in Lian, Batangas, which has ceased operations.

### ***Run-of-River Hydros***

#### **Luzon Hydro Corporation (LHC)**

Incorporated on September 14, 1994, LHC owns, operates and manages the 70-MW Bakun AC run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur.

LHC was previously ARI's joint venture company with Pacific Hydro of Australia, a privately-owned Australian company that specialized in developing and operating power projects utilizing renewable energy sources. On March 31, 2011, ARI, LHC, and Pacific Hydro signed a MOA granting ARI full ownership over LHC. ARI assumed 100% ownership and control of LHC on May 10, 2011.

LHC's Bakun AC Hydro Plant was constructed and operated under the government's build-operate-transfer scheme (BOT). As such, the 254 GWh of energy produced by the Bakun AC Hydro Plant annually, is delivered and taken up by NPC pursuant to a Power Purchase Agreement ("Bakun PPA") and dispatched to the Luzon Grid through the 230-kV Bauang-Bakun transmission line of NGCP. Under the terms of the Bakun PPA, all of the electricity generated by the Bakun AC Hydro Plant is purchased by NPC for a period of 25 years beginning February 2001. The Bakun PPA also requires LHC to transfer the Bakun AC Hydro Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

The IPPA contract for the Bakun AC Hydro Plant was awarded to Northern Renewables (formerly Amlan Power Holdings Corporation) following a competitive bidding process conducted by PSALM.

The Bakun AC Hydro Plant ISO 55001:2014 certified. It is also currently ISO-certified on Quality, Environmental, Operational Health and Safety, and Information Security.

#### **Hedcor, Inc. (Hedcor)**

Hedcor owns, operates, and manages run-of-river hydropower plants in Northern Luzon and Davao City with a combined net sellable capacity of 36.52 MW.

Hedcor was incorporated on October 10, 1986 by ACO as Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998.

In 2005, ARI consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy, in Hedcor. The electricity generated from Hedcor's hydropower plants are taken up by NPC, AdventEnergy, and Davao Light pursuant to Power Purchase Agreements (PPAs) with the said off-takers. Irisan 1 is selling under the Feed-in-Tariff (FIT) mechanism through a Renewable Energy Payment Agreement (REPA) with National Transmission Corporation (Transco). The remaining electricity is sold through the Wholesale Electricity Spot Market (WESM).

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year. In 2018, Hedcor's hydropower plants generated a total of 149 GWh of Cleanergy, its brand for clean and renewable energy.

In 2017, Hedcor broke ground on its Bineng Combination Hydro project in La Trinidad, Benguet. It will replace Bineng 1, 2, and 2B, which originally had a combined capacity of 6 MW, with a new facility and

is expected to produce 19 MW of hydro power of which 100% is attributable to AboitizPower. The plant is targeted commercial operations in July 2019 and is expected to be FIT-eligible.

#### **Hedcor Sibulan, Inc. (Hedcor Sibulan)**

Incorporated on December 2, 2005, Hedcor Sibulan is a wholly-owned Subsidiary of ARI and owns, operates and manages the 49.23-MW hydropower plants collectively known as “Sibulan Plants” in Sibulan, Santa Cruz, Davao del Sur.

The Sibulan plants are composed of three (3) cascading plants: Sibulan Hydro A which produces 16.32 MW; Tudaya Hydro 1 which produces 6.7 MW; and Sibulan Hydro B which produces another 26.25 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. The ERC renewed the Certificates of Compliance (COC) for Tudaya Hydro 1 on March 10, 2014, and for the Sibulan Hydro A and B plants on May 18, 2015. Since 2007, the energy produced by the Sibulan Plants has been sold to Davao Light through a Power Supply Agreement (PSA).

On September 12, 2012, DOE awarded Tudaya 1 with a Renewable Energy Service Contract (RESC) which allowed Hedcor Sibulan to avail of the incentives under the Republic Act No. 9513 or the Renewable Energy Act of 2008 (RE Law) for 7 years.

In 2017, Hedcor Sibulan and Hedcor Tudaya obtained the very first ISO 55001:2014 certification which certifies for the Asset Management Standard in the Philippines, proving that the company has an integrated and effective management system for its assets.

#### **Hedcor Tudaya, Inc. (Hedcor Tudaya)**

Incorporated on January 17, 2011, Hedcor Tudaya is a wholly-owned Subsidiary of ARI and owns, operates and manages the 7-MW Tudaya Hydro 2 run-of-river hydropower plant in Astorga, Santa Cruz, Davao del Sur. Commercially operating since March 2014, Tudaya Hydro 2 is currently selling energy under the FIT mechanism through a Renewable Energy Supply Agreement (RESA) with Davao del Sur Electric Cooperative, and through a REPA with Transco.

Together with Hedcor Sibulan, Hedcor Tudaya was awarded the very first ISO certification for Asset Management or the ISO 55001:2014 standard in the Philippines in 2017, certifying that the company has an integrated and effective management system for its assets.

#### **Hedcor Sabangan, Inc. (Hedcor Sabangan)**

Incorporated on January 17, 2011, Hedcor Sabangan is a wholly-owned Subsidiary of ARI and owns, operates and manages the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province. The Sabangan Hydro Plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River.

#### **Hedcor Bukidnon, Inc. (Hedcor Bukidnon)**

Incorporated on January 17, 2011, Hedcor Bukidnon is a wholly-owned Subsidiary of ARI and owns, operates, and manages the Manolo Fortich hydropower plants with a combined net sellable capacity of 68.8 MW (“Manolo Fortich plant”) located in Manolo Fortich, Bukidnon.

The Manolo Fortich plant is composed of two plants: the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2. Both plants produce at least 354 GWh annually. The construction of the Manolo Fortich project was brought to completion in 2018, with the total project costing estimated at ₱13 bn.

**Large Hydros****SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat)**

Incorporated on November 29, 2005, SN Aboitiz Power-Magat is the owner and operator of the 360-MW Magat HEPP ("Magat Plant") located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao in Northern Luzon, and the 8.5-MW run-of-river Maris Main Canal 1 HEPP ("Maris Plant") located in Brgy. Ambatali in Ramon, Isabela.

The Magat Plant was completed in 1983 and was acquired by SN Aboitiz Power-Magat on December 14, 2006 after winning a bidding process conducted by PSALM. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, which AboitizPower believes gives it a competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs. The Magat Plant has a nameplate capacity of 360 MW but is capable of producing up to 380 MW.

The Magat reservoir has the ability to store water equivalent to 17 days of 24 hours of full generating capacity. The Magat Plant's source of upside—water as a source of fuel and the ability to store it—is also its source of limited downside. SN Aboitiz Power-Magat is an accredited provider of much needed Ancillary Services (AS) to the Luzon Grid, selling a significant portion of its available capacity to the WESM System Operator of the Luzon Grid. SN Aboitiz Power-Magat's remaining capacity is sold as electric energy to the spot market through the WESM and to load customers through bilateral contracts.

In 2009, SN Aboitiz Power-Magat began the refurbishment project of Unit 2, which was completed in January 2018. The refurbishment projects involved the replacement of power transformers and related equipment, as well as automation of its control systems. These aimed to overhaul the plant's electro-mechanical equipment and avert operational inefficiencies that usually occur in HEPPs after more than 25 years of operation. Half-life refurbishment is a good industry practice to ensure that the plants remain available throughout their lifespan.

The company's COC was issued in December 2015 which is valid for five years or until November 28, 2020.

The mild La Niña phenomenon experienced during the last quarter of 2017 up to the first quarter of 2018 resulted in higher than normal inflows from January to April. The La Niña episode ended in the first half of 2018, with inflows experienced in the Magat dam higher by 10% compared to the historical normal. In the second half of 2018, third quarter inflows were above normal, but the fourth quarter had below normal inflows due to the impending El Niño. Overall, for 2018, Magat dam experienced water availability that is 10% higher than normal. However, 2018 inflows in Magat dam was 14% lower compared to the high inflow experienced in 2017.

Driven by lower water inflows, the Magat Plant's total sold capacity from spot energy generation and AS decreased by 8% in 2018 at 2.26 Terawatt-hour (TWh) from 2.46 TWh in 2017. This is equivalent to sold capacity factor of 68% in 2018 compared to 75% in 2017. This resulted to spot and AS revenue of ₱6.23 bn in 2018, or 12% lower than the revenue of ₱7.06 bn in 2017. Bilateral Contract Quantity (BCQ) revenue in 2018 associated with SN Aboitiz Power-Magat is ₱550 mn, or 21% lower than in 2017 (₱698 mn).

In partnership with the Department of Energy (DOE), the Safety and Health Association of the Philippines Energy Sector, Inc. (SHAPES) declared SN Aboitiz Power - Magat as Hall of Famer during the DOE's 2018 Corporate Safety and Health Excellence Awards, recognizing its exemplary occupational health and safety performance for three consecutive years from 2016-2018. Magat HEPP of SN Aboitiz Power - Magat recorded nearly 1.18 mn manhours without lost time incident. Several SN Aboitiz Power - Magat safety professionals were also feted for being instrumental in implementing safety and health policies that helped the company attain zero lost time accident.

SN Aboitiz Power-Magat implemented the Integrated Management System, consisting of the ISO 14001 Environmental Management System, the ISO 9001 Quality Management System, transition from OHSAS 18001 Occupational Health & Safety Management System to ISO 45001, and ISO 55001 Asset Management System, as verified and audited by DQS Philippines in 2018.

SN Aboitiz Power-Magat is ARI's joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa, and Latin America. MORE owns 60% of the company while SN Power Philippines Inc. (SN Power Philippines) owns the remaining 40%.

#### **SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power-Benguet)**

Incorporated on March 12, 2007, SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 105-MW Ambuklao HEPP ("Ambuklao Plant") and the 140-MW Binga HEPP ("Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province.

On March 2017, SN Aboitiz Power-Benguet received its amended COC from the ERC for all four units of the Binga Plant. The amended COC reflects the increase of Binga's capacity from 130 MW (35 MW for each of the four units) to 130.08 MW (35.02 MW for each unit).

The mild La Niña phenomenon experienced during the last quarter of 2017 up to the first quarter of 2018 resulted to higher than normal inflows from January to June. This ended the first half of 2018, with inflows to the Benguet dams higher by 42% as compared to the historical normal. In the second half of 2018, third quarter inflows were way above normal due to the Habagat-fueled typhoons, while the fourth quarter experienced below normal inflows due to the El Niño manifestations. This resulted to the Benguet dams ending 2018 with 57% higher than the normal water availability and for all of 2018 the Benguet dams nearly doubled the 2017 inflows.

Although inflows were higher in the Ambuklao reservoir in 2018 as compared to 2017, there was an overall lower AS Capacity Approval and Spot Sales for Benguet. Ambuklao Plant's total sold capacity from spot energy generation and Ancillary Services (AS) decreased by 0.74% at 810 GWh in 2018 as compared to 816 GWh in 2017. This is equivalent to sold capacity factor of 88% in 2018, as compared to 89% in 2017.

Similarly, Binga Plant's total sold capacity from spot energy generation and AS in 2018 is at 1.1 TWh as compared to 1.18 TWh in 2017. This is equivalent to sold capacity factor of 90% in 2018 compared to 96% in 2017.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2018 was ₱4.9 bn, which is 7% lower than the revenue of ₱5.29 bn in 2017. BCQ revenue in 2018 associated with SN Aboitiz Power-Benguet was ₱553 mn, 22% lower than that of 2017 (₱707 mn).

SN Aboitiz Power-Benguet was also declared as a Hall of Famer by DOE during the DOE's 2018 Corporate Safety and Health Excellence Awards for its exemplary occupational health and safety performance for three consecutive years from 2016-2018. The Ambuklao and Binga Hydroelectric Power Plants (HEPP) jointly have more than 3.79 mn man hours of having no lost time incident and several safety professionals were also feted for being instrumental in implementing safety and health policies that helped the company attain zero lost time accident

Both the Ambuklao and Binga Plants have implemented their Integrated Management System (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and OHSAS 18001 Occupational Health & Safety Management System) and have retained their management system certificates. SN Aboitiz Power-Benguet was successfully certified on ISO 55001 for Asset Management last March 14, 2018.

SN Aboitiz Power-Benguet is also a joint venture between ARI and SN Power. The company is 60% owned by MORE, while the remaining 40% is owned by SN Power Philippines.



**SN Aboitiz Power-Generation, Inc. (SN Aboitiz Power-Gen)**

Incorporated on March 10, 2011, SN Aboitiz Power-Gen implements the SN Aboitiz Power Group's Greenfield Development Program. This program aims to grow the SN Aboitiz Power Group's renewable energy portfolio by looking at potential hydroelectric power projects in the Philippines, primarily within its current host communities in Northern Luzon.

There is a pipeline of projects in various stages from initial prospecting, pre-feasibility, feasibility, construction, including the recently completed Maris Plant which was transferred to SN Aboitiz Power-Magat. As of the end of 2018, SN Aboitiz Power-Gen's significant project is the proposed 380-MW Alimit Hydropower Complex Project in Ifugao. The project consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (on hold due to market constraints), and the 20-MW Olilicon hydropower plant. The technical part of the feasibility study is completed and all agreements with the indigenous peoples (IPs)/indigenous cultural communities (ICCs) related to the Free Prior and Informed Consent (FPIC) are also concluded. SN Aboitiz Power-Gen is now processing the application for the approval of the FPIC process as it continues to work with the government, IP/ICC representatives, and industry partners.

The company was awarded the 2017 Corporate Safety Milestone Award for its proposed Alimit project, which accumulated at least one mn man-hours without lost time incident. It was also recognized for the safe conduct of activities associated with its feasibility study.

SN Aboitiz Power-Gen is a joint venture between ARI and SN Power. It is currently 60% owned by MORE with the remaining 40% owned by SN Power Philippines.

***Geothermal*****AP Renewables Inc. (APRI)**

Incorporated on March 9, 2007, APRI is a wholly-owned Subsidiary of ARI and one of the leading renewable power companies in the country. It owns and operates the Tiwi-MakBan geothermal facilities located in Tiwi, Albay, Bay and Calauan, Laguna and Sto. Tomas, Batangas ("Tiwi-MakBan Plants") with a total potential capacity of 693.2 MW. The Tiwi-MakBan Plants were acquired by APRI from PSALM in July 2008 and were formally turned over to APRI on May 25, 2009.

The Tiwi-MakBan Plants produce clean energy that is reasonable in cost, efficient in operation and environment-friendly. As a demonstration of APRI's commitment to providing world-class services, adhering to environmental management principles to reduce pollution, complying with regulations, and ensuring a safe and healthy workplace, the company has been issued Integrated Management System (IMS) certifications by TÜV Rheinland Philippines that include the International Organization for Standardization (ISO) 9001:2015 (Quality), ISO 14001:2015 (Environment), and OSHAS (Occupational Health and Safety Series) 18001:2007 (Health and Safety).

On August 24, 2018, APRI and Philippine Geothermal Production Company, Inc. ("PGPC") signed a Geothermal Resources Supply and Services Agreement ("GRSSA") for the supply of steam and drilling of new production wells for the Tiwi-MakBan Plants thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC will drill at least 12 new production wells over a six-year period to increase steam availability. The GRSSA also ensures a more equitable and competitive fuel pricing in the long run.

APRI's geothermal facilities have generally operated at par or better than industry standards. The company routinely evaluates and implements various projects while improving coordination with PGPC to improve efficiency levels and counteract the challenges of a declining steam supply.

**Solar****Maaraw San Carlos Holdings, Inc. (Maaraw San Carlos)**

Maaraw San Carlos was incorporated on April 24, 2015 as the holding company of Sacasun.

AboitizPower, through its wholly owned subsidiaries ARI and AboitizPower International, effectively owns 100% of the company.

**San Carlos Sun Power Inc. (Sacasun)**

Sacasun was incorporated on July 25, 2014, initially as a joint venture between ARI and SunEdison Philippines, a Dutch company. On December 4, 2017, AboitizPower International acquired SunE Solar B.V.'s equity interest in SunEdison Philippines, resulting in AboitizPower's 100% effective equity ownership in Sacasun.

Sacasun owns and operates the 59-MWp solar photovoltaic power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental ("Sacasun Plant").

As a renewable energy developer, Sacasun participates in the renewable energy market and other initiatives which promote utilization of renewable energy resources. The energy generated from the Sacasun Plant benefits more than 8,000 homes. The company believes in producing clean energy for sustainable development and inclusive growth of its communities within a shared environment.

**Aboitiz Power Distributed Energy, Inc. (APX1) and Aboitiz Power Distributed Renewables Inc. (APX2)**

Incorporated in November 2016, APX1 is the project company which, together with APX2 (formerly Kookabura Equity Ventures, Inc.) (collectively, APX), will engage in the business of operating light and power systems. APX1 and APX2 are wholly-owned Subsidiaries of ARI.

During their first year of operation, APX1 and APX2 focused on building internal capability to serve various market segments, attracting top technical talent for photovoltaic (PV) solar technology, and defining synergies within the AboitizGroup.

In February 2018, a 100 kW installation atop the roof of the Aboitiz Corporate Office at Banilad, Cebu City was completed by APX to signal the entry of the AboitizPower Group into Behind the Meter (BTM), distributed energy solutions such as rooftop solar. This was shortly followed by the announcement of a 1.5 MW rooftop solar solution for *The Outlets at Lipa* in Lima Technology Center which was completed and commissioned in December 2018. Through this project, revenue will be secured for the next 20 years starting January 2019.

Several customers in various locations across Luzon and Visayas have also agreed with APX to go solar. By creating sales channels through relationships with the RES and Distribution Utility teams within the AboitizPower Group, APX expects to advance its pipeline projects nationwide in 2019.

**Non-Renewables/Thermal****Therma Power, Inc. (TPI)**

Incorporated on October 26, 2007, TPI is a wholly-owned Subsidiary of AboitizPower and is the latter's holding company for its non-renewable energy projects. AboitizPower, through and/or with TPI, has equity interests in the following generation companies, among others:

- (a) 100% equity interest in TMI, owner and operator of 100-MW Mobile 1 barge-mounted power plant in Maco, Compostela Valley and 100-MW Mobile 2 barge-mounted power plant in Nasipit, Agusan del Norte;
- (b) 100% equity interest in TMO, owner and operator of Mobile 3–6 barge-mounted power plants in Navotas Fishport, Manila, with a total generating capacity of 242 MW;

- (c) 100% equity interest in EAUC, owner and operator of a 50-MW Bunker C-fired power plant in MEPZ 1, Mactan, Cebu;
- (d) 100% equity interest in TLI, the IPPA of the 700-MW contracted capacity of the Pagbilao Plant located in Quezon Province;
- (e) 100% equity interest in TSI, owner and operator of a 300-MW CFB coal-fired power plant in Toril, Davao City;
- (f) 100% equity interest in TPVI, the project company for the Naga power plant, located in Naga City, Cebu;
- (g) 80% equity interest in TVI, which is currently building a 340-MW coal-fired power plant in Toledo City, Cebu;
- (h) 66.07% beneficial ownership interest in GMCP, owner and operator of an approximately 2x316 MW (net) pulverized coal-fired electric power generation facility in Mariveles, Bataan;
- (i) 45% beneficial ownership interest as of December 31, 2018 in GN Power Dinginin, which is currently building a 2x668 MW (net) supercritical coal-fired power plant in Bataan;
- (j) 50% equity interest in PEC, owner and operator of the 420-MW coal-fired power plant in Pagbilao, Quezon Province;
- (k) 26.4% beneficial ownership interest in Cebu Energy, which operates a 3x82-MW coal-fired power plant in Toledo City, Cebu; and
- (l) 25% equity interest in RP Energy, the project company for the power plant project at the Redondo Peninsula located in the Subic Bay Freeport Zone (SBFZ).

### **Oil Group**

#### **Therma Marine, Inc. (TMI)**

Incorporated on November 12, 2008, TMI is a wholly-owned Subsidiary of TPI and owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB 117), with a total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte.

The 192.2-MW dependable capacities of Mobile 1 and Mobile 2 are currently being fully contracted and sold to various cooperatives, industrial and commercial customers in Mindanao under ERC-approved Energy Supply Agreements (ESAs). The ESAs have been extended with different expiry dates ranging from 2019 to 2021.

#### **Therma Mobile, Inc. (TMO)**

Incorporated on October 20, 2008, TMO is a wholly-owned Subsidiary of TPI and owns and operates four barge-mounted power plants located at the Navotas Fish Port, Manila, with a total installed generating capacity of 242 MW.

On January 7, 2019, TMO notified MERALCO that it will physically disconnect from MERALCO's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. This was due to TMO's commercial inactivity since June 26, 2018, following the absence of an approved power supply agreements for its four barges. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC and IEMOP, following applicable legal notice requirements.

#### **East Asia Utilities Corporation (EAUC)**

Incorporated on February 18, 1993, EAUC is a wholly-owned Subsidiary of TPI and is the owner and operator of a Bunker C-fired power plant in Mactan Economic Processing Zone I (MEPZ I), Lapu-Lapu City, Cebu. It has been operating the plant since 1997 and has been supplying power through the WESM since 2010.

#### **Therma Power-Visayas, Inc. (TPVI)**

Incorporated on October 8, 2007, TPVI is a wholly-owned Subsidiary of TPI and successfully bid for the

NPPC.

Following protracted legal proceedings, on May 18, 2018 PSALM issued a Certificate of Effectivity of the Notice of Award originally issued in April 30, 2014 in favor to TPVI. Thereafter, PSALM and TPVI executed the Asset Purchase Agreement and Land Lease Agreement of the NPPC.

On July 16, 2018, PSALM physically turned over the NPPC to TPVI. TPVI is currently working on the rehabilitation of the NPPC.

#### **Cebu Private Power Corporation (CPPC)**

Incorporated on July 13, 1994, CPPC owns and operates a 70-MW Bunker C-fired power plant located in the Old VECO Compound, Cebu City ("CPPC Plant"). It is one of the largest diesel powered plants on the island of Cebu and is located within the franchise area of VECO. Commissioned in 1998, the CPPC Plant was constructed pursuant to a BOT contract to supply 61.72 MW of power to VECO.

CPPC is a joint venture company between AboitizPower and the Vivant Group. AboitizPower beneficially owns 60% of CPPC.

#### **Southern Philippines Power Corporation (SPPC)**

Incorporated on March 15, 1996, SPPC owns and operates a 55-MW Bunker C-fired power plant ("SPPC Plant") located in Alabel, Sarangani, a municipality outside General Santos City in Southern Mindanao.

SPPC currently supplies power to electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay SPPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

SPPC is a joint venture company of AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd. AboitizPower has 20% equity interest in SPPC.

#### **Western Mindanao Power Corporation (WMPC)**

Incorporated on March 15, 1996, WMPC owns and operates a 100-MW Bunker C-fired power station ("WMPC Plant") located in Zamboanga City, Zamboanga Peninsula in Western Mindanao.

WMPC currently supplies power electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay WMPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

WMPC is a joint venture company of AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd. AboitizPower has a 20% equity interest in WMPC.

### **Coal Group**

#### **Therma Luzon, Inc. (TLI)**

Incorporated on October 20, 2009, TLI is a wholly-owned Subsidiary of TPI and was the first IPPA in the country. The company has been the registered trader of the contracted capacity of the 764-MW (2x382 MW) (gross) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon ("Pagbilao Plant" or "Pag1" and "Pag2") since October 1, 2009.

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

Over the past years, TLI's capacity has been contracted to various cooperatives, private distribution

utilities, directly connected customers, and to an Affiliate Retail Electricity Supplier (RES), AESI. AESI, in turn, sells the power to Contestable Customers under the Retail Competition and Open Access (Open Access) regime. The diversification of the customer base spreads the risk of TLI. Most of these bilateral contracts have terms ranging between two to 20 years. A significant number of TLI's Open Access customers consume most of their energy during off-peak periods. This results in a customer mix with a high load factor.

Currently, TLI is undertaking the necessary procedure to secure its own license to operate as a RES. With this license, TLI will be able to sell, broker, market, and/or aggregate electricity to Contestable Customers and participate in the competitive retail electricity market.

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

Incorporated on April 30, 2012, PEC owns and operates the third coal-fired power plant within the Pagbilao Plant facilities located in Pagbilao, Quezon, with a net capacity of 400 MW ("Pag3").

Pursuant to their Joint Development Agreement effective May 31, 2012, TPI and TeaM Energy formed PEC as a separate vehicle for Pag3 and as a separate entity from TLI. As such PEC is not covered by TLI's IPPA with PSALM, or TeaM Energy's BOT contract with NPC/PSALM. An Environmental Compliance Certificate (ECC) was issued by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) on June 18, 2013.

In 2014 PEC entered into an Engineering, Procurement and Construction (EPC) contract with a consortium comprised of Mitsubishi Hitachi Power Systems Ltd., Daelim Industrial Co. Ltd., DESCO Inc., and Daelim Philippines Inc. for the project. It started commercial operations in March 2018.

AboitizPower effectively owns 50% of PEC, while TPEC Holdings Corporation owns the remaining 50%.

#### **Therma South, Inc. (TSI)**

Incorporated on November 18, 2008, TSI is a wholly-owned Subsidiary of TPI and owns and operates the 300-MW (2x150MW) (gross) CFB coal-fired power plant located both in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

TSI declared commercial operations for Unit 1 and Unit 2 in September 2015 and February 2016, respectively. Formal inauguration of Unit 2 was held on January 8, 2016.

TSI contributes to the continuing growing power requirements of Mindanao by providing stable and cost-effective base load power. TSI has currently contracted out 260 MW of energy and has 22 different approved Power/Energy Supply Agreements with various private distribution utilities and energy cooperatives.

The company seeks to sustain the positive impact it has brought its host communities through various educational, livelihood, and enterprise development programs, benefitting children, students, small and medium business enterprise owners, and most notably its employees.

#### **Therma Visayas, Inc. (TVI)**

TVI is the project company for the 2x169 (gross) MW CFB coal-fired power plant located in Barangay Bato, Toledo City, Cebu.

TVI aims to address the increasing power demand of the Visayas Grid with provisions for the future addition of a third generating unit.

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. The 2x170-MW coal-fired power plant is currently in the testing and commissioning phase, but has experienced technical issues that will delay Commercial Operation Date (COD) of the first unit to June 2019 and the second unit to April 2019.

AboitizPower, through TPI, effectively owns 80% of TVI. The remaining 20% is held by Vivant Group through VIGC and VEC.

#### **Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (Cebu Energy)**

Incorporated on November 28, 2007, Abovant is a joint venture company between AboitizPower and the Vivant Group formed as the holding company for shares in Cebu Energy.

Cebu Energy was incorporated on December 5, 2008 by Abovant and Global Formosa Power Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation and Flat World Limited, to own, operate and maintain a 3x82 MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first 82 MW unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarter of 2010, respectively.

The Cebu Energy power plant in Toledo City completed its first full year of commercial operations in 2018. The power plant provides much-needed power to the province of Cebu and its neighboring province, Bohol.

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

#### **Redondo Peninsula Energy, Inc. (RP Energy)**

RP Energy was incorporated on May 30, 2007 to construct, own, and operate the 2x300-MW (net) coal-fired power plant located in the Redondo Peninsula of Subic Bay within the SBFZ, Subic, Zambales.

RP Energy was originally a joint venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

#### **STEAG State Power Inc. (STEAG Power)**

Incorporated on December 19, 1995, STEAG Power is the owner and operator of a 232 MW (gross) coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The plant was built under a BOT arrangement and started commercial operations on November 15, 2006. STEAG Power has a 25-year PPA with the NPC, which is backed by a Performance Undertaking issued by the Republic of the Philippines.

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

AboitizPower has 34% equity interest in STEAG Power following the purchase of said equity from Evonik Steag GmbH (now STEAG GmbH or STEAG), Germany's fifth largest power generator. STEAG and La Filipina Uy Gongco Corporation currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

#### **GNPower Mariveles Coal Plant Ltd. Co. (GMCP)**

GMCP is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x316 MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines (Mariveles Project).

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced construction after execution of the equity and financing documentation, approval by the relevant government authorities

and the initial drawdown under the non-recourse loan on January 29, 2010. It was declared commercially available in 2013 and currently supplies electric capacity and energy to the Luzon and Visayas markets.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line owned and operated by NGCP. Substantially all of the capacity of the Mariveles Project is contracted under long term power purchase agreements with highly-rated distribution utilities and Contestable Customers, through its designated RES, GNPowder Ltd. Co.

In October 2016, TPI entered into Purchase and Sale Agreements for the acquisition of partnership interests held by affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). Following the receipt of approvals from the Board of Investments (BOI) and the PCC, TPI completed the acquisition of GMCP and GNPowder Dinginin on December 27, 2016.

Beginning October 13, 2017, through its general and limited partners, AboitizPower's sharing percentage on: (i) profits and losses and (ii) distributions, including net distributable liquidation proceeds, in GNPowder Mariveles is 66.0749%.

On March 7, 2018, AboitizPower completed the restructuring its share ownership structure in GNPowder Mariveles by transferring its direct ownership of GNPowder Mariveles from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the GNPowder Mariveles shares.

Effectively, the partnership interests in GNPowder Mariveles are owned by (i) TPI, (ii) ACE Mariveles Power Ltd. Co., a joint venture between AC Energy, Inc. (ACE), a wholly-owned Subsidiary of Ayala Corporation, and Power Partners Ltd. Co. (Power Partners), and (iii) Power Partners.

#### **GNPowder Dinginin Ltd. Co. (GNPD)**

GNPD is a limited partnership organized and established on May 21, 2014 with the primary purpose of: (a) developing, constructing, operating, and owning a 2x668 MW (net) supercritical coal-fired power plant to be located at Mariveles, Bataan; (b) generating, selling and trading of electric power, importing machines, equipment, motor vehicles, tools, appurtenant spare parts, coal for fuel, lubricants, cleansing substances, and other necessary and related materials or chemicals; and (c) obtaining, entering into and performing any and all contracts and engaging in any and all transactions consistent with the foregoing purpose.

GNPD successfully achieved financial close and started the construction of Unit 1 in September 2016, with target delivery in 2019. The partnership also proceeded with the expansion of the power plant and successfully achieved its financial closing for Unit 2 in December 2017. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

GNPD's construction is being conducted in two phases: (i) the first phase is for Unit 1 and its associated ancillary facilities as well as the balance of plant and (ii) the second phase is for an additional identical 668MW (net) unit (Unit 2) and its associated ancillary facilities. The electricity that will be produced by Unit 1 of GNPD will be exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Eventually, energy from Unit 1 and Unit 2 will be exported through NGCP's 500kV high voltage transmission line once completed.

On December 27, 2016, TPI completed the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group, L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). The sharing percentage on (i) profits and losses and (ii) distributions of AboitizPower in GNPD, through its general and limited partners, will eventually be reduced to 40%.

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself. After the restructuring and as of January 31, 2019, TPI directly owns a 50% partnership interest in GNPD.

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

### Other Generation Assets

Cotabato Light maintains a stand-by 9.927-MW Bunker C-fired power plant capable of supplying approximately 15% of its requirements as of December 31, 2018.

### Future Projects

The Company assesses the feasibility of any new power generation project. Factors taken into consideration include the proposed project's land use requirements, access to a power grid, fuel supply arrangements, availability of water, local requirements for permits and licenses, acceptability of the project to the communities and people it will affect, ability of the project to generate electricity at a competitive cost, and the existence of potential purchasers of the electricity generated. For the development of a new power project, the Company, its partners and suppliers are required to obtain all national and local permits and approvals before the commencement of construction and commercial operations, including those related to the project site, construction, the environment, land use planning/zoning, operations licenses, and similar approvals.

### DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 85 years of experience in the Philippine power distribution sector. With ownership interests in nine Distribution Utilities, AboitizPower is currently one of the largest electricity distributors in the Philippines. AboitizPower's Distribution Utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities in Luzon, Visayas, and Mindanao.

As of December 31, 2018, the power distribution business' earnings contribution from AboitizPower's business segments is equivalent to 18%. The Distribution Utilities had a total customer base of 995,828 as of end-2018, compared to 954,300 in 2017, and 916,876 in 2016.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past three years:

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Davao Light	2,468,192	2,317,985	2,173,373	421	404	380	govern	384,434	367,782
Cotabato Light	165,409	153,973	146,678	31	29	27	41,681	41,110	38,924
VECO	3,159,032	2,938,532	2,922,950	547	522	524	437,823	422,814	408,586
SFELAPCO	665,425	623,607	588,985	134	116	117	107,536	101,942	97,847
SEZ	423,939	517,558	535,010	100	106	103	3,343	3,267	3,151
MEZ	123,276	114,272	111,486	22	21	21	85	83	82
BEZ	100,554	91,273	102,208	27	27	30	31	31	32
LEZ	224,175	197,908	165,481	39	33	28	755	619	472
<b>Total</b>	<b>7,330,002</b>	<b>6,955,108</b>	<b>6,746,171</b>	<b>1,320</b>	<b>1,258</b>	<b>1,230</b>	<b>995,828</b>	<b>954,300</b>	<b>916,876</b>

### Visayan Electric Company, Inc. (VECO)

Incorporated on February 22, 1961, VECO is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales. It supplies electricity to the greater



part of Metro Cebu, covering an area of 674 square kilometers (sq. kms.) and with a population of approximately 1.7 mn. To date, VECO has 20 power substations and one mobile substation that serve the power needs of the cities of Cebu, Mandaue, Talisay, and Naga, and the municipalities of Minglanilla, San Fernando, Consolacion, and Liloan. As of December 31, 2018, VECO served a total of 437,823 customers and had a peak demand during 2018 of 525 MW.

In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The term of this franchise was extended by Republic Act (RA) 6454 for an additional 25 years starting 1978 and was conditionally renewed for another 25 years from December 2003. In September 2005, the Philippine Congress passed RA 9339, which extended VECO's franchise to September 2030. VECO's application for the extension of its Certificate of Public Convenience and Necessity (CPCN) was approved by the ERC on January 26, 2009.

VECO, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In the early 1900s, the predecessors-in-interest of the Aboitiz Group acquired a 20% interest in VECO's predecessor-in-interest, the Visayan Electric Company, S.A. Since that time, the Aboitiz Group's ownership interest in VECO has increased from 20% to its current ownership interest of 55.25%, which is directly held by AboitizPower.

VECO is part of the third group (Group C) of private distribution utilities to shift to Performance-Based Rate-Setting Regulation (PBR). VECO entered into a PPA for the purchase of electric energy from CPPC for a period of 15 years starting from the commercial operation date of the latter. After its expiry in 2013, a new Power Supply Agreement was signed between VECO and CPPC and it is awaiting for ERC approval. The ERC, however, has allowed VECO to continue drawing power from CPPC under the same terms and conditions of the expired PPA until the ERC approves the 2013 PSA.

For its long-term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150 MW beginning in 2018. To reduce WESM exposure in 2016 until TVI's commercial operations have commenced, the company entered into a PSA with South Luzon Power Generation Company (SLPGC) for 50 MW in 2016. The contract with SLPGC has expired last June 26, 2018.

With the Retail Competition and Open Access, some of VECO's customers who qualified as Contestable Customers voluntarily migrated to Retail Electricity Suppliers. VECO continues to renegotiate the reduction of its bilateral contracts to account for the continued migration of these Contestable Customers.

As of December 2018, VECO's systems loss is at 6.73%, which includes a feeder loss cap of 5.22%. This is below the government-mandated feeder loss cap of 6.5% which results to reduced power costs thereby providing more savings to the customer.

#### **Davao Light & Power Company, Inc. (Davao Light)**

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Davao Light's franchise area covers Davao City, areas of Panabo City, and the municipalities of Carmen, Dujali, and Santo Tomas in Davao del Norte, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms. As of December 2018, Davao Light served a total of 404,983 customers, with a recorded peak demand of 421 MW during 2018.

Davao Light was incorporated on October 11, 1929, and acquired by the Aboitiz Group in 1946. Davao Light's original 50-year franchise, covering Davao City, was granted in November 1930 by the Philippine Legislature. On September 2000, RA 8960 granted Davao Light a franchise for a period of 25 years, or until September 2025.

The large percentage of Davao Light's power supply comes from renewable energy sources from the NPC-PSALM, Hedcor Sibulan, and Hedcor's Talomo plant, which comprised 52.29% of Davao Light's power mix.

In 2016, Davao Light signed a 60-MW Power Supply Contract (PSC) with San Miguel Consolidated Power

Corporation, subject to ERC approval. Davao Light also signed a 50MW firm power supply contract with Therma Marine Inc. and 55MW with Western Mindanao Power Corporation on October and November 2017, respectively. This is intended to supply Davao Light's power requirements during the drought months when the supply coming from NPC-PSALM is very limited.

Davao Light has several ongoing projects to improve the services within its franchise area. In July 2018, Davao Light started the works for the implementation of the 1st Phase of its Underground Distribution System which involves 1.2 kilometers of cables being migrated along CM Recto Street. During the last quarter of 2018, Davao Light began a five-year partnership program with the Davao City LGU to replace all sodium lamps in Davao City with Light Emitting Diode (LED) lamps. The shift will reduce the city's energy consumption without compromising services. During 2018, Davao Light has upgraded its R. Castillo and Panabo Substations to increase reliability and flexibility in the subtransmission line in the City-North area of Davao Light's franchise to match the power demand of the thriving economy of the franchise's north sector. Davao Light also installed new 13.2 kV lines within the city's downtown and Calinan areas to increase reliability and provide additional capacity. It has also increased the capacity of its ERA Line 2 and has constructed and upgraded a total of 8.2 circuit kilometers of 13.8 kV line and 6 circuit kilometers of 69 kV line.

These projects are indication of the expected robust economic growth in the various areas within the Davao Light franchise.

The growth during 2018 resulted in total sales of 2,502,802 MWh, a total growth in energy sales of 5.75%, and increase in demand of 6.37%.

Davao Light's systems loss at 7.03% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs, resulting in customer savings.

Davao Light is part of Group C of private distribution utilities to enter the PBR. The reset process for the next regulatory period is put on hold by the ERC.

Davao Light is currently owned 99.93% by AboitizPower.

#### **Cotabato Light and Power Company (Cotabato Light)**

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao, with a land area of 191 square kilometers. During December 2018 Cotabato Light's peak demand was recorded at 32 MW and as of December 31, 2018, it was serving a total of 41,645 customers.

Cotabato Light began operations on June 18, 1939 by virtue of Commonwealth Act No. 487. In June 16, 2014, franchise was renewed for another 25 years under RA 10637.

As of December 31, 2018, Cotabato Light has three substations of 12 MVA, 12.5 MVA and 25 MVA. It is served by one 69-kV transmission line. Cotabato Light's distribution voltage is 13.8 kV. These lines can be remotely controlled using the Supervisory Control Data Acquisition (SCADA).

The company also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 15% of its franchise area requirements. The existence of a standby power plant, capable of supplying electricity in cases of supply problems with its power suppliers or NGCP and for the stability of voltage whenever necessary, is another benefit available to Cotabato Light's customers.

As of December 2018, its total systems loss stands at 8.46%, where 7.44% is the feeder loss. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

Cotabato Light utilizes the most up-to-date systems such as the Customer Care and Billing, Enterprise Resource Planning (ERP) and soon, the Work and Asset Management (WAM). Cotabato Light is committed to provide reliable and ample power supply when needed, ensure that the supply of

electricity is provided at a reasonable and competitive price, and accomplish the first two duties with the least possible adverse effects on our environment and communities.

AboitizPower owns 99.94% of Cotabato Light.

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

SFELAPCO was incorporated in May 17, 1927 and was granted a municipal franchise in 1927. Its franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. It supplies 35 barangays in the City of San Fernando, Barangays San Isidro and Cabalantian in Bacolor, Pampanga, 25 barangays in the municipality of Floridablanca, and one barangay in Guagua, Pampanga which includes 584.011 and 977.372 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. During 2018, SFELAPCO's peak demand was recorded at 118,490 kW, and as of December 31, 2018 it was serving a total of 105,076 customers.

SFELAPCO's current legislative franchise was granted through RA 9967, for 25 years commencing on March 24, 2010. It belongs to the fourth batch (Group D) of private utilities to enter PBR whose reset process for the next regulatory period is put on hold by the ERC.

SFELAPCO's systems loss at 4.7751% remains below the government-mandated cap of 7.5% plus Subtransmission loss. Systems loss below the mandated caps translates to reduced power costs resulting in bigger customer savings.

AboitizPower owns an effective 43.78% interest in SFELAPCO.

#### **Subic EnerZone Corporation (SEZ)**

In May 2003, the consortium of AEV and Davao Light won the competitive bid to provide distribution management services to SBMA and to operate the SBFZ power distribution utility for a period of 25 years. On June 3, 2003, SEZ was incorporated as a joint venture company owned by a consortium comprised of Davao Light, AEV, SFELAPCO, Team Philippines, Okeelanta, and PASUDECO to undertake the management and operation of the SBFZ power distribution utility. Eventually, SEZ was formally awarded the contract to manage SBFZ's power distribution utility and took over operations.

The company's authority was granted by SBMA pursuant to the terms of RA 7227 or The Bases Conversion and Development Act of 1992, as amended. As a company operating within the SBFZ, SEZ enjoys a preferential tax of 5% on its gross income in lieu of all other national and local taxes.

In 2018, the contracted capacity of SEZ with TLI was carved down from 15.73 MW in 2017 and then reduced to 12.09 MW in December 2018. Similarly, its contracted capacity with San Miguel Energy Corporation was carved down from 4.2 MW in 2017 and reduced to 4.02 MW in December 2018.

The recorded peak demand during 2018 was 55.99 MW. As of December 31 2018, SEZ served a total of 3,342 customers, consisting of 82 industrial locators, 1,168 commercial locators, 1,973 residential customers, 101 streetlights and 18 industrial locators under Retail Electricity Supplier.

SEZ's systems loss at 2.64% in 2018 remains below the government-mandated feeder loss cap of 6.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

Together with Davao Light's interest of 35%, AboitizPower owns 100% of SEZ.

#### **Mactan Enerzone Corporation (MEZ)**

MEZ was incorporated on February 19, 2007 when AboitizLand spun off the power distribution system of its Mactan Export Processing Zone II (MEPZ II) project. The MEPZ II project, which was launched in 1995, was operated by AboitizLand under a BOT agreement with the Mactan-Cebu International Airport Authority (MCIAA).

On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 100% equity stake in MEZ, representing 8,754,443 common shares.

MEZ sources its power from SN Aboitiz Power-Magat and GCGI pursuant to a CSEE. Under this CSEE, GCGI is required to provide 4.957 MW to MEZ as base load. SN Aboitiz Power-Magat is required to supply 4.957 MW with 50% load factor.

During 2018, MEZ recorded peak demand at 22.24 MW, and as of December 31, 2018 served a total of 85 customers, consisting of 53 captive industrial locators, 26 captive commercial locators, and six industrial locators under RES.

MEZ's systems loss at 0.99% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of MEZ.

#### **Balamban Enerzone Corporation (BEZ)**

BEZ was incorporated on February 19, 2007 when Cebu Industrial Park Developers, Inc. (CIPDI), a joint venture between AboitizLand and Tsuneishi Holdings (Cebu), Inc. (THC), spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries owned and operated by CIPDI. CIPDI, located in Balamban, Cebu, is home to the shipbuilding and ship repair facilities of Tsuneishi Heavy Industries (Cebu), Inc. (THICI), the modular fabrication facility of Aboitiz Construction International, Inc. (formerly: Metaphil International, Inc.) and recently, Austal Philippines Pty. Limited.

As of February 2017, only the firm contract with Cebu Energy remained, since its other Contestable Customers have switched to RES.

BEZ's peak demand for 2018 was recorded at 27 MW and served a total of 31 customers composed of 14 captive industrial customers, 11 captive commercial customers, and six contestable industrial customers.

BEZ's systems loss at 0.50% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of BEZ.

#### **Lima Enerzone Corporation (LEZ)**

LEZ was incorporated as Lima Utilities Corporation in June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply. LEZ was originally a wholly-owned Subsidiary of Lima Land. With the acquisition by AboitizLand of the interests of the Alsons and Marubeni groups in Lima Land in 2013 and 2014, respectively, LEZ and Lima Land became wholly-owned Subsidiaries of AboitizLand.

LEZ's responsive interface ensures that customers receive power that fully meets their business requirements. As asset manager of the electrical infrastructure constructed at the LTC, LEZ has the sole responsibility of providing clean, reliable and uninterrupted power supply to enable the multinational manufacturing companies to produce quality products at international standards. On December 10, 2017, LEZ completed an additional 50-MVA power transformer, and is now capable of serving the increasing demand for future locators and expansions. This allows LEZ to provide reliable and flexible power to LTC.

During 2018, LEZ recorded peak demand at 37 MW, and as of December 31, 2018 it served a total of 771 customers, consisting of 76 captive industrial locators, 21 captive commercial locators, 659 captive residential customers, and 15 industrial locators under RES.

LEZ's systems loss at 5.3% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of LEZ.

#### **Malvar Enerzone Corporation (Malvez)**

Malvez was incorporated in June 9, 2017 to serve and provide locators within the Light Industry & Science Park IV (LISP IV) of Malvar, Batangas. The company will manage the construction, installation, operation, and maintenance of the power distribution of LISP IV for 25 years. LISP IV will have two 50-megawatt transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters.

### **RETAIL ELECTRICITY AND OTHER RELATED SERVICES**

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. With the start of retain competition and Open Access, large-scale customers are allowed to obtain electricity from RES licensed by the ERC.

#### **Aboitiz Energy Solutions, Inc. (AESI)**

Incorporated in August 11, 1998, AESI, a wholly-owned Subsidiary of AboitizPower, is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES on November 9, 2009, which license was renewed on October 29, 2012 for another five years. Its application for renewal of RES license has been duly filed, and is currently pending with the ERC. At the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers. For the year 2018, AESI supplied retail electricity to a total of 185 customers, with total energy consumption of 2,326.56 mn kWh.

AESI was able to deliver a total of 346.56 mn kWh to its off-taker, VECO, during 2018.

#### **Adventenergy, Inc. (AdventEnergy)**

Incorporated in August 14, 2008, AdventEnergy, a wholly-owned Subsidiary of AboitizPower, is a RES company that sells, brokers, markets, or aggregates electricity to end-users, including those within economic zones. AdventEnergy's application for renewal of RES license is currently pending with the ERC. The company was specifically formed to serve Contestable Customers located in economic zones.

AdventEnergy differentiates itself from its competition by sourcing electricity from a 100% renewable source. With this competitive advantage, more and more companies are opting to source their electricity supply from AdventEnergy as an environmental initiative.

During 2018, AdventEnergy supplied retail electricity to 83 customers with a total consumption of 1,944.48 mn kWh.

#### **Prism Energy, Inc. (Prism Energy)**

Prism Energy was incorporated on March 24, 2009 as a joint venture between AboitizPower (60%) and Vivant Corporation (40%). It was granted a five-year RES license by the ERC on May 22, 2012, and its application for renewal of RES license has been duly filed and is currently pending with the ERC.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy provides its customers with contract options for electricity supply that is based on their operating requirements.

During 2018, Prism Energy supplied retail electricity to 37 customers with a total energy consumption of 155.90 mn kWh.

**SN Aboitiz Power – Res, Inc. (SN Aboitiz Power - RES)**

Incorporated on December 23, 2009, SN Aboitiz Power-RES is the RES arm of the SN Aboitiz Power Group. SN Aboitiz Power-RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last twelve months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

The company's vision is to become the leading RES in the country through profitable growth, excellence in business processes, and innovative ideas. It also aims to supply the energy requirements of its customers in a fair and equitable manner, and to contribute to the vibrant local power market that supports the country's development. SN Aboitiz Power-RES harnesses the synergy from the partnership of the SN Power Group, an international hydropower expert, and AboitizPower.

From a single customer in 2013, SN Aboitiz Power-RES has grown its customer base to 31 by the end of 2018, with a significant number of closed deals signed in 2017 and 2018. This growth can be attributed to the strategic focus of SN Aboitiz Power-RES on four major industry segments that allow it to tailor supply packages to customer segment needs and preferences.

Despite the challenging regulatory landscape in the Contestable Market and aggressive competition, SN Aboitiz Power-RES was still able to steadily carve an expanding market share. As of December 31, 2018, SN Aboitiz Power-RES accounts for 379 GWh or 31% of BCQ volumes which contributed ₱115 mn or 9.5% of BCQ net revenue.

SN Aboitiz Power-RES is a joint venture between ARI and SN Power. It is currently 60% owned by MORE with the remaining 40% owned by SN Power Philippines.

**(ii) Sales**

The operations of AboitizPower and its Subsidiaries and Affiliates are based only in the Philippines.

Comparative amounts of revenue, profitability and identifiable assets are as follows:

	2018	2017	2016
Gross Income	₱131,572	₱119,391	₱89,163
Operating Income	36,497	34,174	26,310
Total Assets	₱389,662	₱361,477	₱356,891

*Note: Values are in Million Pesos. Operating income is operating revenue net of operating expenses.*

Comparative amounts of revenue contribution by business group are as follows:

	2018		2017		2016	
Power Generation	₱85,580	54%	₱78,252	31%	₱51,469	48%
Power Distribution	46,989	29%	44,392	54%	44,666	41%
Retail Electricity Supply	26,191	16%	19,971	14%	10,453	10%
Services	1,098	1%	1,407	1%	1,296	1%
<b>Total Revenue</b>	<b>159,858</b>	<b>100%</b>	<b>144,021</b>	<b>100%</b>	<b>₱107,884</b>	<b>100%</b>
Less: Eliminations	(28,286)		(24,630)		(18,721)	
<b>Net Revenue</b>	<b>₱131,572</b>		<b>₱119,391</b>		<b>₱89,163</b>	

*Note: Values are in Million Pesos.*

**(iii) Distribution Methods of the Products or Services**

The Generation Companies sell their capacities and energy in the following manner: an IPPA with the NPC/PSALM; bilateral PSAs with private distribution utilities, electric cooperatives, RES or other large end-users; and through the WESM. There are also Subsidiaries and Affiliates providing ancillary services through ASPAs with NGCP.

Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, and TLI have ASPAs with NGCP as AS

providers. The SN Aboitiz Power Group delivers regulating, contingency and dispatchable reserves, as well as blackstart service through its three power plants, namely Ambuklao Hydro, Binga Hydro, Magat Hydro plants. TLI offers contingency reserve under its ASPA. In March 26, 2018 the ERC approved TMI's ASPA with NGCP for a maximum period of five years. TMI provides both contingency and dispatchable reserves to the Mindanao Grid.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, and Hedcor Sabangan plants, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river HEPPs. Hedcor, Hedcor Tudaya, and Hedcor Sabangan, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-All Administrator, for the collection and payment of the FIT. The power generated by Hedcor Tudaya 2 is covered by a Renewable Energy Supply Agreement. Currently, HBI is applying for FIT eligibility of the 68.8-MW Manolo Fortich hydro powerplants in Bukidnon province.

AboitizPower's Generation Companies have transmission service agreements with the NGCP for the transmission of electricity to the Grid.

On the other hand, AboitizPower's Distribution Utilities have distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV, and 69 kV, while smaller industrial, commercial, and residential customers receive electricity at 240 V or 480 V.

All of AboitizPower's Distribution Utilities have entered into transmission service contracts with the NGCP. These contracts allow the Distribution Utilities to use the NGCP's transmission facilities to receive power from their respective Independent Power Producers (IPP), the NPC, or PSALM for distribution to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by the ERC.

AboitizPower's wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI follow a pricing strategy which allows customer flexibility. The power rates are calculated using a fixed formula pricing arrangement based on customer load curves, resulting in either a peak-off-peak or capacity-based competitive rate.

#### **(iv) New Products/Services**

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new products or services as of the date of this report.

#### **(v) Competition**

##### **Generation Business**

The Open Access regime and additional capacities from new power plants have led to a steady but significant increase in competition over the last five years. As of the date of this report, DC 2015-06-010 and the four ERC-issued RCOA resolutions in 2016 regarding Open Access are still subject of a TRO at the Supreme Court.

PEC, which is AboitizPower's joint venture with TeaM Energy, brought a considerable increase in its capacity in 2018 due to the retail and commercial operation of Pag3 in March 2018. The Manolo Fortich hydro power plants started its commercial operations and contributed an additional 68.8 MW into the net attributable capacity of AboitizPower during 2018.

In 2019, AboitizPower expects to further add some 860MW to its attributable capacity through its ongoing projects. With this project pipeline, the Company is closer to its target of 4,000 MW net attributable capacity on 2020. This target already includes its 40% beneficial share in the Bataan project of GNPowr

Dinginin.

AboitizPower's portfolio, consisting of a mix of renewable and non-renewable energy sources and a mix of baseload and peaking power plants, allows for flexibility in pricing and reliability of supply, thus enhancing competitiveness.

### **Retail Electricity Supply Business**

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of November 2018, there are 30 licensed RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share at 31.33%. The AboitizPower Group, through its RES companies, has the second-largest market share at 19.53%.

From December 2016 through early 2017, RES companies geared up in anticipation of the reduction of the threshold for contestability of 1 MW to 750 kW, and further down to 500 kW. At that point in time, switching to the Open Access regime was mandatory for captive customers with levels of demand at those thresholds. A TRO on the mandatory switching was executed, however, in the first quarter of 2017, which also put a halt to the lowering of the contestability thresholds. With issuance of the TRO, the switch of Contestable Customers continues to be allowed by the DOE (through Department Circular No. 2017-12-0013 published on December 12, 2017), on a voluntary basis for Contestable Customers with an average peak demand of 750 kW and above. This substantially reduced the pool of customers that the numerous RES companies can vie for, and thus intensifying the level of competition.

The increase in the number of power plants, the number of RES companies, and volatile oil and coal prices have also increased the level of competition in the Open Access market. RES companies have resorted to both aggressive pricing and contractual concessions.

AboitizPower believes that its portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows it to be flexible in both pricing and reliability of supply, thus enhancing its competitiveness.

### **Distribution Utilities Business**

Each of AboitizPower's Distribution Utilities currently have franchise to distribute electricity in the areas covered by their representative franchises.

Under Philippine law, the franchises of the Distribution Utilities may be renewed by the Congress of the Philippines (Congress) provided that certain requirements related to the rendering of public services are met. Each Distribution Utility intends to apply for the extension of its franchise prior to expiration. Distribution Utilities may face competition or opposition from third parties in connection with the renewal of their franchises. It should be noted that under Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain a CPCN from the ERC, which requires that such party has to prove that it has the technical and financial competence to operate a distribution franchise, and that there is a need for such franchise. Ultimately, Congress has absolute discretion in determining whether to issue new franchises or to renew existing franchises. The acquisition by competitors of any of the Distribution Utilities' franchises could adversely affect the results of the Company's operations. However, with the commencement of Open Access in Luzon and Visayas, the supply segment of the distribution business has become a contestable market, initially for customers with at least an average of 1 MW monthly demand.

Pursuant to DOE Circular No. DC2015-06-0010 entitled: "*Providing Policies to Facilitate the Full Implementation of Retail Competition and Open Access (RCOA) in the Philippine Electric Power Industry*", all Contestable Customers which are currently being served by their franchised distribution utilities are mandated to secure their respective Retail Supply Contracts (RSCs) no later than June 25, 2016 with any of the following: (i) any licensed RES; (ii) any generating company with a COC and a RES license; or (iii) any prospective generation company whose power generation project is undergoing construction or planned and has been included in the DOE's Power Development Plan.

All Contestable Customers with an average demand ranging from 750 kW and 999 kW for the preceding



12-month period are mandated to secure their RSCs with a RES no later than June 25, 2016. Also, Aggregators shall be allowed to compete with RES, generation companies, and prospective generation companies. In the case of retail aggregation, any Contestable Customer within a contiguous area may individually or collectively aggregate their electricity supply requirements to an Aggregator, duly licensed by the ERC. The aggregated demand shall in no case be lower than 750 kW.

All electricity end users with an average demand ranging from 501 kW to below 750 kW for the preceding 12 months may be allowed to choose their respective RES effective June 26, 2018, subject to the determination of the ERC on the basis of its evaluation on the performance of the retail electricity market.

Voluntary contestability for end users with average demand of 500 kW and below for the preceding twelve months shall be based on the continuing evaluation and assessment by the ERC.

On November 29, 2017, the DOE promulgated Department Circular No. 2017-12-0013 entitled "*Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry.*" The circular provides, inter alia, that: (i) upon its effectivity, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding twelve months, may participate in the Contestable Market; (ii) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding twelve months may voluntarily participate in the Contestable Market; and (iii) by December 26, 2018 or on an earlier date specified by the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding twelve-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators. The circular also provides the list of entities that may become Retail Electricity Suppliers, and stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a local RES upon authorization from the ERC.

Despite the foregoing DOE issuances, the lack of nuance in the TRO issued by the Supreme Court created a blanket prohibition against the implementation of every provision in these issuances. As a result, the ERC has restrained themselves from issuing RES Licenses, for fear that it might be cited in contempt.

#### **(vi) Sources of Raw Materials and Supplies**

##### **Power Generation Business**

The Power Generation Companies produce energy using the following fuel types: hydropower, geothermal, solar, coal, and oil. In 2018, renewable fuel sources comprised 29% of its production, while fossil fuel accounted for 71%.

The hydropower facilities of some of the Generation Companies harness the energy from the flow of water from neighboring rivers to generate electricity. These facilities have impounding dams allowing the storage of water for later use. The hydroelectric companies on their own, or through the NPC as in the case of LHC, possess water permits issued by National Water Resources Board (NWRB), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

APRI's steam requirement for its geothermal power generation continues to be supplied by the PGPC. The terms of the steam supply are governed by a Geothermal Resource Sales Contract (GRSC) under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells over the next six years and that the costs shall be completely pegged to the market price by September 26, 2021.

Oil-fired plants use Bunker-C fuel to generate electricity. SPPC and WMPC source fuel from Shell and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, and TMO has a fuel supply agreement with Shell. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for the Pagbilao Plant annual coal requirements. Nevertheless, it is

continuously looking for and evaluating other coal sources to diversify sources and ensure security of supply.

Likewise, TSI has annual coal supply contracts for its coal plant in Mindanao. It applies the same sourcing strategy as that of Pagbilao where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. On the other hand, GMCP, STEAG, and CEDC also have long-term coal supply agreements.

### **Distribution Business**

The provisions of the Distribution Utilities' PPAs are governed by the ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract.

Hedcor Sibulan supplies Davao Light with electricity generated from its Hedcor Sibulan plants pursuant to the Hedcor consortium's 12-year PSA. To add to its power reserve capacity, Davao Light has entered into a PSC with TMI for 15 MW last March 21, 2011. This was later increased to 30 MW in 2012. The contract with TMI finally ended last July 25, 2018. Davao Light and Cotabato Light entered into 25-year PSCs with TSI for 100 MW and 5 MW, respectively. In September 2015, Davao Light and Cotabato Light started drawing the first half of their contracted capacity, or 50 MW and 2.5 MW respectively, from TSI. Starting February 2016, the full 100 MW and 5MW contracted capacity was supplied by TSI. On June 10, 2016, Davao Light and TSI filed a Joint Manifestation with the ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

On December 25, 2015, the CSEEs of Davao Light and Cotabato Light with PSALM expired. Following negotiations, on December 23, 2015, Davao Light and Cotabato Light entered into PSAs with WMPC for the supply of 18 MW and 2 MW, respectively, for a period of four months from January to April 2016. These PSAs were provisionally approved by the ERC on March 1, 2016. On April 2016, the PSALM CSEEs of Davao Light and Cotabato Light were renewed for an annual term with a lower contracted capacity. Due to significant reduction of the contracted capacity of the PSALM CSEEs, Davao Light and Cotabato Light entered into PSA's with SPPC for a supply of 50MW and 5MW, respectively, on April 28, 2016 for a period of two years. These were provisionally approved by the ERC on July 11, 2016. On December 1, 2016, PSALM wrote a letter to DLPC extending the CSEE up to December 25, 2018 with the amended contracted demand and energy.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a PSC with San Miguel Consolidated Power Corporation (SMCPC) in November 28, 2016 for a supply of 60MW for a period of ten years. This was provisionally approved by ERC on June 20, 2017, and SMCPC began supplying the 60MW contracted capacity on February 26, 2018.

Due to the increasing load demand and decreasing power allocation from PSALM, Cotabato Light renewed its 1 MW PSC with TMI for another year, and entered into a PSC with San Miguel Consolidated Power Corporation (SMCPC) on November 28, 2016 for a supply of 5 MW for a period of ten (10) years. These contracts have been issued Provisional Authority, pending ERC approval.

VECO entered into a PPA for the purchase of electric energy from CPPC for a period of 15 years starting from CPPC's commercial operation date. In 2013 the PPA was extended for another ten years.

To further reduce VECO's WESM exposure, it entered into a PSA with SLPGC for 50 MW in 2016. This contract expired last June 26, 2018. For its long term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150 MW. In 2018, TVI, during its commissioning and testing stage, has been injecting power to VECO under pre-commercial terms. The contract between VECO and TVI was approved by the Energy Regulatory Commission in June 2018.

When the Retail Competition and Open Access was embarked, there were Contestable Customers who voluntarily migrated to Retail Electricity Suppliers. The DUs will continue to renegotiate the reduction of its bilateral contracts to account for the continued migration of these Contestable Customers.

In 2016, following the onset of Retail Competition and Open Access, the contracted capacity of SEZ with TLI was carved down from 30 MW to 20.5 MW. This was further reduced to 15.73 MW in 2017 and to 12.09 MW in December 2018.

Also in 2016, the contracted capacity of SEZ with San Miguel Energy Corporation was carved down from 10 MW to 8.8 MW. It was then reduced to 4.2 MW in 2017 and to 4.02 MW in December 2018.

On September 25, 2015, MEZ entered into PSAs with its new power suppliers, SN Aboitiz Power-Magat and Green Core Geothermal Inc. with contracted capacity 10 MW each and load factor 50% and 100%, respectively, which translated to energy per year of 43,920 MWh and 87,840 MWh, respectively. However, on February 26, 2017, these were reduced to 4.957 MW each, with same load factor but with energy per year of 21,712 MWh and 43,423 MWh. The decrease was due to the transfer of MEZ's contestable customers with 1MW capacity to Retail Electricity Suppliers.

On March 26, 2017, the contracted capacity of BEZ with CEDC was reduced to 9.8967 GWh from 51.12 GWh for 2017 and reduced to 6.55275 GWh from 51.12 GWh for 2018. This was due to the entry of six of BEZ's Contestable Customers into Open Access thru various RES. BEZ's PSA with CEDC will end on February 26, 2025.

On February 26, 2017, the contracted capacity of LEZ with Therma Luzon, Inc. was reduced to 51,126 GWh from 163,147 GWh. This was due to the entry of the Contestable Customers into Open Access thru various RES. LEZ's PSA with TLI will end on January 25, 2020.

#### Transmission Charges

Five of AboitizPower's Distribution Utilities have existing Transmission Service Agreements (TSAs) with the NGCP for the use of the latter's transmission facilities in the distribution of electric power from the Grid to its customers, which are valid until the dates specified below:

Distribution Utility	Valid until
Davao Light	January 25, 2019
Lima Enerzone	July 25, 2022
Mactan Enerzone	January 25, 2020
Balamban Enerzone	January 25, 2020
SFELAPCO	December 25, 2018

Cotabato Light has renewed its TSA while Subic Enerzone is still in the process of securing its TSA with NGCP. VECO, Davao Light and SFELAPCO have each signed their respective TSA renewals and are awaiting NGCP's execution of the document. The Distribution Utilities have negotiated agreements with the NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs.

#### (vii) Major Customers

##### Power Generation Business

Out of the total electricity sold by AboitizPower's Generation Companies, approximately 94% is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 6%, is sold by the Generation Companies through the WESM.

##### Retail Electricity Supply Business

The Company's RES business has nearly 300 Contestable Customers from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

**Distribution Utilities**

Most of AboitizPower's Distribution Utilities, on the other hand, have a wide and diverse customer base. As such, the loss of any one customer is not expected to have a material adverse impact on AboitizPower. The Distribution Utilities' customers are categorized into four principal categories:

- (a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.
- (b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes.
- (c) *Commercial customers.* Commercial customers include service-oriented businesses, universities and hospitals.
- (d) *Other customers.* Customers not falling under any of the above categories.

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government account, or special government accounts.

**(viii) Transactions with and/or Dependence on Related Parties**

AboitizPower and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into transactions with Associates and other related parties principally consisting of professional and technical services, power sales and purchases, advances, various guarantees, construction contracts, aviation services, and rental fees. These are made on an arm's length basis as of the time of the transactions.

Details of the significant account balances of the foregoing related party transactions of the Group can be found in Note 32 of the accompanying consolidated financial statements of the Company.

**(ix) Patents, Copyrights and Franchises****Power Generation Business**

Power generation is not considered a public utility operation under the EPIRA. Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a Certificate of Compliance (COC) from the ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

In its operations, a generation company is required to comply with technical, financial and environmental standards. It shall ensure that facilities connected to the Grid meet the technical design and operation criteria of the Philippine Grid Code, Philippine Distribution Code, and Philippine Electrical Code,. It shall also conform with financial standards and comply with applicable environmental laws, rules and regulations.

AboitizPower's Distribution Utility, Cotabato Light, has its own generation facility and is required under the EPIRA to obtain a COC. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of the ERC.

AboitizPower's HEPPs are also required to obtain water permits from the NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

AboitizPower, its Subsidiaries and Affiliates are in various stages of development of several projects. Some

of these projects have been awarded renewable energy service contracts by the DOE.

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

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 16-05-M-00061M	Hedcor, Inc.	Talomo 1 – Unit 1	Hydroelectric Power Plant	Calinan, Davao City	500 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 1 – Unit 2			500 kW			
COC No. 16-05-M-00062M	Hedcor, Inc.	Talomo 2 – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2 – Unit 2			200 kW			
		Talomo 2 – Unit 3			200 kW			
COC No. 16-05-M-00063M	Hedcor, Inc.	Talomo 2A – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2A – Unit 2			200 kW			
COC No. 16-05-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00065M	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 3 – Unit 2			960 kW			
COC No. 18-12-M-00327L	Hedcor, Inc.	FLS Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018

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Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25	May 18, 2015 - August 9, 2020
		Sibulan A – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25	May 18, 2015 - May 24, 2020
		Sibulan B – Unit 2			13.128 MW			
COC No. 14-03-GN 346-20102M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sitio Tudaya, Brgy. Sibulan, Sta. Cruz, Davao del Sur	6.65 MW	Hydro	15	March 10, 2014 - March 10, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No. 15-06-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	8.13 MW	Hydro	25	June 15, 2015
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25	September 29, 2015
COC No. 15-11-M-13701M	Davao Light & Power, Co.	Bajada Diesel Power Plant	Diesel Power Plant	J.P. Laurel Ave., Bajada, Davao City	58.70 MW	Diesel	20	November 26, 2015 - December 7, 2020
			Blackstart		483.20 kW	Diesel	20	
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, Mactan Export Processing Zone 1 (MEPZ 1), Lapu-Lapu City, Cebu	49.60 MW	Bunker C	June 10, 2018 – June 10, 2023	March 27, 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/ Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C- Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
		N/A	Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C- Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 17-03-M-00309L	SN Aboitiz Power – Benguet, Inc.	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 - March 11, 2022	March 9, 2017
		Binga – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Auxiliary Generator Set		330.40 KW	Diesel		
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 - August 30, 2021	August 18, 2016
		Ambuklao – Unit 2			34.85 MW			
		Ambuklao – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2016 - August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25	March 25, 2015 - March 25, 2020
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015 - May 31, 2020
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015 - May 31, 2020
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23	May 4, 2015 - May 31, 2020
		Makban – Sto. Tomas, Plant E			20.0 MW			

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Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25	November 26, 2015 - December 12, 2020
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25	November 26, 2015 - December 12, 2020
		Plant C, Unit 6			57 MW			
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25	March 30, 2016 - April 18, 2021
			Blackstart		1.68 MW	Diesel	5	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25	March 30, 2016 - April 5, 2021
			Blackstart		1.68 MW	Diesel	5	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	September 1, 2015 - August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	January 19, 2016 - August 31, 2020
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Black Start		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2,	November 21, 2017
		Unit 2			325.8 MW			



Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
		N/A	Blackstart		1.68 MW	Diesel	2022	

### Distribution Business

Under the EPIRA, the business of electricity distribution is a regulated public utility business that requires a franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from the ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones are not required to obtain a franchise from Congress, but must be duly registered with the PEZA in order to operate within the economic zone.

All distribution utilities are required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code, which provides the rules and regulations for the operation and maintenance of distribution systems, and the performance standards set out in the implementing rules and regulations of the EPIRA.

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

DU	Franchise	Term	Expiry
VECO	R.A. 9339	25 years from effectivity of R.A. 9339. (R.A. 9339 approved on Sept. 1, 2005. Publication date not known.)	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years from September 24, 2005 to September 24, 2030	
DLPC	R.A. 8960	25 years from effectivity of the Act (Lapsed into law September 7, 2000. Publication date not known.)	Valid until September 7, 2025
	CPCN (Decision dated February 26, 2002, ERC Case No. 2001-792)	September 7, 2000 to September 7, 2025	
CLPC	R.A. 10637 (Approved June 16, 2014)	25 years from expiration of CA 487, as amended	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 Years from June 17, 2014 or until June 16, 2039	
SFELAPCO	R.A. 9967	25 years from effectivity of the Act (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	March 24, 2010 to March 23, 2035	
SEZ	Distribution Management Service Agreement (DMSA) between SEZ and JV of AEV-DLPC	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028.

MEZ, BEZ, and LEZ, which operate the power distribution utilities in MEPZ II, WCIP, and LTC, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises. Cotabato Light's franchise was renewed for another 25 years upon the signing of RA 10637 on June 16, 2014 by then-President Benigno C. Aquino III.

### Retail Electricity Supply Business

Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA, but is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from the ERC. With the implementation of Open Access in 2013, AboitizPower's Subsidiaries, AESI, AdventEnergy, SN Aboitiz Power – RES, and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator. AESI, AdventEnergy, and Prism Energy have each filed the corresponding application for renewal of its respective RES license.

### Trademarks

AboitizPower and its Subsidiaries own, or have pending applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications the Company and its Subsidiaries have filed with the Philippine Intellectual Property Office (IP Office).

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004383 November 11, 2010	Application for the word mark "A Better Future".	Original Certificate of Registration was issued on November 11, 2010.  The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office.  The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office.  The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004384 November 11, 2010	Application for the word mark "A Better Solutions".	Original Certificate of Registration was issued on November 11, 2010.  The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office.  The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office.  The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004385 November 11, 2010	Application for the word mark "AboitizPower".	Original Certificate of Registration was issued on November 11, 2010.  The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office.  The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office.  The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower	Aboitiz Power	April 23, 2010	4-2010-004380	Application for the	Original Certificate of Registration was

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Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Spiral Device (Class Nos. 39, 40 and 42)	Corporation		February 10, 2011	device mark "AboitizPower Spiral and Device", with color claim. The representation of a spiral rendered in blue.	issued on February 10, 2011.  The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office.  The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office.  The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	October 19, 2001	4-2001-007900 January 13, 2006	Application for the word mark "Cleanergy".	Original Certificate of Registration for the mark CLEANERGY was issued on January 13, 2006.  The 3rd year Anniversary DAU was filed on November 11, 2004.  The 5th year Anniversary DAU was filed on December 27, 2011 with the IP Office.  The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on January 13, 2016.  The 15th DAU is due on January 13, 2021.
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	January 16, 2019	4-2019-000850	Application for the word mark "Cleanergy" for the additional goods and services under Class Nos. 39 and 42.	Pending with the IP Office.  The 3rd year Anniversary DAU is due for filing on January 16, 2022 with the IP Office.
Cleanergy and Device (Class No. 42)	Aboitiz Power Corporation	July 30, 2002	4-2002-06293 July 16, 2007	Application for the device mark "Cleanergy and Device", with color claim). The representation of a light with bulb with three leaves attached to it, with the words "CLEANERGY" and a small "ABOITIZ" diamond logo below it.	Original Certificate of Registration was issued on July 16, 2007.  The 3rd year Anniversary DAU was filed on June 28, 2005 with the IP Office.  The 5th year Anniversary DAU was filed on July 15, 2013 with the IP Office.  The 10th year Anniversary DAU and application for renewal of registration were filed on July 16, 2017 with the IP Office.  The Renewal DAU was due on July 16, 2018 but was not filed due to non-use.
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004381 November 11, 2010	Application for the device mark "Cleanergy Get it and Device". The word Cleanergy", with color claim.	Original Certificate of Registration was issued on November 11, 2010.  The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office.

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Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
				The phrase “get it” below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office.  The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004382  November 11, 2010	Application for the device mark “Cleanergy got it and device”.  The word “Cleanergy” with the phrase “got it” below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010.  The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office.  The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office.  The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004379  February 10, 2011	Application for the device mark “AboitizPower and Device”, with color claim.	Original Certificate of Registration was issued on February 10, 2011.  The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office.  The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office.  The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.
Alterspace word mark (Class Nos. 9, 39 and 40)	Aboitiz Power Corporation	April 6, 2011	4-2011-003968  February 24, 2012	Application for the word mark “ALTERSPACE”.	Original Certificate of Registration was issued on February 24, 2012.  The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office.  The 5th DAU was due on February 24, 2018 but was not filed due to non-use.
Alterspace and Device (Class Nos. 9, 39 and 40)	Aboitiz Power Corporation	May 31, 2011	4-2011-006291  December 22, 2011	Application for the device mark “Alterspace and Device”.  A globe with the words “alter” and “space” inside an arrow circling the globe and separating the words. The globe is rendered in forest green, while the words and arrow are rendered in lime green.	Original Certificate of Registration was issued on December 22, 2011.  The 3rd year Anniversary DAU was filed May 20, 2014 with the IP Office.  The 5th DAU was due on December 22, 2017 but was not filed due to non-use.

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Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
RP Energy and Device (Class No. 40)	Redondo Peninsula Energy, Inc.	August 12, 2008	4-2008-0093737 April 13, 2009	Application for the device mark "RP Energy and Device".	Original Certificate of Registration was issued on April 13, 2009.  The 5th year DAU was filed on February 16, 2015.  The 10th year Anniversary DAU and application for renewal are due for filing on April 13, 2019.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007306 August 20, 2007	Trademark application for Subic EnerZone Corporation and Logo, with color claim (blue and yellow).  The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, rendered in cobalt medium blue color, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.  The logo is likewise rendered in the cobalt medium blue color in a yellow background.	Original Certificate of Registration was issued on August 20, 2007.  The mark was renewed on August 20, 2017.  The renewal DAU was filed on August 20, 2018 with the IP Office.  The Renewal 5th Year DAU is due on August 20, 2023.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007305 August 20, 2007	Application for the Subic EnerZone Corporation word mark and device (gray). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.	Original Certificate of Registration was issued on August 20, 2007.  The mark was renewed on August 20, 2017.  The renewal DAU was filed on August 20, 2018 with the IP Office.  The Renewal 5th Year DAU is due on August 20, 2023.
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	July 6, 2006	4-2006-007304 June 4, 2007	Application for the word mark "Subic EnerZone Corporation".	Original Certificate of Registration was issued on June 4, 2007.  The 3rd year Anniversary DAU was filed with the IP Office on July 6, 2009.  The 5th year Anniversary DAU was filed with the IP Office on June 4, 2013.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					<p>The 10th year Anniversary DAU and application for renewal of registration was filed with the IP Office on June 4, 2017.</p> <p>The renewal DAU was filed on June 4, 2018 with the IP Office</p> <p>The Renewal 5th Year DAU is due on June 4, 2023.</p>

**International Trademarks Application (Madrid Protocol)**

Trademarks	Applicant	Date Filed	Country of Application	Status
AboitizPower word mark (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	January 4, 2019	WIPO	Pending
			Vietnam	Pending
			Indonesia	Pending
AboitizPower Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	January 4, 2019	WIPO	Pending
			Vietnam	Pending
			Indonesia	Pending
Cleanergy word mark (Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40 & 42)	Aboitiz Power Corporation	June 24, 2015	Indonesia	The application is still pending.
Cleanergy word mark (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	January 18, 2019	WIPO	Pending
			Vietnam	Pending
Cleanergy Get It device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	January 4, 2019	WIPO	Pending
			Vietnam	Pending
			Indonesia	Pending
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Aboitiz Power Corporation	January 4, 2019	WIPO	Pending
			Vietnam	Pending
			Indonesia	Pending

**(x) Government Approvals**

The discussion on the need for any government approval for any principal products or services of the Company and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in item (ix) Patents, Copyrights and Franchises.

**(xi) Effect of Existing or Probable Government Regulations on the Business****1. The Tax Reform for Acceleration and Inclusion (TRAIN Law)**

The TRAIN Law was signed into law by President Rodrigo Roa Duterte on December 19, 2017, and took effect on January 1, 2018. Its declared policies are to: (a) enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth; (b) provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) ensure that the government is able to provide better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

Furthermore, the TRAIN Law repeals Section 9 of Republic Act No. 9511 or the National Grid Corporation of the Philippines Act, which effectively removes VAT exemptions on transmission charges and sale of electricity by cooperatives duly registered under the Cooperative Development Authority (CDA). The estimated impact on the cost of electricity are as follows:

Additional cost  
All figures in ₱

	kWh consumption	Current cost per kWh	Current Total Cost	Generation Coal	Generation Diesel/Bunker	Transmission	Distribution	UCME <sup>7</sup>	Total	Estimate d new total cost	Percent increase
Grid (Meralco)	100	7.80	780.00	2.00	4.40	8.18	0.00	0.38	14.96	794.96	1.92
Grid (non-Meralco, NEA)	100	8.80	880.00	2.00	4.40	5.91	0.00	0.38	12.69	892.69	0.44
Grid (non-Meralco, CDA)	00	8.80	880.00	2.00	4.40	5.91	7.18	0.38	19.87	899.87	2.26
SPUG <sup>8</sup> (NEA <sup>9</sup> , coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	0.00	0.38	4.38	1,134.38	0.39
SPUG (CDA, coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	10.17	0.38	14.55	1,144.55	1.29
SPUG (NEA, diesel/bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7 1.00	0.00	0.00	0.00	71.00	1,201.00	6.28
SPUG (CDA, diesel/bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7 1.00	0.00	10.17	0.00	8.7	2.70	7.8
SPUG (NEA, diesel/bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	0.00	0.38	0.38	30.38	0.03
SPUG (CDA, diesel/bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	10.17	0.38	0.55	40.55	0.93

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

Notes: Estimates are based on the following assumptions:

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

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced VAT refund system. Upon the successful establishment and implementation of an enhanced VAT refund system, refunds of creditable input tax shall be granted by the Bureau of Internal Revenue (BIR) within 90 days from filing of the VAT refund application, provided that all pending VAT refund claims of the taxpayer as of December 31, 2017 shall be fully paid in cash by December 31, 2019. The zero-rated transactions covered by this refund mechanism are the following:

- Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise;
- Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production;
- Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws;
- Services performed by subcontractors and/or contractors in processing, converting, of manufacturing goods for an enterprise whose export sales exceed seventy percent (70%) of total annual production; and
- Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of Bangko Sentral ng Pilipinas.

Finally, the TRAIN Law doubled the documentary stamp tax (DST) on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance,

<sup>7</sup> Universal Charge of Missionary Electrification

<sup>8</sup> Small Power Utilities Group

<sup>9</sup> National Electrification Administration

fidelity bonds, other insurance, indemnity bonds, and deeds of sale and conveyance remain unchanged.

The Corporate Tax Reform and Fiscal Incentives Modernization is the second package of the Comprehensive Tax Reform Program of the Duterte Administration ("Package 2"). In his State of the Nation Address on July 23, 2018, the President certified Package 2 as a priority legislative measure.

The House of Representatives approved its version of Package 2, House Bill No. (HB) No. 8083 or the Tax Reform for Attracting Better and Higher Quality Opportunities ("TRABAHO") bill, on third and final reading on September 10, 2018. On the other hand, the Senate's version, Senate Bill No. (SB) No. 1906, has been pending with the Committee of Ways and Means since August 6, 2018.

Package 2, which the Department of Finance (DOF) claims to be revenue-neutral, proposes to gradually lower the corporate income tax ("CIT") rate while modernizing the fiscal incentives to make them performance-based, targeted, time-bound, and transparent for a more competitive fiscal incentives system for investments. Pursuant to HB No. 8083, from 30%, the CIT shall be 28% beginning January 1, 2021; 26% beginning January 1, 2023; 24% beginning January 1, 2025; 22% beginning January 1, 2027; and 20% beginning January 1, 2029. On the other hand, under SB No. 1906, the CIT rate shall be 25% upon the effectivity of Package 2.

Package 2 also seeks to repeal laws on investment tax incentives and consolidate them into a single omnibus incentives law. Included in the repeal will be certain provisions granting tax incentives under the Omnibus Investment Code, Special Economic Zone Act, Renewable Energy Act, Bases Conversion and Development Act, and Freeport Area of Bataan Act. Moreover, existing registered activities granted the income tax holiday ("ITH") shall be allowed to continue availing thereof for the remaining period of the ITH or for a period of five years only, whichever comes first. Likewise, existing registered activities granted the 5% gross income tax incentive shall be allowed to continue availing thereof for two to five years.

Package 2 has not yet been passed into law by the 17<sup>th</sup> Congress as of the date of this report.

## **2. Data Privacy Act of 2012**

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right of privacy by: (i) protecting the privacy of individuals while ensuring free flow of information; (ii) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (iii) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission (NPC).

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (i) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (ii) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (iii) discarded properly to avoid access by unauthorized third parties.

Its Implementing Rules and Regulations took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (i) appointment of a Data Protection Officer; (ii) conduct of a privacy impact assessment; (iii) creation of a privacy knowledge management program; (iv) implement a privacy and data protection policy; and (v) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to the personal and identifiable information of at least 1,000 individuals are required to register their data processing systems with the National Privacy Commission.

In 2017, AEV launched its data privacy compliance program which includes the implementation of the Information Security Management System (ISMS) for the entire Aboitiz Group. Expected time of completion for this compliance program is by the fourth quarter of 2019.



### 3. The Philippine Competition Act

The Philippine Competition Act (R.A. 10667) is aimed to promote and protect fair market competition. It is intended to improve consumer protection and preserve the efficiency of market competition by establishing the PCC to implement the following: (i) prohibition against entities from entering into anti-competitive horizontal and vertical agreements that substantially prevent, restrict, or lessen competition; (ii) proscription on abuse of dominant position, which refers to conduct by dominant players that substantially prevents, restricts, or lessens competition (e.g., predatory pricing, tying and bundling, or imposing barriers to entry by new player, etc); (iii) regulation or prevention of anti-competitive mergers and acquisitions; and (iv) imposition of fines and criminal penalties.

In 2018, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1 bn for both the Size of Person and Size of Transaction tests to ₱5 bn for the Size of Person and ₱2 bn for the Size of Transaction as defined in the Implementing Rules and Regulations. The same memorandum circular also provided that unless otherwise modified or repealed by the Commission, the thresholds set out in Rule 4, Section 3 of the Implementing Rules and Regulations, as amended, shall be automatically adjusted commencing on March 1, 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal Gross Domestic Product (GDP) growth of the previous calendar year rounded up to the nearest hundred millions. The annual nominal GDP from 2017 to 2018 grew by 10.23%.

Based on the nominal GDP growth, the PCC issued Advisory 2019-001, notifying the public of the adjustment of the thresholds:

Adjusted Thresholds to be Implemented		
Test	Old Threshold (2018)	New Threshold (effective March 1, 2019)
Size of Person Test	₱5 bn	₱5.6 bn
Size of Transaction Test	₱2 bn	₱2.2 bn

This means that the value of the assets or revenues of the Ultimate Parent Entity (UPE) of at least one of the parties must exceed ₱5.6 bn instead of ₱5 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired entity must exceed ₱2.2 bn instead of ₱2 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply. The new thresholds will not apply to (i) transactions already pending review with the PCC, (ii) notifiable transactions consummated before March 1, 2019, and (iii) transactions already decided by the PCC.

The Aboitiz Group, in its effort to create shareholder value by growing its businesses and in the conduct of its business practices, closely monitors its compliance with the Philippine Competition Act.

### 4. Electric Power Industry Reform Act of 2001 (EPIRA)

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

#### a) Wholesale Electricity Spot Market (WESM)

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

The WESM provides an avenue whereby generators may sell power and at the same time suppliers

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

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

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

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

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

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

On May 17, 2017, PEMC filed an application docketed as ERC Case No. 2017-042 RC for the approval of the Price Determination Methodology for the WESM, which includes, inter alia, (i) scheduling and pricing of energy and reserves, and (ii) revised settlement formula. Hearings are ongoing.

#### **b) WESM in Mindanao**

On May 4, 2017, the DOE issued DC 2017-05-0009 entitled “Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines”. This DOE Circular took effect on June 7, 2017, with the following pertinent provisions:

- (i) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;
- (ii) Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering

- facilities, approval of the Price Determination Methodology by the ERC, and trial operations of the WESM, among others;
- (iii) Conduct of the Trial Operation Program for the WESM;
  - (iv) Automatic termination of IMEM; and
  - (v) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

As of December 2018, trial operations were ongoing to ensure the readiness of eventual WESM participants in Mindanao. According to the DOE, the target commercial operations of the WESM in Mindanao is set on June 2019, although this would still require the promulgation of the the new Price Determination Methodology currently pending in the ERC.

#### **c) Independent Electricity Market Operator (IEMOP)**

On February 04, 2018, DOE issued Circular DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the WESM. The policy on IMO outlines the mandates of DOE and ERC over the independent market operator, its guiding principles, composition, including a board composed of at least five members, its functions, and WESM's new governing and governance structure and the conditions for transition.

The IMO transition plan called for the formation of a new company called the IEMOP as an independent market operator, with PEMC remaining as WESM's governing body. Previously, PEMC oversees both the operations and governance functions of WESM. The transition also entails the reconstitution of the PEMC Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

On September 26, 2018, IEMOP formally took over operations of the WESM from PEMC thereby signifying the government's transfer of WESM operations to the private sector. IEMOP facilitates the registration and participation of generating companies, distribution utilities, directly connected customers or bulk users, suppliers and contestable customers in the WESM. It also determines the hourly schedules of generating units that will supply electricity to the grid, as well as the corresponding spot-market prices of electricity via its Market Management System.

#### **d) Retail Competition and Open Access (Open Access)**

The EPIRA provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. Conditions for the commencement of Open Access are as follows:

- (i) Establishment of the WESM;
- (ii) Approval of unbundled transmission and distribution wheeling charges;
- (iii) Initial implementation of the cross subsidy removal scheme;
- (iv) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- (v) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPAs.

As provided in the EPIRA, Open Access shall be implemented in phases. The WESM began operations in Luzon in June 2006 and in Visayas in December 2010.

In 2011, the ERC *motu proprio* initiated proceedings to determine whether Open Access may already be declared in Luzon and Visayas. Following various public hearings, the ERC declared December 26, 2011 as the Open Access Date when full operations of the Competitive Retail Electricity Market (CREM) in Luzon and Visayas should commence. All electricity end-users with an average monthly peak demand of 1 MW for the twelve months preceding December 26, 2011, as certified by the ERC to be Contestable Customers, were given the right to choose their own electricity suppliers. However, on October 24, 2011, upon the request of MERALCO, the Private Electric Power Operators Association

and the Philippine Rural Electric Cooperatives Association, Inc. for re-evaluation of the feasibility of the December 26, 2011 Open Access Date, the ERC declared the deferment of the implementation of Open Access in Luzon and Visayas by reason of the inadequacy of rules, systems, preparations, and infrastructure required therefore.

In 2012, the ERC, together with the DOE and PEMC, worked on the development of the Transitory Rules to govern the initial implementation of Open Access, which rules were finalized and issued by the ERC in December 2012. Under the said rules, the ERC declared December 26, 2012 as the Open Access Date, while the period from December 26, 2012 to June 25, 2013 was declared as the transition period during which the required systems, processes, and information technology structure relating to Open Access would be developed and finalized, and registration of retail electricity suppliers and Contestable Customers into the WESM database would be instituted. The period from June 26, 2013 to December 25, 2013 would cover the initial commercial operation of Open Access. From December 26, 2013 onwards, full retail competition was implemented, with PEMC assigned to perform the functions of the Central Registration Body tasked to undertake the development and management of the required systems, processes, information technology structure, and the settlement of transactions in the WESM relating to Open Access.

In Mindanao, a truly competitive environment required by Open Access is not expected in the near future because the largest generating asset owned by NPC in Mindanao has yet to be privatized. In December 2013, however, the IMEM commenced operations to address the supply shortfall in the Grid through the utilization of available resources such that all registered generating facilities are mandated to fully account for their capacities in the market.

In December 2013, ERC issued revised licensing regulations for RES operating in the retail supply segment. In the ERC revised rules, no RES licenses would be issued to generating companies, IPPA and affiliates of distribution utilities during a transition period or until the ERC deems appropriate in consideration of market conditions. Additional restrictions were provided such as: (1) including the contracted capacity of the RES in the grid limitations imposed on the total capacity controlled by its affiliate generation companies; (2) limiting the supply by a RES to its affiliate end-users up to 50% of the RES' capacity; and (3) limiting the supply by a generation company to its affiliate RES up to 50% of the generation requirements of such RES. The Retail Electricity Suppliers Association of the Philippines, Inc. has a petition for declaratory relief with an urgent application for an injunction with the RTC of Pasig on the ground that the revised rules are unconstitutional and invalid.

On October 22, 2014, the ERC issued Resolution No. 17, Series of 2014, which holds in abeyance the evaluation of RES license applications and suspends the issuance of RES licenses pending the ERC's promulgation of the amended RES License Rules. Currently, ERC is reviewing the RES Licensing Rules and Rules for Contestability.

On May 12, 2016, the ERC issued Resolution No. 11, Series of 2016, which disallows distribution utilities from engaging in the supply of electricity to end-users in the Contestable Market unless it is a Supplier of Last Resort. Local RES are also mandated to wind down business within three years from the effectivity of ERC Resolution No. 11-16. Retail Supply Contracts (RSC) executed by Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provides that no RES are allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the CREM. Further, RES are not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which establishes the conditions and eligibility requirements for end-users to be part of the Contestable Market.

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No. 4149-PSG, with a prayer for the issuance of a TTRO and/or Writ of Preliminary Injunction to: (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series

of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the revised rules for contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void. On July 13, 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailing the jurisdiction of the RTC, separately filed Petitions for Certiorari and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions, and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo de Manila University, and Riverbanks Development Corporation filed a new petition before the Supreme Court to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On February 21, 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

In a letter to MEZ dated November 7, 2017, ERC through Commissioner Alfredo J. Non, stated that:

*"Distribution Utilities are reminded to facilitate the switch of contestable customers as the said TRO did not operate to suspend the implementation of RCOA. The RCOA scheme is still effective and the rules governing the same, except for those covered by the TRO, are valid and enforceable."*

In this letter, ERC also reminded MEZ to refrain from any action which would prevent the implementation of the contestability of 1 MW and above in the CREM and the voluntary switch of Contestable Customers to and/or from RES.

On November 29, 2017, DOE promulgated DC2017-12-0013 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry." The circular provides, inter alia, that (i) upon the effectivity of Circular, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding twelve months, may participate in the Contestable Market; (ii) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding twelve months may voluntarily participate in the Contestable Market; and (iii) by December 26, 2018 or on an earlier date specified by the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding twelve-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators.

On November 29, 2017, DOE promulgated DC2017-12-0014 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Retail Electricity Suppliers (RES) Philippine Electric Power Industry." The circular provides the list of entities that may become Retail Electricity Suppliers. The circular also stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a Local RES upon authorization from the ERC. The EPIRA provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges.

**e) Unbundling of Rates and Removal of Subsidies**

The EPIRA mandated the unbundling of distribution and wheeling charges from retail rates, with such unbundled rates reflecting the respective costs of providing each service. It also mandated the removal of cross subsidies other than the lifeline rate for marginalized end-users which shall subsist for a period of 20 years, unless extended by law. The lifeline rate is a socialized pricing mechanism set by ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity.

**f) Reduction of Taxes and Royalties on Indigenous Energy Resources**

EPIRA requires the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel, and other imported fuels. Following the promulgation of the implementing rules and regulations, former President Gloria Macapagal-Arroyo enacted Executive Order No. 100 to equalize the taxes among fuels used for power generation.

**g) Proposed Amendments to the EPIRA**

Since the enactment of the EPIRA in 2001, members of Congress have proposed various amendments to the law and its implementing rules and regulations. A summary of the significant proposed amendments are as follows:

- (i) Classification of power projects as one of national significance and imbued with public interest;
- (ii) Exemption from VAT on the sale of electricity by generation companies;
- (iii) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
- (iv) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
- (v) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
- (vi) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
- (vii) Regulation of generation, transmission, distribution, and supply rates to allow RORB up to 12%;
- (viii) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
- (ix) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
- (x) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
- (xi) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the grid and/or nationally installed generating capacity;
- (xii) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
- (xiii) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways

- or water systems that supply water to the dam or hydroelectric power generating facility are located;
- (xiv) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
- (xv) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
- (xvi) Grant of authority for NPC to generate and sell electricity from remaining assets;
- (xvii) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity; and
- (xviii) Creation of a consumer advocacy office under the organizational structure of the ERC.

## 5. Implementation of the Performance-based Rating-setting Regulation (PBR)

On December 13, 2006, ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering PBR for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the Return-on-Rate Base (RORB) mechanism, which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

The ERC has also implemented a PIS whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by ERC, such as the: (a) average duration of power outages; (b) average time of restoration to customers; and (c) average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

The second regulatory period of Cotabato Light ended on March 31, 2013, while that of VECO and Davao Light ended on June 30, 2014. In addition, the second regulatory period of SEZ and SFELAPCO ended on September 30, 2015. A reset process should have been initiated 18 months prior to the start of the third regulatory period of April 1, 2013 to March 31, 2017 for Cotabato Light, July 1, 2014 to June 30, 2018 for VECO and Davao Light, and October 1, 2015 to September 30, 2019 for SEZ and SFELAPCO. The reset process, however, has been delayed due to the issuance by ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RSDWR. Said paper aims to revisit various matters relating to the reset process.

On December 22, 2015, Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. Public consultations were held on various dates in Metro Manila, Cebu, and Davao.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, ERC adopted the Resolution Modifying the RDWR for Privately Owned Distribution Utilities Entering PBR. Based on said Resolution, the Fourth Regulatory Period shall be as follows:

- (i) Cotabato Light: April 1, 2017 to March 31, 2021
- (ii) Davao Light and VECO: July 1, 2018 to June 30, 2022
- (iii) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

The reset process for the fourth regulatory period has not yet started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity. Due to the rules change on PBR, all AboitizPower Distribution Utilities have not undergone the third regulatory period.

## 6. Philippine Distribution Code and the Philippine Grid Code

Each of AboitizPower's Distribution Utilities has submitted to ERC a Compliance Monitoring Report based on a self-assessment of a distribution utility's compliance with the Philippine Distribution Code. These Compliance Monitoring Reports were accompanied by Compliance Plans, which outline the activities and projects to be undertaken by a distribution utility to fully comply with the prescribed technical, performance and financial standards of the Philippine Distribution Code.

On October 5, 2016, ERC approved the 2016 Edition of the Philippine Grid Code in Resolution No. 22, Series of 2016. On February 26, 2017, ERC approved the 2017 Philippine Distribution Code in Resolution No. 02, Series of 2018. Pertinent additions and revisions include:

- (i) Establishment of connection and operational requirements for Embedded Generating plants, both conventional and variable renewable energy (VRE) source;
- (ii) Classification of Embedded Generating plants according to their characteristics and installed capacity;
- (iii) Specified procedures for new connection and modifications of existing connection to guide prospective project proponents in connecting to the distribution system;
- (iv) Application of the PDC to entities duly authorized to operate a distribution system within the Economic Zones;
- (v) Removal of administrative loss as part of system loss and non distinction of technical and non-technical loss caps;
- (vi) Addition of members representing the Market Operator and the largest Distribution Utility to be added to the Distribution Management Committee (DMC); and
- (vii) Harmonization of PRC with PGC 2016 Edition, the Market Rules of the WESM, and subsequent rules and guidelines issued by the ERC applicable to Distribution Systems.

APRI, TMI, and Hedcor have submitted to ERC their respective Grid Compliance Monitoring Reports based on self-assessments of their compliance with all prescribed technical specifications and performance standards of the Philippine Grid Code. Reliable and attainable compliance plans accompanied these reports to outline the activities and projects that will cause compliance by a generation company with the requirements of the Philippine Grid Code.

## 7. The Renewable Energy Act of 2008 (RE Law)

The RE Law was signed into law by former President Gloria Macapagal-Arroyo on December 16, 2008 and became effective in January 2009. One of the RE Law's declared policies is to accelerate and develop the use of the country's renewable energy resources to: (a) reduce the country's dependence on fossil fuels, thereby minimizing exposure to price fluctuations in the international markets, and (b) reduce or prevent harmful emissions and promote a healthy and sustainable environment.

The RE Law imposes a government share on existing and new renewable energy development projects at a rate of 1% of the gross income from the sale of renewable energy and other incidental income from generation, transmission and sale of electric power, except for indigenous geothermal energy which shall be at a rate of 1.50% of gross income. Proceeds from micro-scale projects for communal purposes and non-commercial operations, not exceeding 100 kW, and proceeds from the development of biomass resources will not be subject to the said government share.

The RE Law offers fiscal and non-fiscal incentives to renewable energy developers, including developers of hybrid systems, subject to certification by the DOE in consultation with the BOI. These incentives include an ITH for the first seven years of commercial operations; duty-free importations of renewable energy machinery, equipment and materials effective within ten years upon issuance of certification, provided, said machinery, equipment, and materials are directly and actually needed and exclusively used in renewable energy facilities; special realty tax rates on civil works, equipment, machinery and other improvements of a registered renewable energy developer not exceeding 1.50% of the net book value; net operating loss carry-over; corporate tax rate of 10% after the seventh year; accelerated depreciation; zero-percent VAT on sale of fuel or power generated from renewable energy sources and other emerging



sources using technologies such as fuel cells and hydrogen fuels and on purchases of local supply of goods, properties and services needed for the development, construction and installation of renewable energy facilities; cash incentives for missionary electrification; tax exemption on the sale of carbon emission credits; and tax credit on domestic purchases of capital equipment and services.

All fiscal incentives apply to all renewable energy capacities upon the effectivity of the RE Law. Renewable energy producers from intermittent renewable energy resources are given the option to pay transmission and wheeling charges on a per kilowatt-hour basis at a cost equivalent to the average per kilowatt-hour rate of all other electricity transmitted through the Grid. Qualified and registered renewable energy generators with intermittent renewable energy resources shall be considered “must dispatch” based on available energy and shall enjoy the benefit of priority dispatch. Electricity generated from renewable energy resources for the generator’s own consumption and/or for free distribution to off-grid areas is exempt from the universal charge. The RE Law further provides financial assistance from government financial institutions for the development, utilization and commercialization of renewable energy projects, as may be recommended and endorsed by the DOE.

Pursuant to Department Circular No. DO2009-05-008 dated May 25, 2009 (Rules and Regulations Implementing the Renewable Energy Act of 2008), DOE, BIR, and DOF shall, within six months from its issuance, formulate the necessary mechanism and/or guidelines to implement the entitlement to the general incentives and privileges of qualified renewable energy developers. The six-month decline was not met and to date no specific guidelines or regulations have been issued by the relevant implementing agencies. As a result, the RE companies of AboitizPower, such as APRI, LHC, Hedcor Sibulan, Hedcor Tamugan, SN Aboitiz Power-Magat, and SN Aboitiz Power-Benguet filed on August 6, 2010, a request before the BIR Law Division for a ruling on the application of zero-rated VAT on all its local purchases of goods and services needed for the development of RE plant facilities, exploration and development of RE sources and their conversion into power. To date, the said request is still pending with the BIR Law Division.

In Resolution No. 10, Series of 2012, ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar, and wind resources:

	FIT Rate (PhP/kWh)	Degression Rate
Wind	8.53	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. On September 29, 2016, a Petition for Rule Making was filed by Alternergy Wind One Corporation, Petrowind Energy, Inc., and Trans-Asia Renewable Energy Corporation seeking to amend Resolution No. 14, Series of 2015, and praying to increase the Wind FIT2 rate of ₱7.40/kWh to ₱7.93/kWh. A public consultation was held on the Petition for Rule Making on January 6, 2017. Through a letter dated February 23, 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until December 31, 2019, which prompted ERC to undergo public consultations for the amendments to the ERC Resolution No. 10, Series of 2012.

On November 23, 2018, ERC issued an Order and Notice of Proposed Rule-Making soliciting comments from interested parties on the NREB’s proposed new run-of-river FIT and biomass FIT of ₱5.8705/kWh and ₱6.5969/kWh, respectively. Public consultations were scheduled in January 2019.

Acting upon the application of Transco as Fund Administrator of the FIT Allowance (FIT-All), ERC issued its final approval for the FIT-All of ₱0.0406 per kWh, for calendar years 2014 and 2015. Subsequently, Transco filed an application for approval of the FIT-All for calendar year 2016. In an Order dated February 16, 2016, the ERC provisionally approved a FIT-All of ₱0.1240 per kWh. In a Decision dated May 9, 2017, ERC authorized Transco to collect an additional FIT- All of ₱0.0590 per kWh, thereby bringing the FIT-All to

₱0.1830 per kWh.

On December 22, 2017, DOE promulgated the "Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the "RPS On-Grid Rules," which: (i) requires mandated electric power industry participants to source or produce portion of their electricity requirements from eligible renewable energy resources, establishes a minimum annual incremental RE percentage, (iii) prescribes the eligible renewable energy facilities and the compliance mechanism, (iv) monitor the compliance of mandated electric power industry participants, and (v) provide penalties for non-compliance.

## **8. Green Energy Option (GEOP)**

On July 18, 2018, the DOE issued a department circular entitled "Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program Pursuant to the Renewable Energy Act of 2008." This Circular was issued pursuant to Section 9, Chapter III of the Renewable Energy (RE) Law, which mandates the DOE to establish a Green Energy Option Program, or GEOP. The program will give end-users the option to source their energy requirements from RE resources.

The GEOP rules establish the general guidelines and procedures governing transactions between consumers, RE suppliers and network service providers, on the matter of choosing and using RE resources at the least cost and in a sustainable manner.

## **9. ERC Regulation on Systems Loss Cap Reduction**

Under ERC Resolution No. 17, Series of 2008, the actual recoverable systems losses of distribution utilities was reduced from 9.50% to 8.50%. The new systems loss cap was implemented in January 2010. Under this regulation, actual company use of electricity shall be treated as an expense of the distribution utilities, particularly, as an operations and maintenance expense in the PBR applications.

On December 5, 2017, ERC issued the Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency. This rules adjusted the manner on which system losses shall be set by private distribution utilities and electric cooperatives. Public consultations were held on various dates in different locations in the country. Also, there are proposed Senate and House bills seeking to revisit the level of allowable system losses passed on to end-users. Information gathering is currently being done to study the proposed bills further.

In February 2018, ERC issued Resolution No. 20, Series of 2017 (ERC Resolution No. 20-2017) entitled "*A Resolution Adopting the ERC Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency*". This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period. Private distribution utilities would charge a 6.50% DSL cap for 2018, which shall be reduced gradually on an annual basis until a DSL cap level of 5.50% is achieved by the year 2021. The aforementioned caps are exclusive of sub-transmission and substation losses.

The rules allow distribution utilities to use an alternative method in determining an individualized DSL cap that it shall apply. The individualized cap has two components: one for technical loss (determined using load flow simulations on the DU's reference distribution system) and another for non-technical loss (which represents the level of non-technical loss that minimizes the costs to consumers). In determining the reasonable level of the individualized DSL cap, costs and benefits must be analyzed from the viewpoint of the customer.

On June 4, 2018, Cotabato Light filed with ERC its individualized system loss cap application with technical loss cap at 7.48% and non-technical loss cap at 1.77%. A public hearing on the application was held on August 2, 2018.

## **10. Proposed Power Supply Agreement (PSA) Rules**

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, "*A Resolution Directing All*

*Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market.*" This resolution provides that a PSA shall be awarded to a winning generation company following a competitive selection process or by direct negotiation, after at least two failed Competitive Supply Process (CSPs). ERC Resolution 13-2015 was restated in ERC Resolution No. 1, Series of 2016, entitled, "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015."

ERC Resolution No. 1, Series of 2016 further clarified that automatic renewal clauses or extension of PSAs will no longer be permitted. However, PSAs approved by the ERC or filed with the ERC before the effectivity of this Resolution may have one automatic renewal or extension for a period of one year from the end of their respective terms.

On February 9, 2018, DOE issued Department Circular No. DC2018-02-0003, modifying the existing policy on CSP of power supply contracting, followed by all distribution utilities. Distribution utilities are now mandated by DOE to undertake the creation of an independent, five-man third-party bids and awards committee (TPBAC) that will manage the CSP. The circular also allows the distribution utilities to conduct CSP through an accredited third-party auctioneer.

ERC is currently revising its "Rules Governing the Execution, Review and Evaluation of Power Supply Agreements Entered Into by Distribution Utilities for the Supply of Electricity to their Captive Market", under ERC Case No. 2018-002 RM. To date, the rules have undergone public consultation and is currently on the second draft. The draft Rules did not recognize the DOE's TPBAC, and likewise allowed for the Swiss Challenge for unsolicited proposals. The Company has submitted its comments and still awaiting for the final Rules from the ERC.

#### **11. Pricing and Cost Recovery Mechanism (PCRM)**

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates orderly trading and ensures the quality of electricity.

As provided in the WESM rules, when reasonably feasible, the WESM Market Operator, in coordination with the WESM System Operator, shall establish and administer a spot market for the purchase of certain reserve categories. The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

The WESM Reserve PCRM is intended to supplement the WESM Price Determination Methodology for purposes of providing the details of formula and procedures by which reserve trading amounts and reserve cost recovery charges for the categories of reserve that will be traded in the WESM are calculated. Once approved by ERC, this Reserve PCRM will apply to all reserve categories traded in the WESM and will supersede, to this extent, the Ancillary Services Cost Recovery Mechanism of the Transco.

The Reserve PCRM covers the determination of: (1) reserve trading amounts of reserve providers; (2) reserve cost recovery charges; and (3) administered reserve prices and reserve cost recovery charges. To date, the Reserve PCRM is the subject of an application by the WESM Market Operator, which is pending the approval of the ERC.

On December 2, 2014, DOE issued Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves. The circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

On September 14, 2018, NGCP filed a Petition seeking the Commission's approval of its proposed amendments to the Ancillary Services – Cost Recovery Mechanism. The Company has submitted its initial comments and will submit additional comments and attend the public consultations scheduled throughout January and February 2019.

## **12. DOE Circular Directing All Power Generation Companies, the Transmission Service Provider, and All Distribution Utilities to Ensure Adequate and Reliable Electric Power Supply in the Country**

Under DOE Department Circular No. 2010-03-0003 dated February 26, 2010, generation companies are enjoined to ensure the availability of their generation facilities at all times subject only to technical constraints duly communicated to the WESM System Operator in accordance with existing rules and procedures. For this purpose, generation companies have, among others, the following responsibilities:

- (i) All generation companies shall operate in accordance with their maximum available capacity which shall be equal to the registered maximum capacity of the (aggregate) unit less: (1) forced unit outages, (2) scheduled unit outages, and (3) de-rated capacity due to technical constraints which include: (a) plant equipment related failure and ambient temperature, (b) hydro constraints which pertain to limitation on the water elevation/ turbine discharge and megawatt output of the plant, and (c) geothermal constraints which pertain to capacity limitation due to steam quality, steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system;
- (ii) Oil-based generation companies shall maintain an adequate in-country stocks of fuel equivalent to at least 15 days of running inventory which includes shipments in transit;
- (iii) Coal power plants shall ensure the required 30 day coal running inventory which includes shipments in transit;
- (iv) During scheduled maintenance of the Malampaya natural gas facilities, all affected generation companies shall maintain at least 15 days of running inventory of alternative fuel and shall operate at full capacity;
- (v) All generation companies with natural gas-fired, geothermal and hydroelectric generating plants shall submit to the DOE a monthly report on the current status and forecast of the energy sources of its generating plants;
- (vi) All generation companies must notify and coordinate with the WESM System Operator of any planned activity such as the shutdown of its equipment; All generation companies must immediately inform the DOE of any unexpected shutdown or de-rating of the generating facility or unit thereof; and
- (vii) Generation companies shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating units or facilities critical to the reliable operation of the Grid.

## **13. Competitive Renewable Energy Zones**

On September 29, 2018, the DOE issued Department Circular No. DC2018-09-0027, or the “Establishment and Development of Competitive Renewable Energy Zones in the Country.” The new policy intends to identify competitive renewable energy zones (CREZ), which will serve as a guide in directing the country’s power transmission development to reach areas with potential indigenous and renewable energy resources. The identification of renewable energy zones is intended to assist in addressing challenges in developing renewable energy sources, including transmission constraints as well as regulatory barriers that hinder the entry of more investments into the sector.

The Philippine CREZ is intended to enhance the planning process and strengthen implementation of various development plans for energy, distribution, transmission and renewable energy. In the circular, the DOE indicated that ideal candidate areas for CREZ are “geographic areas characterized by high-quality, low-cost RE potential in addition to high levels of private-sector developer interest.”

The circular addresses the transmission and demand side challenges of renewable energy developers, thereby cutting down the activities needed to develop renewable energy projects.

## **14. Reserve Market**

On December 2, 2013, the DOE issued Department Circular No. DC2013-12-0027 entitled: “Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market”. No date has been set for the launch of the Reserve Market.

Pending the ERC’s approval of the Price Determination Methodology of the Reserve Market, the DOE and

PEMC implemented the Central Dispatch and Scheduling of Energy and Reserves in the WESM starting January 2016. The protocol follows that of the Reserve Market, with participants being only those contracted with NGCP, and that no settlement amount will come from the WESM.

#### **15. Implementing Rules and Regulations of the Energy Investment Coordinating Council**

On May 04, 2018, the DOE issued Department Circular No. DC2018-04-0013, setting the Implementing Rules and Regulations of Executive Order No. 30 (EO 30) which was signed by President Rodrigo Duterte in June 2017. EO 30 created the Energy Investment Coordinating Council (EICC) in order to streamline the regulatory process affecting energy projects considered as projects of national significance.

Under the IRR, the processing of permits and licenses for projects deemed as “Energy Projects of National Significance” (EPNS) shall be within a maximum period of 30 days. The 30 day period will start from the complete submission of all documentary requirements to the pertinent government agency involved in the permitting process.

The EICC has yet to issue any certification declaring power projects as “Energy Projects of National Significance”. The certification will be beneficial to “greenfield projects” as this will lead to a streamline and faster approval process of government permits required for said projects.

#### **16. DOE Policy for Direct Connection**

On September 14, 2018, the DOE issued Department Circular No. DC2018-08-0025, “Prescribing the Rules Governing the Review and Evaluation of Direct Connection Applications of Industrial, Commercial and Other Electricity End-Users.” The policy lays down procedures on how the DOE will exercise its function to review and evaluate applications for direct connection of Industrial, commercial and other end-users to the grid.

#### **17. Revised Rules on Financial Benefits to Power Plant Host Communities**

On July 26, 2018, the DOE issued Department Circular No. DC2018-08-0021, amending rules governing financial benefits to power plant host communities, legally known as Energy Regulation No. 1-94 (ER 1-94). Under the ER 1-94 Program, communities hosting power generation facilities or energy resources are entitled to one centavo per kilowatt-hour (₱0.01/kWh) of the total electricity sales of Generation Companies or Energy Resource Developers.

One of the major amendments to the aforementioned rule is the direct remittance of financial benefits to host communities for their immediate utilization. Streamlining the release of funding will eliminate the bureaucratic process which hampers socio-economic development of the communities hosting the power plants. The aforementioned financial benefits were remitted to the DOE before they are released to host communities.

#### **(xii) Amount Spent on Research and Development Activities**

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

#### **(xiii) Costs and Effects of Compliance with Environmental Laws**

AboitizPower’s generation and distribution operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address concerns relating to air emissions, wastewater discharges, generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste, workplace conditions, and employee’s exposure to hazardous substances, among others. Standard laws and regulations that govern

business operations include the Philippine Clean Air Act of 1999 (RA 8749), Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Chemical Substances and Hazardous and Nuclear Wastes Control Act (RA 6969) and Philippine Environmental Impact Statement System (PD 1586). The Renewable Energy Act of 2008 (RA 9513) added new and evolving measures that must be complied with. These laws usher in new opportunities for the Company and set competitive challenges for the businesses covered. Additional regulations such as Energy Regulation 1-94 of the Department of Energy require companies to allocate funds for the benefit of host communities for the protection of the natural environment and also for the benefit of the people living within the area. Further, funds are set for the management of carbon sinks and watershed areas through a nationwide reforestation program.

AboitizPower and its subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives and programs. All facilities are in compliance with regulatory requirements thus noting zero spending for remediation costs.

In 2018, APRI has used a total of ₱4,070,265.00 for its environmental management programs while Hedcor spent ₱14,403,538.00 to environmentally manage its renewable energy operations and ₱5,834,721.00 was accounted for TSI's program. SNAP utilized ₱1,619,580.00 and all Oil power plants booked in ₱4,435,478.00 for their programs.

The alignment to international best practices in all power plants are exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety. To edge even further, Hedcor continues to maintain its ISO certification for Information Security and Asset Management Systems.

DENR Region V conferred the Saringaya Special Award to APRI Tiwi plant for its responsible practices in environmental management. CPPC also received an award from EMB-Region VII for its valuable contribution in the Metro Cebu Airshed Governing Board while TMI Mobile 2 received a Certificate of Recognition from EMB-Region XIII for its Adopt-An-Estero/Water Body Program.

DOE's Safety & Health Association of the Philippines Energy Sector (SHAPES) Inc. placed SN Aboitiz Power-Magat and SN Aboitiz Power-Benget as the 2018 Hall of Famer for Corporate Safety and Health Excellence Award, and its respective point of contacts Hollis Fernandez, Clifford Dailay, Rachelle Severo, Eliseo Ingles, and Cesar Vicente individually received awards for Outstanding Safety Professional.

In 2018, AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and law. However two minor sanctions, both of which are administrative nature relating to submission of reportorial requirements, were received by Aseagas & VECO. Both of these issues were immediately addressed, and internal controls were implemented to prevent recurrence. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

#### **(xiv) Employees**

At the parent company level, AboitizPower has a total of 385 employees as of January 31, 2019. These include executive, supervisory, and rank and file staff employees. There is no existing Collective Bargaining Agreement (CBA) covering AboitizPower employees.

The following table provides a breakdown of total employee headcount on a per business group basis, according to employees' function, as of January 31, 2019:

Business Group	Number of Employees					Unionized Employees	Expiry of Collective Bargaining Agreement (CBA)
	Total	Executives	Managers	Supervisors	Rank & File		
<b>Aboitiz Power</b>	385	67	60	63	195	N/A	N/A
<b>Generation Companies</b>							
Run-of-River Hydros	719	12	25	62	474	146	September 19, 2022 (Hedcor)
Large Hydros	186	14	32	38	102	N/A	N/A
Geothermal	327	8	19	49	203	48	February 28, 2022 (APRI)
Solar	5	0	0	2	3	N/A	N/A
Oil	414	11	32	182	189	N/A	N/A
Coal	1,389	26	77	313	830	143	December 31, 2020 (GMCP)
<b>RES</b>	8	0	2	0	6	N/A	N/A
<b>Distribution Utilities</b>	1,061	18	71	136	488	321	December 31, 2016* (VECO) June 30, 2019 (Cotabato Light) June 15, 2021 (Davao Light) May 9, 2019 (SFELAPCO)
<b>Total No. of Employees</b>	<b>4,494</b>	<b>156</b>	<b>318</b>	<b>845</b>	<b>2,490</b>	<b>658</b>	

\*Under negotiation

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

#### (xv) Major Risk/s Involved in the Business

An integral part of AboitizPower's Enterprise Risk Management efforts is to anticipate, understand and address the risks that the Company may encounter in the businesses it is involved in.

##### 1. Regulatory Risks

A constantly evolving political and regulatory landscape requires AboitizPower to keep up with the demands for regulation compliance. Failure to do so will have negative consequence both in the net income and reputation of each business unit and the Group.

To respond proactively to potential fundamental changes that can impact its businesses, AboitizPower has a Regulatory Team that works very closely with its Generation Companies and Distribution Utilities, while maintaining open lines of communication with regulatory agencies. Regular dialogues are conducted with media, non-government organizations, the academe, and organized industry groups such as PIPPA and Philippine Electric Plant Owners Association (PEPOA) to educate various groups about the power industry.

Likewise, they continue to actively participate in consultative processes to provide feedback on the proposed laws and regulations and, equally important, ensure that the Company's interpretation of applicable laws and regulations is aligned with the regulators.

AboitizPower is also actively involved in the Group-wide initiative, led by AEV, to develop the Aboitiz Unified Compliance Management System based on the Governance, Risk and Compliance (GRC) methodology.

## **2. Competition Risk**

As the impact of oversupply of power in the Philippines becomes more evident, the Company continues to make efforts to market and contract ahead of time, project capacities from investments, as well as renew expiring contracts from existing capacities. This is to ensure that plant operations are optimized, and that revenue and cash flow streams are protected.

## **3. Retail Competition and Open Access**

With Open Access, eligible Contestable Customers may source their electricity from eligible suppliers that have secured a RES license from the ERC. This may adversely affect the distribution franchises of the AboitizPower Group when supply contracts have to be reduced, as customers switch from being captive customers to Open Access-eligible customers. The Distribution Utilities have to adjust the supply obtained from its contracted power generators at a minimal cost impact to customers.

At the same time, AboitizPower's generation assets that have uncontracted capacities will have indirect access to Open Access-eligible customers through the Company's RES entities, specifically AESI and AdventEnergy, as well as its affiliated RES entity, Mazzaraty Energy Corporation.

## **4. Electricity Trading Risks**

In the face of a more dynamic trading environment, lower electricity market prices due to oversupply, anticipated shortened trading and dispatch interval of five minutes, and the impending take-off of WESM in Mindanao, AboitizPower continues to enhance its trading capabilities by continuing its efforts to upgrade its trading software, infrastructure, processes, and manpower.

## **5. Project Risks**

AboitizPower continues to complete the construction of its TVI plant, while other projects have started commercial operations during 2018. Specifically, Pagbilao Unit 3 started commercial operations in March 2018, Hedcor Manolo Fortich (MF) in July 2018 for MF Unit 1, and November 2018 for MF Unit 2.

The TVI plant has experienced technical issues with its turbines, thus extending the testing and commissioning phase, and pushing target commercial operations to the second half of 2019.

To mitigate these project risks, operational readiness reviews are performed, to ensure that these units are ready for commercial operations prior to going on-line.

A Hazard and Operability (HAZOP) Study has also been conducted in the recently purchased Naga Power Plant Complex to ensure that existing diesel units will be safe, environmentally and regulatory-compliant once operation commences.



At the same time, regular reviews of project risk management plans are conducted in order to monitor implementation of risk control measures. Efforts to monitor performance of selected partners, reputable contractors and third-party suppliers are in place. Careful review is also done to ensure that appropriate insurance coverage is obtained.

## **6. Reputation Risk**

AboitizPower recognizes that its reputation is its single most valuable asset, and is a competitive advantage that enables the Company to earn and maintain the trust of its stakeholders. The Company also knows that the reputation it has today took generations to strengthen, and is therefore something that it wants to protect, build, and enhance continuously.

Operating in an environment with increasing corporate governance standards, heightened public consciousness because of social media, and greater scrutiny from key stakeholders, AboitizPower continues to develop a communication plan, founded on a clear understanding of its reputational terrain, and all its stakeholders: team members, customers, shareholders, lenders, regulators, host communities, and LGUs.

A Group-wide stakeholder management strategy that includes policy, framework, guidelines, and metrics has been established to further enhance the Company's ability to identify, understand, and manage the needs and requirements of its different stakeholders.

## **7. Information Security Risks**

AboitizPower is cognizant to the continuous increase of information security incidents happening globally as well as the increasingly complex challenges of digital transformations. The management understands that information security threats should be addressed in order to avoid these breaches, which can have catastrophic implications not only on the organization's bottom line but also to its reputation.

To address this risk, AboitizPower started implementing ISMS using the ISO 27001:2015 framework during the last quarter of 2017, for the purpose of strengthening its security and resilience for the potential consequences of information security breaches. During 2018, the Company focused on defining information security governance, identifying gaps and creating policies and procedures to address these gaps, embedding the ISMS in the business processes.

The Company believes that organizational awareness is a key stepping stone to building an information security risk-aware culture. Because of this, training sessions have been rolled out to cover all levels in the organization, specifically the risk champions per department/team, top management, managers, supervisors and staff. This will be an ongoing process of building and improving capabilities as the Company moves toward achieving an acceptable level of risk maturity within the Company and across its operating units. Likewise, the Company shall continue to align and comply with the IT security standards and policies that are being set and managed across the entire Aboitiz Group.

## **8. Business Interruption Due to Natural and Man-made Calamities, and Critical Equipment Breakdown**

The loss of critical functions and equipment caused by natural calamities such as earthquakes, windstorms, typhoons and floods could result in a significant interruption of the businesses within AboitizPower. Interruptions may also be caused by other factors such as a breakdown of major equipment, failures in software, network, and applications, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.

Preventive maintenance of AboitizPower's facilities, technological infrastructure, and systems is regularly performed in accordance with strict standards for compliance, and loss prevention controls are continuously evaluated and strengthened as well.

Configuration of the Enterprise addition of the CMMS Maximo System (Maximo) for AboitizPower's power generation subsidiaries, which started in 2016, has been completed for the Company's Coal, Geothermal, Run-of-River Hydro, and Oil Business Units.

Group insurance facilities that leverage on the Company's portfolio of assets, supported by risk modelling and quantification, are also in place. Business interruption insurance has been procured to cover the potential loss in gross profits in the event of a major damage to AboitizPower's critical facilities and assets. AboitizPower believes that it and its business units have the right insurance solutions to continue their efforts to achieve the optimal balance between retaining and transferring risks and lowering the Total Cost of Insurable Risk (TCOIR).

To ensure the continuity of operations in the event of a business interruption, AboitizPower and its subsidiaries continuously review, test, enhance, and update their Business Continuity Plans to ensure that they remain relevant with the current business conditions. Part of these enhancements are:

- (a) Utilization of information disseminated by Weather Philippines Foundation, Inc. to ensure that typhoon preparations of each Business Unit is in place prior to landfall, and tapping of Business Units outside the typhoon path to provide support to the affected Business Units;
- (b) Inclusion of emergency exercises related to natural calamities as part of the annual drill roster from flooding to earthquake, as well as evaluation of existing measures in a simulated scenario to ensure that facilities are able to respond effectively and safely; and
- (c) Development of new Business Continuity Plans to address newly identified scenarios triggered by changing risks and issues the Company faces.

And to further improve AboitizPower's existing Business Continuity Management (BCM) framework and practices, the Company has undergone a BCM Maturity assessment, which conforms to ISO 22301:2012 standards and requirements. Its output, a Business Continuity Roadmap, will outline the direction and basis of BCM initiatives for the next three years.

## 9. Financial Risks

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

- (a) Financing risk in terms of the Company's inability to borrow money to fund future projects;
- (b) Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;
- (c) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
- (d) Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency- denominated placements, transactions and borrowings.

Aside from the negative effect to the Group's net income, these risks would also put constraints on AEV and its Subsidiaries plans for growth. In Furthermore, failure to pay existing loans will eventually lead to reputation risk.

To address these risks, the Company has taken the following actions:

- Regular monitoring of the Company's cash position;
- Issuance of retail bonds;
- Maintaining good relationship with the banks; and
- Strengthen Financial Risk Management to ensure a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the Group

## 10. Fuel Supply and Price Risk

AboitizPower's thermal plants - TLI, TSI, and TVI (which is currently in construction phase) - utilize coal, while CPPC, EAUC, TMI, and TMO utilize Bunker-C fuel. These fuel types are exposed to global market price movements and supply challenges.

For its coal-fired power plants, AboitizPower has put in place a Fuel Committee and a Coal Supply and

Freight Contracting strategy to better manage high price volatility of coal, freight prices, and counterparty risk. This includes diversifying to other sources of coal to ensure security of energy supply at competitive prices.

For its diesel-fired generation plants, CPPC, EAUC, TMI, and TMO, AboitizPower pursues the strategy on the fuel supply side of entering into or renewing their medium-term supply contracts with the leading oil companies in the country.

AboitizPower's exposure to fuel supply and price risk is limited as a result of the utilization of capacity-based contracts for approximately half of its PSAs. Such contracts come with a provision for the pass-through of fuel costs, where fuel prices are indexed versus the commodity markets for oil and coal for the energy generated by the Company's Business Units.

## 11. Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. Emerging risk is currently defined as newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on an organization in the future.

AboitizPower recognizes the need to anticipate, understand and prepare for these potential risks that could be triggered by the continuous and fast – paced changes in the political, economic, social, technological legal and environmental where the Company and its subsidiaries operates.

To address this, Subject Matter Experts (SMEs) closely monitor their area of expertise for potential changes. These changes are communicated to the Group Risk Management Team for further study and analysis, specifically on the potential impact to the Group. Management has also required inclusion of Emerging Risks as part of Risk Management Council and Board Risk Committee regular agenda.

## Item 2. Properties

The Company's head office is located at the 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by the Company is leased from a third party. As a holding company, the Company does not utilize significant amounts of office space.

The Company plans to continually participate in future biddings for new or existing projects, and to develop projects that become available to it.

On a consolidated basis, AboitizPower's Property, Plant and Equipment were valued at around ₱207.11 bn in 2018, as compared to ₱204.03 bn for 2017. The breakdown of the Company's Property, Plant and Equipment as of December 31, 2018 and December 31, 2017 is as follows:

Property, Plant and Equipment	2018	2017
Land	₱ 1,541,756	₱1,596,788
Buildings, Warehouses and Improvements	21,356,246	21,495,721
Powerplant, Equipment and Streamfield Assets	168,443,359	141,380,362
Transmission, Distribution and Substation Equipment	18,971,860	17,401,054
Transportation Equipment	1,567,976	1,400,941
Office Furniture, Fixtures and Equipment	1,051,445	921,680
Leasehold Improvements	2,774,119	2,760,085
Electrical Equipment	5,685,213	5,500,971
Meter and Laboratory Equipment	1,892,174	1,551,939
Tools and Others	1,335,213	1,252,071
Construction in Progress	35,190,520	53,617,374
Less: Accumulated Depreciation and Amortization	52,699,469	44,853,683
<b>TOTAL</b>	<b>₱312,509,350</b>	<b>₱204,025,303</b>

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

Locations of Principal Properties and Equipment of the Company's Subsidiaries are as follows:

Subsidiary	Description	Location/Address	Condition
APRI	Geothermal power plants	Tiwi, Albay, Caluan, Laguna; and Sto. Tomas, Batangas	In use for operations
Aseagas	Raw land and improvements	Lian, Batangas	Ceased operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet, Bineng, La Trinidad, Benguet; Salangan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	Inactive <sup>10</sup>
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
GNPower Mariveles	Coal-fired thermal power plants	Mariveles, Bataan	In use for operations
Cotabato Light	Industrial land, buildings/plants, equipment, and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment, and machineries	P. Reyes Street, Davao City and Bajada, Davao City	In use for operations
VECO	Industrial land, buildings/plants, equipment, and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
LEZ	Industrial land, buildings/plants, equipment, and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Industrial land, buildings/plants, equipment, and machineries	Balamban, Cebu	In use for operations

<sup>10</sup> On Jan 4, 2019, the Company disclosed to the PSE TMO's commercial inactivity since June 26, 2018 following the absence of an approved power supply agreement.

**Item 3. Legal Proceedings**

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

VECO, in particular, received several assessments of real property taxes (RPT) on its electric posts, transformers, wires, machineries, air-conditioning units, and water pumps. VECO consistently maintains that the electric posts, transformers, wires, machineries, air-conditioning units, water pumps and their appurtenances are not considered real properties under the Civil Code and therefore, are not lawful objects of RPT. To date, VECO has similar RPT cases in amounts ranging from ₱14mn to ₱67 mn pending before different City Assessors' Offices or the LBAA. In the event that a case is decided against VECO, the company can file an appeal with the Central Board of Assessment Appeals (CBAA), without prejudice to subsequent appeals allowed under existing rules governing the appeals process.

Other cases involving the Company and its Subsidiaries are as follows:

**Civil Case No. 08-CV-2414 entitled "Luzon Hydro Corporation vs. The Province of Benguet, The Provincial Treasurer of Benguet and Hon. Imelda I. Macanes in her Capacity as Provincial Treasurer of La Trinidad, Province of Benguet", RTC Branch 10, La Trinidad, Benguet, March 7, 2008**

On October 11, 2007, the Provincial Treasurer of Benguet issued an assessment against LHC, requiring LHC to pay franchise tax for the years 2002 to 2007 in the approximate amount of ₱40.40 mn, inclusive of surcharges and penalties. LHC filed a protest letter with the Provincial Treasurer on December 2007 on the ground that LHC is not a grantee of any legislative franchise on which the franchise taxes may be imposed. On February 8, 2008, the Provincial Treasurer, through the Provincial Legal Officer, denied LHC's protest. On March 7, 2008, LHC filed a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate its business.

On February 18, 2014, the RTC rendered a Decision in favor of LHC declaring the franchise tax assessment ineffective for lack of sufficient evidence that LHC is holding a special or secondary franchise to operate its plant in Benguet. The Province of Benguet filed a Motion for Reconsideration of the RTC's Decision.

After several postponements, the hearing was set on May 24, 2016, and only LHC appeared. The RTC stated that with no additional arguments coming from the Province of Benguet, the Motion for Reconsideration is denied as the matters raised in such have been addressed in its decision being reconsidered.

To date, LHC has not received any further orders or pleadings appealing the case.

**GR No. 229064 (formerly CTA En Banc Case No. 1020; CBAA Case No. L-57 and L-59) entitled "National Power Corporation vs. Luzon Hydro Corporation (LHC), Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet", May 24, 2013**

The Municipality of Bakun, Province of Benguet issued an assessment against LHC for deficiency RPT for the year 2002 on its machineries in the amount of approximately ₱11 mn, inclusive of interests and penalties. LHC appealed the assessment to the LBAA. The NPC intervened in the proceedings before the LBAA arguing that: (i) the liability for the payment of RPT over the machineries is assumed by the NPC under Section 8.6(b) of the Bakun PPA dated November 24, 1996; and (ii) the NPC is exempted from the payment of RPT under Section 234 of the Local Government Code of 1991 (LGC), which provides that machineries which are actually, directly and exclusively used by government-owned and controlled corporations engaged in the generation and transmission of electric power are not subject to RPT. The LBAA ruled in favor of the Municipality of Bakun on the ground that the NPC could not invoke the exception under Section 234 of the LGC because the machineries covered by the assessment are not yet owned by the NPC.

NPC appealed the ruling of the LBAA to the CBAA, which appeal was docketed as CBAA Case No. L-57/59. The Province of Benguet, through the Office of the Governor, and LHC engaged in negotiations to arrive at a possible settlement. In December 2009, NPC moved for the issuance of a decision based on a compromise agreement.

The Province of Benguet opposed NPC's motion and prayed that the CBAA continue hearing the case and resolve the same on the merits. LHC filed its reply to the Province of Benguet's opposition.

On July 3, 2012, the CBAA rendered a decision dismissing the appeals of LHC and NPC for lack of merit. LHC then filed its Motion for Reconsideration. On October 4, 2012, LHC received an order from the CBAA noting its Motion for Reconsideration as well as the one filed by NPC, and giving the Province of Benguet a period of ten days from receipt of the said order within which to file its comment/opposition.

On October 11, 2013, LHC, NPC, and the Province of Benguet filed a Joint Motion for Judgment based on a Compromise Agreement with the Court of Tax Appeals (CTA). On January 16, 2014, LHC received a copy of the resolution of the CTA En Banc ordering the parties to submit additional documents in support of the Joint Motion for Judgment. The CTA En Banc held in abeyance the resolution of the Joint Motion for Judgment based on Compromise pending the submission of certain documents.

On September 2, 2015, LHC received a Manifestation from the Province of Benguet stating that the: (i) Sangguniang Panlalawigan of Benguet's Resolution authorizing their Provincial Governor to enter into the January 29, 2004 Compromise Agreement; and (ii) Sangguniang Bayan of Bakun, Benguet's Resolution authorizing its Municipal Mayor Marcelo Contada to enter into the December 2007 Compromise Agreement and January 18, 2008 MOA, do not exist.

Despite close coordination with both the Province of Benguet and the Municipality of Bakun for the issuance of the necessary resolutions to ratify the actions previously taken by their respective Sanggunian, no such action has been taken by the Sangguniang Panlalawigan of Benguet and the Sangguniang Bayan of Bakun.

Given the foregoing and in the interest of substantial justice, LHC filed a Motion to Resolve the Joint Motion for Judgment based on Compromise Agreement on December 29, 2015, attesting that the Province of Benguet and the Municipality of Bakun made representations that they were authorized to execute the Compromise Agreement and that they accepted the Compromise Payments made by LHC pursuant thereto. As a consequence, the Province of Benguet and the Municipality of Bakun are estopped from assailing the Compromise Agreement.

On March 28, 2016, LHC received a notice of resolution from the CTA En Banc denying LHC's Motion to Resolve the Joint Motion for Judgment based on Compromise.

On April 12, 2016, LHC filed a Motion for Partial Reconsideration asking that the CTA En Banc: (1) hold in abeyance the requirement for respondent to file their comment on the Petition; and (2) partially reconsider its resolution by approving the 2007 and 2013 Compromise Agreements and the 2008 and 2012 MOAs, and render a Decision based on the foregoing. On October 2016, the CTA En Banc denied LHC's Motion for Partial Reconsideration for lack of merit.

On December 12, 2016, LHC filed with the Supreme Court a Petition for Certiorari assailing the above resolutions of the CTA for acting with grave abuse of discretion amounting to lack or excess of jurisdiction when it denied the parties' joint motion for judgment based on compromise. On June 7, 2017, the Supreme Court dismissed LHC's Petition for Certiorari for failure to show that the CTA En Banc committed grave abuse of discretion. On February 22, 2018, LHC received the SC Resolution dated December 13, 2017, which denied LHC's Motion for Reconsideration with finality and ordered that an Entry of Judgment be issued.

Meanwhile, on February 6, 2017, the CTA En Banc required the parties to submit their respective Memoranda. On April 7, 2017, LHC filed its Memorandum. On June 7, 2018, Counsel for LHC received the Decision of the CTA EB which denied LHC's petition for lack of merit.

LHC filed its Motion for Reconsideration on June 22, 2018. NPC likewise filed its Motion for Reconsideration on June 8, 2018. All Motions for Reconsideration are submitted for resolution.

**Supreme Court GR No. 223403 and 223460-61 (formerly CTA En Banc Case Nos. 1024 and 1096; CBAA Case Nos. L-96 and L-99) "Luzon Hydro Corporation and the National Power Corporation vs. The Local Board of Assessment Appeals of the Province of Ilocos Sur, Fatima Tenorio, in her official capacity as the Provincial Assessor of the Province of Ilocos Sur, Antonio A. Gundran, in his capacity as the Provincial Treasurer of the Province of Ilocos Sur", July 2, 2003**

On July 2, 2003, the Municipal Assessor of Alilem sent LHC two notices of assessment for RPT. The first notice required LHC to pay RPT in the amount of ₱4.3 mn for the fourth quarter of 2002, while the second notice required LHC to pay ₱17.2 mn for 2003. The notices of assessment also contained an additional imposition of 40% of the acquisition cost, which allegedly represented installation costs, and a further imposition of 15%, which allegedly represented freight costs.

LHC filed a Protest before the LBAA which ruled against LHC by upholding the notices of assessment. LHC appealed directly to the CBAA.

On September 26, 2012, the CBAA rendered a decision denying LHC's appeal. On November 14, 2012, LHC filed its Motion for Reconsideration. On March 21, 2013, the CBAA issued a resolution denying LHC's Motion for Reconsideration, a copy of which was received by LHC only on November 6, 2013. LHC filed its Petition for Review with the CTA En Banc on December 6, 2013. The CTA En Banc consolidated the instant case with CTA EB Case No. 1024.

On January 26, 2015, the CTA En Banc denied the Petition, prompting LHC to file a Motion for Reconsideration on February 10, 2015.

On May 13, 2015, LHC filed a Motion to take Judicial Notice of Executive Order No. 173 and suspend proceedings. On March 18, 2016, LHC received a copy of the CTA En Banc's resolution wherein the court took judicial notice of the Executive Order, however, denied the motion to suspend the proceedings. LHC filed its Petition for Review on Certiorari with the Supreme Court on April 4, 2016, which the Supreme Court later on consolidated with petition filed by NPC. On November 29, 2016, LHC received the comment of the Province of Ilocos Sur.

On February 28, 2017, counsel for LHC received a notice from the Supreme Court requiring LHC to file a reply to respondents' comment. LHC's Reply was filed on March 10, 2017.

On May 2, 2018, counsel for LHC received the Supreme Court's Resolution dated February 28, 2018 denying the Petitions. LHC filed a Motion for Reconsideration on May 17, 2018.

**G.R. No. 210245 entitled "*Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.*", Supreme Court; December 19, 2013**

**G.R. No. 210255 entitled "*National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.*", Supreme Court; December 20, 2013**

**G.R. No. 210502 entitled "*Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.*", Supreme Court; January 8, 2014**

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the MERALCO with the Supreme Court, questioning the alleged substantial increase in MERALCO's power rates for the billing period of November 2013.

These cases raised, among others, the: (i) legality of Section 6, 29 and 45 of the EPIRA, (ii) failure of ERC to protect consumers from high prices of electricity, and (iii) alleged market collusion by the generation companies.

These cases were consolidated by the Supreme Court, which issued a TRO preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the Supreme Court for another 60 days, or until April 22, 2014. On April 22, 2014, the Supreme Court extended the TRO indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM during the contested billing period. The Supreme Court also ordered other power industry participants (the DOE, ERC, PEMC, PSALM, and the generation companies) to respond to MERALCO's counter-petition.

The Supreme Court set the consolidated cases for oral arguments on January 21, 2014, February 4 and 11, 2014.

After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

On February 7, 2019, petitioners in case no. G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution.

As of February 28, 2019, these cases before the Supreme Court are still pending resolution and the Supreme Court has not lifted the TRO.

**SC GR No. 224341 entitled "*Philippine Electricity Market Corporation vs. Therma Mobile, Inc.*", Supreme Court [CA G.R. SP No. 140177 entitled "*PEMC v. Therma Mobile Inc.*", Court of Appeals, Manila] [SP Proc. No. 12790 entitled "*Therma Mobile Inc. vs. PEMC*", Regional Trial Court Branch 157-Pasig City] [PEMC ECO-2014-0009 entitled "*Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule*", Investigation Summary Report, dated August 4, 2014"]**

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (PEMC-ECO) conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period October 26, 2013 to December 25, 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must- Offer-Rule because its maximum available capacity was limited to 100 MW due to: (i) the thermal limitations of the old TMO 115-kV transmission line, and (ii) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated January 30, 2015, the PEMC Board of Directors ("PEMC Board") denied TMO's request for reconsideration and confirmed its earlier findings of 3,578 counts of breach of the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 mn on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. On February 13, 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to: (i) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (ii) refrain from charging interest on the financial penalty and having the same accrue; and (iii) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the CA which sought to reverse and set aside the Decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO.

On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the December 14, 2015 CA Decision. On November 14, 2016, TMO filed its Comment to PEMC's Petition for Review. In its Motion for Leave to File Reply to Comment dated December 9, 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On June 1, 2017, TMO received the Supreme Court Notice dated March 29, 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.



As of February 28, 2019, PEMC's Petition is still pending before the Supreme Court.

**CA G.R. SP. No. 152588 entitled "*Therma Mobile, Inc. vs. Energy Regulatory Commission, Atty. Alfredo P. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as Investigating Officers (IOs) of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013, as amended by Office Order No. 82, Series of 2017*", Court of Appeals, Manila;**

**ERC Case No. 2015-025 MC entitled "*Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs MERALCO and Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Economic Withholding)]*", ERC Pasig City, June 4, 2015;**

**ERC Case No. 2015-027 MC entitled "*Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 and 8(e) of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Physical Withholding)]*", ERC, Pasig City, June 4, 2015;**

Pursuant to the allegations in the Bayan Muna Supreme Court case, the Investigation Unit of the Energy Regulatory Commission ("ERC-IU") conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including TMO.

On January 24, 2014, the ERC issued a Subpoena Ad Testificandum and Duces Tecum directing TMO's representative to give clarification on matters pertaining to offers per trading interval involving the November to December 2013 supply months and provisions on the PSA between MERALCO and TMO. The representative was likewise directed to bring relevant documents.

On January 29, 2014, TMO filed its Compliance and Submission to the Subpoena Duces Tecum. Further, on March 11, 2014, TMO filed its Memorandum arguing that it did not commit any act constituting anti-competitive behavior and/ or misuse of market power. TMO then requested the ERC-IU to terminate and close the investigation.

On May 20, 2015, the ERC-IU issued its report and found that in bidding the way they did for the November and December 2013 supply months, TMO and MERALCO allegedly committed Economic Withholding. In the same report, the ERC IU also found that TMO committed Physical Withholding, and thus recommended the filing of cases for Anti- Competitive Behavior against TMO and MERALCO for Economic Withholding and against TMO alone for Physical Withholding.

On June 23, 2015, the ERC issued an Order directing MERALCO and TMO to file their respective Answers to the Complaint for Economic Withholding within fifteen (15) days from receipt of notice, and another Order directing TMO to file its Answer to the Complaint for Physical Withholding within fifteen (15) days from receipt of notice.

On August 24, 2015, TMO filed its Answers praying for the dismissal of the Complaints.

In its Manifestation dated October 7, 2016, the ERC-IU manifested the resignation of Atty. Isabelo Tomas as Investigating Officer (IO) and the appointment of Director Alfredo Vergara, Jr. and Engr. Nelson Canlas as new IOs. In a separate pleading, the new IOs filed their Reply to various motions filed by TMO.

On July 27, 2016, Meralco filed in ERC Case No. 2015-025MC an Urgent Motion to Dismiss with Motion to Suspend Proceedings on the ground that the ERC has no jurisdiction over anti-competitive behavior cases, and that jurisdiction is with the PCC. On July 28, 2016, TMO filed in the same case a Manifestation and Motion adopting Meralco's Urgent Motion to Dismiss. On August 1, 2016, TMO also filed its Manifestation and Motion, which sought the dismissal of ERC Case No. 2015-027MC for lack of jurisdiction.

In an Order dated February 2, 2017, the ERC denied Meralco's and TMO's motions to dismiss for lack of jurisdiction. On February 23, 2017, TMO filed its Motion for Reconsideration of the February 2, 2017 ERC Order, which was denied by the ERC in an Order dated June 20, 2017.

On September 18, 2017, TMO filed a Petition for Certiorari (with application for Temporary Restraining Order (TRO) and Writ of Preliminary Injunction) under Rule 65 of the Rules of Court with the CA, docketed as CA GR. No. 152588. TMO prayed for the CA to: (i) issue a TRO commanding the ERC to desist from conducting further proceedings in ERC Case No. 2015-025MC and ERC Case No. 2015-027MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 Orders of the ERC.

In a Resolution dated October 2, 2017, the CA directed the respondents to file their comment on TMO's Petition for Certiorari and denied TMO's prayer for a TRO. TMO filed a Motion for Partial Reconsideration of the CA's October 2, 2017 Resolution. Thereafter, the CA issued its Notice of Judgment and Decision dated May 23, 2018, which denied TMO's Petition. On June 20, 2018, TMO filed its Motion for Reconsideration of CA's Decision dated May 23, 2018.

In a Resolution dated January 28, 2019, the ERC denied the motions for reconsideration filed by TMO, Meralco and APRI and the motion for partial reconsideration filed by the ERC.

Subsequently, the ERC filed a Petition dated February 21, 2019 with the Supreme Court via Rule 45 of the Rules of Court, praying that the SC grant the Petition and modify the CA Decision dated May 23, 2018 and Resolution dated January 28, 2019.

**CA G.R. SP. No. 152613 entitled, "*AP Renewables, Inc. vs. Energy Regulatory Commission and Directors Alfredo P. Vergara, Jr. and Engr. Nelson Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulations Commission*", Court of Appeals, Manila;**

**ERC Case No. 2015-038 MC entitled "*Energy Regulatory Commission vs. AP Renewables, Inc. ([Violation of Section 45 of EPIRA, Rule 11, Sec. 1 and 8 (E) of the Implementing Rules and Regulations (Commission of an Anti-Competitive Behavior, particularly, Physical Withholding)]*", ERC, Pasig City, June 9, 2015**

The ERC-IU conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including APRI.

On May 20, 2015, the ERC-IU released its report holding that APRI's non-compliance with the Must-Offer Rule for four intervals is tantamount to Physical Withholding which, it alleged, is a form of anti-competitive behavior.

On June 9, 2015, complainant Atty. Isabelo Joseph Tomas, III, Investigating Officer of the IU, filed the complaint for Anti-Competitive Behavior against APRI. On June 23, 2015, the ERC issued an Order directing APRI to file its answer within fifteen (15) days from notice.

On July 1, 2015, APRI received the summons and complaint. Subsequently, on July 7, 2015, APRI through counsel, filed its Entry of Appearance with Omnibus Motion praying that: (a) the Complainant serve upon APRI the complete copy of the complaint and its annexes; (b) the Complainant clarify and put on record the answer to the following issues: (i) which of Makban Plants' generating units is the subject of the complaint; and (ii) the dates and times of the four intervals mentioned in the complaint during which APRI allegedly offered "less than its total registered capacity."

Meanwhile, on July 29, 2015, APRI filed its Answer *ad cautelam*.

Despite manifestations to the contrary, complainant no longer filed a reply to APRI's Answer. APRI is now waiting for the schedule of the hearing of its Affirmative Defenses.

On its Manifestation dated October 7, 2016, the ERC-IU manifested the resignation of Atty. Isabelo Tomas as IO and the appointment of Director Alfredo Vergara, Jr. and Engr. Nelson Canlas as new IOs. In a separate pleading, the new IOs filed their Reply to various motions filed by APRI.

Subsequently, APRI filed a Motion to Dismiss dated July 29, 2016, arguing that jurisdiction over the case is vested in the PCC. APRI also filed its Ad Cautelam Pre-Trial Brief and Judicial Affidavits.

On February 2, 2017, ERC issued an Order denying APRI's Motion to Dismiss dated July 29, 2016 based on lack of subject matter jurisdiction. On March 2, 2017 APRI filed its Motion for Reconsideration of the February 2, 2017 Order, which was denied by the ERC in its Order dated June 20, 2017.

On September 19, 2017, APRI filed a Petition for Certiorari (with application for Temporary Restraining Order and Writ of Preliminary Injunction) with the CA (CA G.R. SP. No. 152613), praying for the CA to: (i) issue a TRO commanding the ERC to desist from conducting further proceedings in ERC Case. No. 2015-038MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 Orders of the ERC, and dismiss the complaint and ERC proceedings with prejudice.

On November 6, 2017, the IOs filed a Motion for Consolidation seeking to consolidate CA G.R. SP. No. 152613 with TMO's Petition in CA GR. No. 152588. Thereafter, the CA issued its Notice of Judgment and Decision dated May 23, 2018, which denied APRI's Petition. On June 18, 2018, APRI filed its Motion for Reconsideration of CA's Decision dated May 23, 2018.

In a Resolution dated January 28, 2019, the ERC denied the motions for reconsideration filed by APRI, Meralco and Therma Mobile, Inc. and the motion for partial reconsideration filed by the ERC.

Subsequently, the ERC filed a Petition dated February 21, 2019 with the Supreme Court (SC) via Rule 45 of the Rules of Court, praying that the SC grant the Petition and modify the CA Decision dated May 23, 2018 and Resolution dated January 28, 2019.

**Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;**

**ERC Case No. 2014-021 MC entitled *"In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants"*, March 28, 2014**

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated March 3, 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

The ERC also ordered the PEMC, through its Enforcement and Compliance Office (ECO) to conduct an investigation, within a period of no less than ninety (90) days, on the alleged violation of the Must-Offer-Rule.

Pursuant to the ERC Order, on March 18, 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company's Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC, and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others. In its March 27, 2014 Order, the ERC ordered deferral of PEMC's implementation of the adjusted billing statements for forty five (45) days. This was subsequently extended with no clear timeline by the ERC in its order dated June 6, 2014.

The ERC, in its Order dated October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the "Petitions") before the CA on November 19, 24, December 1, and 4, 2014, respectively. The CA ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the CA granted the Petitions. The ERC's March 3, 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid

and therefore reinstated.

Thereafter, ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI, and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The Court of Appeals denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration.

As of February 28, 2019, the motions for reconsideration relating to the Court of Appeals November 7, 2017 Decision and relating to the Court of Appeals' denial of the motions to intervene are still pending resolution with the Court of Appeals.

**ERC Case No. 2013-077 MC entitled "*In Re: Petition for Dispute Resolution: Manila Electric Company (MERALCO) vs. South Premier Power Corporation (SPPC), Masinloc Power Partners Company, Ltd. (MPPCL), AP Renewables, Inc. (APRI), Therma Luzon, Inc. (TLI), San Miguel Energy Corporation (SMEC) and SEM-Calaca Power Corporation (SCPC)*", August 29, 2013**

On August 29, 2013, MERALCO filed a petition before the ERC against TLI and APRI, among other Successor Generating Companies (SGCs), docketed as ERC Case No. 2013-077 MC, where MERALCO prayed that it be refunded by the respondent-SGCs of the transmission line losses. The petition arose from a claim of refund on account of the alleged over-recoveries of transmission line losses.

The petition was filed by MERALCO pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC where the SGCs were not parties to.

On September 20, 2013, APRI and TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The motion argued that: (i) MERALCO cannot base its cause of action against the SGCs on a decision issued by ERC in another case where none of the SGCs were made parties to the case; and (ii) MERALCO's claim is in a nature of a claim for sum of money which is properly within the jurisdiction of regular courts. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC.

As of February 28, 2019, the ERC has yet to render its decision on the Joint Motion to Dismiss.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

## Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

## (1) Market Information

AboitizPower's common shares are traded on the PSE.

The high and low stock prices of AboitizPower's common shares for each quarter of the past two years and first quarter of 2019 were as follows:

	2019		2018		2017	
	High	Low	High	Low	High	Low
First Quarter	N/A	N/A	₱41.80	₱37.50	₱44.25	₱41.55
Second Quarter	N/A	N/A	₱39.70	₱34.25	43.00	38.50
Third Quarter	N/A	N/A	₱38.20	₱33.45	42.85	38.80
Fourth Quarter	N/A	N/A	₱35.50	₱31.20	42.95	38.30

The closing price of AboitizPower common shares as of January 31, 2019 is ₱38.40 per share.

## (2) Holders

As of January 31, 2019, AboitizPower has 632 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 7,358,604,307 shares.

The top 20 stockholders of AboitizPower as of January 31, 2019 are as follows:

Name	Number of Shares	Percentage
1) Aboitiz Equity Ventures, Inc.	5,657,530,774	76.88%
2) PCD Nominee Corporation (Filipino)	953,212,812	12.95%
3) PCD Nominee Corporation (Foreign)	467,766,264	6.36%
4) Bauhinia Management, Inc.	18,109,100	0.25%
5) Portola Investors, Inc.	13,634,856	0.19%
6) Hawk View Capital, Inc.	13,633,657	0.19%
7) San Fernando Electric Light & Power Co., Inc.	7,931,034	0.11%
8) Parraz Development Corporation	7,827,522	0.11%
9) Dominus Capital Inc.	7,241,050	0.10%
10) FMK Capital Partners Inc.	6,538,000	0.09%
11) Sabin M. Aboitiz	6,050,985	0.08%
12) Iker M. Aboitiz	5,465,100	0.07%
13) Aboitiz & Company, Inc.	5,360,000	0.07%
14) Daniele Management & Development	5,234,949	0.07%
15) Arrayanes Corporation	4,146,243	0.06%
16) Danel C. Aboitiz	4,081,636	0.06%
17) Ramon Aboitiz Foundation, Inc.	3,900,000	0.05%
18) Tris Management Corporation	3,130,359	0.04%
19) Tinkerbelle Management Corporation	3,042,454	0.04%
20) Cal Management Corporation	3,036,798	0.04%
<b>SUBTOTAL</b>	<b>7,196,873,593</b>	<b>97.81%</b>
<b>Other Stockholders</b>	<b>161,730,714</b>	<b>2.20%</b>
<b>TOTAL SHARES</b>	<b>7,358,604,307</b>	<b>100.00%</b>
<b>NET ISSUED AND OUTSTANDING SHARES</b>	<b>7,358,604,307</b>	<b>100.00%</b>

**(3) Dividends**

During the regular board meeting of the Company held on November 28, 2012, the Board approved a revised dividend policy consisting of an annual cash dividend payment ratio of 50% of its consolidated net income from the previous fiscal year based on the audited financial statements of the Company. The new policy changes the previous cash dividend payment ratio of 33% of previous year's net profits. The Company's current dividend policy has been in effect since 2013.

The cash dividends declared by AboitizPower to common stockholders from 2017 to the first quarter of 2019 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Declaration Date	Record Date	Payment Date
2019	₱1.47	₱10.82 bn	3/7/2019	3/21/2019	4/5/2019
2018 (regular)	₱1.36	₱10.00 bn	3/8/2018	3/22/2018	4/12/2018
2017 (regular)	₱1.36	₱10.00 bn	3/7/2017	3/21/2017	4/10/2017

**(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuances of Securities Constituting an Exempt Transaction**

AboitizPower does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

**Item 6. Management's Discussion and Analysis or Plan of Action****MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is a discussion and analysis of the Company's consolidated financial condition and results of operations and certain trends, risks, and uncertainties that may affect its business. The critical accounting policies section discloses certain accounting policies and management judgments that are material to the Company's results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three comparative sections: the year ended December 31, 2018 compared with the year ended December 31, 2017, the year ended December 31, 2017 compared with the year ended December 31, 2016, the year ended December 31, 2016 compared with the year ended December 31, 2015.

Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto set forth elsewhere in this report.

**Top Five Key Performance Indicators**

Management uses the following indicators to evaluate the performance of the Registrant, Aboitiz Power Corporation (the "Company") and its Subsidiaries (the Company and its Subsidiaries are hereinafter collectively referred to as the "Group"):

- 1. Share in Net Earnings of Associates and Joint Ventures.** This represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition. Share in Net Earnings of Associates and Joint Ventures indicates profitability of the investment and investees' contribution to the Group's net income.

Manner of Computation: Associate's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

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

#### **Year Ended December 31, 2018 versus Year Ended December 31, 2017**

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

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

Despite increased competition in the power generation market, the Company is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new projects (see Item 1 Section 2 on Generation of Electricity on page 47 where target commercial operation dates for each project are discussed per business unit). The Company is also currently on track with its target to reach 4,000 MW net attributable capacity by 2020.

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

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

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

Other known trends, events, uncertainties which may have material impact on the Registrant have been discussed in previous sections of the report (e.g., for an extensive discussion on regulatory issues, see Section [x] on Effects of Existing or Probable Government Regulations on the Business on page 82).

**Year Ended December 31, 2017 versus Year Ended December 31, 2016**

The table below shows the comparative figures of the top five (5) key performance indicators for 2017 and 2016.

Key Performance Indicators	2017	2016
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	<b>4,697,864</b>	<b>3,641,210</b>
<b>EBITDA</b>	<b>47,650,408</b>	<b>38,085,726</b>
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	<b>30,235,931</b>	29,887,980
Net cash flows used in investing activities	<b>(9,452,925)</b>	(81,380,348)
Net cash flows from/ (used in) financing activities	<b>(32,122,699)</b>	47,483,228
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>(11,339,693)</b>	(4,009,140)
Cash & Cash Equivalents, Beginning	<b>47,094,741</b>	51,098,269
Cash & Cash Equivalents, End	<b>35,699,631</b>	<b>47,094,741</b>
<b>CURRENT RATIO</b>	<b>1.38</b>	2.25
<b>DEBT-TO-EQUITY RATIO</b>	<b>1.92</b>	2.18

Share in net earnings in associates and joint ventures grew by 29% in 2017, as contributions from SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet increased. The improved hydrology experienced by both companies during the first half of 2017 led to higher revenues.

The primary driver of the 25% growth in EBITDA during 2017 was the full year EBITDA contributions of GNPowder Mariveles, which was acquired by the Company at the close of 2016.

Supported by increased cash flows from operations and inflows from new loans, the Company continued to infuse capital to its Subsidiaries in 2017 to complete various projects, made timely payments on its obligations, and distributed dividends to its shareholders. During 2017, net outflows relating to financing and investing activities outpaced cash inflow from operations, which led to the ₱11.34 bn decrease in cash and cash equivalents as of year-end 2017.

Current ratio at the end of 2017 was 1.38x, down from end-2016's 2.25x. This was driven by the 8% decrease in current assets mainly due to the decrease in cash and cash equivalents, coupled with a 50% increase in current liabilities as certain long-term debt are expected to fall due in 2018.

Debt-to-equity ratio as of December 31, 2017 was at 1.92:1, down from end-2016's 2.18:1, as long-term debts were paid down in 2017.

**Results of Operations**

The Company's net income for 2017 increased to ₱20.42 bn from ₱20.00 bn in 2016, a 2% year-on-year (YoY) increase. This translated to earnings per share of ₱2.77 for 2017. During 2017, the Company recognized non-recurring losses of ₱2.90 bn (versus 2016's non-recurring loss of ₱611 mn), primarily due to asset impairment costs related to Aseagas and debt prepayment costs on an existing loan of GMCP, which were partially offset by a one-off recognition of lower interest expense from an acquired loan. Without these one-off adjustments, the Company's core net income grew to ₱23.35 bn in 2017 from ₱20.61 bn in 2016, or an increase of 13% YoY.

**Power Generation**

On a full year basis, the power generation group recorded a consolidated EBITDA share of ₱38.79 bn in 2017, up 27% YoY, and accounted for 83% of the EBITDA contributions from the Company's business segments. This was driven by the full-year fresh contribution from GMCP, and the higher EBITDA of the hydro group as power generation increased during 2017 due to higher water inflows. At the core net income level, the power generation group grew 18% YoY, from ₱17.16 bn in 2016 to ₱20.20 bn in 2017. Non-recurring charges relating to impairment costs, prepayment charges on GMCP's loan upon refinancing, and the one-off



recognition of lower interest expense from the foregoing acquired loan, brought the power generation group's net income contribution in 2017 to ₱17.07 bn.

The Company's capacity sold increased by 41% YoY, from 2,223 MW in 2016 to 3,124 MW in 2017. This was mainly driven by the additional capacities from GMCP, increased generation by its HEPPs, and additional capacities contracted.

### **Power Distribution**

The distribution group's EBITDA increased by 14% YoY, to ₱7.76 bn in 2017. Net income contribution in 2017 increased by 16% YoY to ₱4.27 bn.

The distribution group's gross margin on a per kWh basis increased by 9% YoY, to ₱1.73 in 2017 from ₱1.59 in 2016. The improved margins were driven by more adequate power supply, better supply mix, and recoveries on purchased power costs.

The distribution group's attributable sales for 2017 was 5,288 GWh, registering a 4% YoY increase from 2016.

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

### **Consolidated Statements of Income**

Consolidated net income attributable to equity holders of the parent company increased by 2% YoY, from ₱20.00 bn in 2016 to ₱20.42 bn in 2017. The various movements in line items are shown below to account for the increase:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2016	<b>₱20,002,582</b>
Increase in operating revenues	30,228,034
Increase in operating expenses	(22,364,605)
Increase in interest income	(156,523)
Increase in interest expense	(3,543,769)
Decrease in share in net earnings of associates and joint ventures	1,056,654
Increase in other income	(3,373,212)
Lower provision for taxes	(362,258)
Increase in income attributable to non-controlling interests	(1,070,461)
Total	413,860
Consolidated Net Income Attributable to Equity Holders of the Parent for 2017	<b>₱20,416,442</b>

### **Operating Revenues**

(34% increase from ₱89.16 bn to ₱119.39 bn)

Revenues of the power distribution group decreased by 2% YoY, while the power generation group saw a 61% YoY increase from ₱35.69 bn in 2016 to ₱57.42 bn in 2017. The full year consolidation of the operating revenues of GMCP accounted for 96% of the increase in the power generation group's revenue. The balance of this increase was attributed to higher operating revenues at the small HEPPs (increase of 14% YoY) due to better hydrology in 2017 and the full commercial operations of TSI two units during 2017. The higher operating revenues were partly offset by lower operating revenues at TMI during 2017 as a result of expiring contracts.

In anticipation of the commercial operations of PEC and TVI in 2018, the RES companies progressively entered into contracts throughout 2017, resulting in a ₱9.59 bn increase in operating revenues.

### **Operating Expenses**

(36% increase from ₱62.85 bn to ₱85.22 bn)

Cost of purchased power increased by ₱6.48 bn during 2017 as RES companies incur higher costs to serve their

new contracts.

Cost of generated power increased during 2017 as the costs at GMCP were consolidated during the year. This accounted for ₱7.35 bn of the ₱11.24 bn increase in this account for 2017. The balance came from higher cost of steam at APRI, as well as higher fuel costs at the thermal companies due to the price increases on coal and oil during 2017.

All other operating expenses relating to general and administrative expenses, operations and maintenance, and depreciation and amortization increased during 2017 as a result of the full year consolidation of GMCP's expenses.

#### **Interest Income**

*(14% decrease from ₱1.08 bn to ₱ 927 mn)*

The decrease in interest income in 2017 was mainly due to lower average cash balances carried at the Parent Company and at its intermediate holding companies, ARI and TPI, during most of the year.

#### **Interest Expense and Other Financing Costs**

*(46% increase from ₱7.70 bn to ₱11.25 bn)*

Higher interest expense incurred on TPI's bridge loan, full year recognition of GMCP's interest expenses, and interest payments made on the Company's corporate retail bonds led to the 46% YoY increase during 2017 in this account as compared to 2016. This increase was net of lower debt service costs from the Company's other Subsidiaries, as timely principal payments were made during 2017 on project debts.

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

*(29% increase from ₱3.64 bn to ₱4.70 bn)*

The higher volumes sold and ancillary revenues at SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet led to an increase in contributions in 2017 as compared to 2016, as these companies experienced better hydrology in 2017 as compared to very low hydrology during 2016.

#### **Other Income (Expenses) – net**

*(from ₱1.67 bn other income to ₱ 1.70 bn other expense)*

The shift from an Other Income position in 2016 to an Other Expense position in 2017 was primarily due to an impairment loss on Property, Plant and Equipment (PPE) at Aseagas (₱ 3.13 bn) during 2017, as compared to a non-recurring gain in 2016 relating to supplier settlements.

#### **Provision for Taxes**

*(10% increase from ₱3.50 bn to ₱3.86 bn)*

The increase was due to the full year consolidation of tax provisions taken by GMCP .

#### **Net Income Attributable to Non-controlling Interests**

*(71% increase from ₱1.50 bn to ₱2.57 bn)*

The increase in this account during 2017 was mainly from the take-up of the minority shareholders' participation in the income of GMCP in 2017.

### **Consolidated Statements of Comprehensive Income**

The movements in cumulative translation adjustments, the share of an associate's unrealized mark-to-market gains on its available-for-sale (AFS) investments, and the recognition of losses and gains on defined benefit plans led to higher comprehensive income recognized for 2017. Total consolidated comprehensive income attributable to equity holders of the Parent was ₱20.62 bn for 2017.

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

Total assets (as of December 31, 2017 vs. December 31, 2016 as restated) increased by ₱4.47 bn or by 1%. The major movements of the accounts leading to the increase were as follows:

- (a) Cash and cash equivalents decreased by 24%, or by ₱11.40 bn, during 2017. Cash generated from operations continue to provide significant liquidity for the Company. Long-term debt payments were made during 2017, including approximately ₱16 bn on TPI's bridge financing obtained in 2016 to fund the acquisitions of GMCP and GNPD; and ₱2.43 bn as prepayment of Aseagas' project debt. During 2017, the Company also made timely payments on its other obligations as they became due, and also paid dividends to its shareholders.
- (b) Trade and other receivables increased by 12% (from ₱15.47 bn in 2016 to ₱17.36 bn in 2017), due to the increase in receivables as new contracts were signed by the Company's RES-licensed companies, AESI and AdventEnergy, as well as higher trade receivable balances of the Company's distribution utilities. The increases noted in the RES companies and distribution utilities constituted 80% of the increase, with the balance mainly coming from higher trade receivables at TLI and TSI.
- (c) Inventories increased by 27% (from ₱4.45 bn in 2016 to ₱5.64 bn in 2017) as higher inventory balances as of year-end 2017 were noted at the Company's thermal plants.
- (d) Other current assets increased by 40% during 2017, driven mainly by higher prepaid insurance and prepaid taxes of the Company's Subsidiaries.
- (e) At the end of 2017, PPE increased by 6% [from ₱192.98 bn at end-2016 (as restated) to ₱204.03 bn at end-2017], as various projects entered the final stages of their construction activities, in particular, Hedcor Bukidnon's hydro project, and TVI and PEC's coal plants.
- (f) The increase in derivative assets (both current and non-current) of the Group by ₱50.08 mn as of end-2017 was driven by fair value changes during the course of 2017.
- (g) Net pension assets went up by ₱11 mn, or 24% during 2017, due to the increase in the fair value of plan assets as contributions made during the year.
- (h) Due to the refinancing of GMCP's outstanding loan in 2017, previously recognized deferred tax assets relating to the loan were written down, resulting in a 22% decrease in the deferred income tax asset account as of end-2017.
- (i) Other non-current assets decreased by 7% as of end-2017, mainly from the Group's acquisition of Sacasun loan payable during 2017, which offset the Group's receivables from Sacasun.

**Liabilities**

Consolidated liabilities decreased by 3%, from ₱244.80 bn as of December 31, 2016 to ₱237.50 bn as of December 31, 2017.

- (a) Short term loans increased by 14% or ₱562 mn, mainly from an increase in the number of short-term debts incurred by the distribution utilities to meet working capital requirements.
- (b) Trade and other payables increased by 14% or ₱2.45 bn, as payables to suppliers and contractors increased as construction of various power plants continued.
- (c) Long-term debt (current and non-current) decreased by ₱7.32 bn (from ₱159.37 bn in 2016 to ₱152.05 bn in 2017). The decrease was mainly due to the ₱15.93 bn prepayment of TPI's bridge loan obtained in 2016 to fund the acquisition of GMCP and GNPD, and the ₱2.43 bn prepayment of Aseagas' project debt. The decrease was net of drawdowns on various project loans and the issuance of the first tranche of corporate retail bonds amounting to ₱3 bn during 2017.
- (d) Finance lease obligations (current and non-current) decreased by 6% (from ₱52.34 bn in 2016 to ₱49.22 bn in 2017), as TLI continues to make timely payments to the PSALM on its obligations as IPPA.
- (e) Asset retirement obligation account increased as a result of the revaluation of the future obligation on APRI's asset retirement obligations. The account increased by 62% (from ₱1.82 bn in 2016 to ₱2.96 bn in 2017).
- (f) Long term obligation on power distribution system (PDS) decreased by 6%, as regular annual payments were made in 2017.
- (g) Derivative liabilities (current and non-current) decreased by 87% (from ₱361 mn as of December 31, 2016 to ₱48 mn as of December 31, 2017) due to the de-recognition of the derivative liability related

to the loan prepayment of GNPowder Mariveles during 2017.

- (h) Customers' deposits decreased by 11% (from ₱6.83 bn in 2016 to ₱6.09 bn in 2017), as special deposits were refunded by distribution utilities to its customers during 2017.
- (i) Other non-current liabilities increased by 20%, driven by an increase of retention payables to suppliers during 2017.
- (j) Pension liability increased by 46% (from ₱247 mn in 2016 to ₱361 mn in 2017) on account of additional retirement costs, net of retirement contributions, made by certain Subsidiaries during 2017.
- (k) Deferred income tax liabilities (DTL) decreased by 13% (from ₱1.04 bn in 2016 to ₱912 mn in 2017), mainly due to lower deferred tax provisions on unrealized foreign exchange gains and valuation changes recognized during 2017.

### **Equity**

Equity attributable to equity shareholders of the Parent increased by 10% (from ₱105.11 bn at year-end 2016 to ₱115.40 bn at year-end 2017) driven mainly by the recognition of income totalling to ₱20.42 bn in 2017, net of dividends declared and paid to the Company's shareholders.

### **Material Changes in Liquidity and Cash Reserves of Registrant**

Cash generated from operations during 2017 were consistent with previous cash flows from operations, bringing in ₱30.24 bn in 2017 as compared to ₱29.89 bn in 2016.

During 2017, the Group's net cash used for investing activities of ₱9.45 bn was used primarily to continue the construction of various power projects. The Group received cash dividends from Associates amounting to ₱5.07 bn during 2017, which provided inflows from investing activities.

In 2017, cash outflows from the payment of long-term debt exceeded cash inflows from availment of long term debt, driven primarily by the Group's prepayment of ₱2.43 bn for the Aseagas project debt, and approximately ₱16 bn payment on TPI's bridge loan. During 2017, the Company also raised ₱3.0 bn in corporate retail bonds. Various Subsidiaries also drew down on their project loans, as necessary to bring their respective on-going projects to completion. Net cash outflows for financing activities is ₱32.12 bn during 2017.

As of December 31, 2017, the Group's cash and cash equivalents decreased by 24%, or from ₱47.09 bn as of year-end 2016 to ₱35.70 bn as of year-end 2017.

### **Financial Ratios**

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

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

### **Year Ended December 31, 2016 versus Year Ended December 31, 2015**

The table below shows the comparative figures of the top five key performance indicators for 2016 and 2015.

Key Performance Indicators	2016	2015
<i>Amounts in thousands of ₱s, except for financial ratios</i>		
<b>SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	<b>3,641,210</b>	<b>3,979,947</b>
<b>EBITDA</b>	<b>37,842,865</b>	<b>33,664,121</b>
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	<b>29,887,980</b>	25,199,597
Net cash flows used in investing activities	<b>(81,380,348)</b>	(8,902,646)
Net cash flows from/ (used in) financing activities	<b>47,483,228</b>	(5,448,755)
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>(4,009,140)</b>	<b>10,848,19</b>

Cash & Cash Equivalents, Beginning	51,098,269	40,231,875
Cash & Cash Equivalents, End	47,094,741	51,098,269
<b>CURRENT RATIO</b>	<b>2.25</b>	<b>3.12</b>
<b>DEBT-TO-EQUITY RATIO</b>	<b>2.18</b>	<b>1.39</b>

Share in net earnings in associates and joint ventures declined by 9% in 2016, as contributions from WMPC, SPPC, STEAG Power and the large hydroelectric power plant, SN Aboitiz Power-Magat, decreased during 2016 compared to 2015.

The main driver of the 12% increase in consolidated EBITDA during 2016 was the full year EBITDA contributions of TSI, which started commercial operations for its first coal-fired unit on September 2015, and for its second unit on February 2016.

During 2016, cash and cash equivalents decreased by ₱4.01 bn, as cash was used in investing activities, mainly, the acquisition of partnership interests in GMCP and GNPD. In 2016, the Company also managed to return the same levels of cash dividends to its shareholders, and continued to deploy financial resources for the construction of various greenfield projects.

Current ratio at the end of 2016 was 2.25x compared to the previous year's 3.12x, as the 45% increase in current liabilities outpaced the 5% increase in current assets.

Debt-to-equity ratio as of December 31, 2016 was at 2.18, higher than the 1.39 recorded the end of 2015.

### Results of Operations

Net income for 2016 increased to ₱20.00 bn from ₱17.60 bn in 2015, a 14% year on year (YoY) increase. This translated to earnings per share of ₱2.72 for 2016. During the year, the Company recognized non-recurring losses of ₱612 mn (versus 2015's loss of ₱762 mn), primarily due to forex losses from the revaluation of its dollar-denominated liabilities, refinancing costs and goodwill impairment. Adjusting for these one-offs, the Company's core net income for 2016 amounted to ₱20.6 bn, an increase of 12% YoY.

#### Power Generation

The power generation group continued to lead in terms of earnings contribution during 2016, accounting for 82% of earnings contributions from the Company's business segments. Income share for 2016 was ₱16.26 bn, up 17% YoY. The growth was largely driven by TSI's full year contribution. Netting out one-off items, AboitizPower's generation business generated ₱17.16 bn for the period, which was 16% higher than 2015.

Attributable net energy rose in 2016 by 8% YoY, from 12,550 GWh to 13,495 GWh, as electricity sold through bilateral contracts, which made up 91% of total energy sold during the period, expanded by 8% to 12,279 GWh. On the other hand, spot market sales increased by 4% during 2016 from 1,168 GWh in 2015 to 1,216 GWh.

As of year-end 2016, AboitizPower's net sellable capacity stood at 2,975 MW, after the acquisition of GMCP (604-MW) and GNPD (2x668-MW) on December 27, 2016.

#### Power Distribution

The power distribution group's earnings share for 2016 decreased by 4%, from ₱3.81 bn to ₱3.67 bn. This is equivalent to 18% of the 2016 earnings contributions from the Company's business segments. Total attributable electricity sales increased by 7% YoY, from 4,759 GWh to 5,105 GWh, as energy sales grew across all customer segments. Meanwhile, the group's gross margin on a per kWh basis in 2016 decreased to ₱1.59 from ₱1.61 in 2015.

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

Consolidated net income attributable to equity holders of the parent increased by 14%, from ₱17.60 bn in 2015 to ₱20.00 bn in 2016. The various movements in line items are shown below to account for the increase:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2015	<b>₱17,603,797</b>
Increase in operating revenues	3,989,317
Increase in operating expenses	(2,365,594)
Increase in interest income	237,242
Increase in interest expense	(1,070,153)
Decrease in share in net earnings of associates and joint ventures	(338,737)
Increase in other income	2,005,851
Lower provision for taxes	93,529
Increase in income attributable to non-controlling interests	(152,670)
Total	<b>2,398,785</b>
Consolidated Net Income Attributable to Equity Holders of the Parent for 2016	<b>₱20,002,582</b>

**Operating Revenues**

(5% increase from ₱85.17 bn to ₱89.16 bn)

Higher revenues during 2016 from the distribution segment, which accounted for ₱3.21 bn out of the ₱3.99 bn increase, served as the primary driver of the increase in operating revenues. Robust growth in the demand for electricity across the distribution companies' franchise areas, notably in the areas of VECO and Davao Light, led to higher operating revenues in 2016.

The generation segment likewise noted a 7% increase in operating revenues for 2016 versus 2015. This was mainly driven by the full year operating revenues of TSI, which was offset by lower revenues of some of the oil-fired plants due to lower dispatch during the year, and of the small hydroelectric power plants, due to lower water levels brought about by the El Niño.

**Operating Expenses**

(4% increase from ₱60.49 bn to ₱62.85 bn)

Operating expenses increased during 2016, as costs of purchased power, general and administrative expenses and higher depreciation expenses (primarily from the first year depreciation of the TSI assets) were incurred. This was offset by a ₱1.22 bn decrease in the cost of generated power as fuel costs declined during the year.

**Interest Income**

(28% increase from ₱846 mn to ₱1.08 bn)

Increase in interest income in 2016 was mainly due to higher average cash and cash equivalent balances carried at the Parent Company and at the intermediate holding companies, ARI and TPI, during the year.

**Interest Expense and Other Financing Costs**

(16% increase from ₱6.63 bn to ₱7.70 bn)

The higher interest expense in 2016 was due to the recognition of interest expense on TSI's project debt, as well as the interest expense on a notes facility which APRI availed of in the first quarter of 2016.

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

(9% decrease from ₱3.98 bn to ₱3.64 bn)

Share in net earnings of associates and joint ventures declined by 9% in 2016 as lower contracted capacities at two associate oil companies operating in Mindanao, WMPC and SPPC, led to lower contributions. STEAG Power also saw a decline in net profits during the year. The effects of the El Niño led to lower water levels affecting the income contributions from SN Aboitiz Power-Magat.

**Other Income (Expenses) – net**

*(Increase from ₱337 mn other expense to ₱1.67 bn other income)*

The increase in the account was due to the recognition of other income of insurance proceeds from the settlement of liquidated damages during 2016, a gain on the step-acquisition of EAUC, and lower foreign exchange losses.

**Provision for Taxes**

*(3% decrease from ₱3.59 bn to ₱3.50 bn)*

The decrease was due to lower provision for taxes recognized at Davao Light and TLI in 2016.

**Net Income Attributable to Non-controlling Interests**

*(11% increase from ₱1.35 bn to ₱1.50 bn)*

Minority shareholders of VECO took up higher attributed income during 2016. The balance of the increase was due to the take up of the minority shareholder's participation in the income of CEDC and CPPC's net income for the 2016.

**Consolidated Statements of Comprehensive Income**

The movements in cumulative translation adjustments and recognition of slight gains on defined benefit plans (versus actuarial losses recognized in the prior year) led to lower total net other comprehensive income for 2016 at ₱71 mn (compared to ₱226 mn in 2015). Total consolidated comprehensive income was ₱21.58 bn for 2016.

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

**Assets**

Total assets (as of December 31, 2016 vs. December 31, 2015) increased by ₱112.29 bn or 46%. The major movements of the accounts leading to the increase are as follows:

- (a) Cash and cash equivalents decreased by 8% in 2014. Cash generated from operations continued to provide significant liquidity for the Company, but a major acquisition during 2016 and the need to fund ongoing greenfield projects, resulted in the consolidated cash position of the Company decreasing ₱4.00 bn during 2016.
- (b) Trade and other receivables increased by 13% (from ₱13.69 bn in 2015 to ₱15.47 bn in 2016) primarily due to the take up of the trade receivables at newly consolidated Subsidiary GMCP.
- (c) Inventories increased by 118% (from ₱2.04 bn in 2015 to ₱4.45 bn in 2016) due to the consolidation of inventories held at GMCP and higher inventory balances at TSI and TLI.
- (d) Other current assets rose by 90% (from ₱3.39 bn in 2015 to ₱6.45 bn in 2016), mainly driven by ₱2.10 bn in restricted cash at TSI to comply with the covenants for its project debt. The balance of the increase was due to the consolidation of prepaid assets at GMCP.
- (e) Investments and advances increased mainly as a result of the acquisition of a minority interest in GNPD. The account increased from ₱22.55 bn at the end of 2015 to ₱30.60 bn at the end of 2016.
- (f) After the acquisition of a majority interest in GMCP, the resulting consolidation of its Property, Plant and Equipment (PPE) led to an increase of 43% (from ₱134.81 bn in 2015 to ₱192.63 bn in 2016). The Group also continued to the final stages of the construction of its hydro facilities under Hedcor Sabangan during 2016 and continued the construction of its various coal plants under TVI and PEC.
- (g) Intangible assets increased by ₱36.05 bn as the Company recognized ₱36.27 bn of provisional goodwill resulting from the acquisition of GMCP, net of ₱169 mn of goodwill impaired on the Company's investment in MEZ.
- (h) The additions to derivative instruments as a result of business combinations during 2016 (the acquisition

- of GMCP ) led to an increase in derivative assets net of derivative liabilities (current and non-current).
- (i) Available for sale (AFS) investments went up by ₱97 mn during 2016 mainly due to the consolidation of AFS investments at GMCP .
  - (j) Net pension assets went up by ₱11 mn (or 31%) due to the increase in the fair value of plan assets as contributions made during the year.
  - (k) Deferred income tax assets increased by 262% (from ₱585 mn in 2015 to ₱2.12 bn in 2016). The increase was driven by the take up of deferred tax assets at newly consolidated GMCP . The balance was attributable to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses recognized by the Group during the current year.
  - (l) Other noncurrent assets increased by 80% (from ₱6.12 bn in 2015 to ₱11.01 bn in 2016) mainly due to the increase in input VAT on the on-going construction of various greenfield projects as well as a loan receivable of ARI from Sacasun.

### **Liabilities**

Consolidated liabilities increased by 73% from ₱140.88 bn as of December 31, 2015 to ₱243.15 bn as of December 31, 2016.

- (a) Short term loans increased by 62% or ₱1.59 bn, primarily due to temporary advances during 2016 between Davao Light and AEV Parent.
- (b) Trade and other payables increased by 23% (from ₱14.14 bn in 2015 to ₱17.40 bn in 2016) as the Company consolidated trade and other payables of GMCP . Also contributing to the increase were higher payables to suppliers and contractors as construction of various power plants continued.
- (c) Income tax payable decreased by 23% (from ₱853 mn in 2015 to ₱654 mn in 2016) primarily due to lower corporate and final taxes payable at the end of the year.
- (d) Long-term debt (current and non-current) increased by 170% (from ₱58.38 bn in 2015 to ₱157.72 bn in 2016) net of payments on long term debt made during the year.

This increase was attributable to the following:

- (i) TPI's ₱30.49 bn bridge financing to fund the acquisition of GMCP and GNPD;
- (ii) New loans during the year for APRI (₱11.61 bn) and Hedcor Sibulan (₱4.05 bn) ;
- (iii) Increase in long-term debt relating to the drawdowns on various financing facilities for TVI, PEC and Hedcor Bukidnon; and
- (iv) Consolidation of GMCP's project debt of ₱26.43 bn.
- (e) Long term obligation on PDS decreased by 5% as regular annual payments were made during 2016.
- (f) Customers' deposits increased by 7% (₱6.38 bn in 2015 to ₱6.83 bn in 2016) due to increases in deposits at Davao Light and VECO resulting from the growth in their customer base during the year, as well as additional deposits from retail electricity supply customers in 2016.
- (g) The revaluation of the future obligations on APRI's asset retirement obligation resulted in a decrease by 40% (₱3.02 bn in 2015 to ₱1.82 bn in 2016).
- (h) Pension liability decreased by 50% (₱493 mn in 2015 to ₱247 mn in 2016) due to retirement contributions made by the group during the year.
- (i) Deferred income tax liabilities (DTL) decreased by 8% (₱1.13 bn in 2015 to ₱1.04 bn in 2016) primarily due to lower deferred tax provisions on unrealized forex gains and actuarial valuations recognized during the year.
- (j) Other noncurrent liabilities went from nil in 2015 to ₱334 mn at the end of 2016 due to retention payables at PEC as provided for under its EPC contracts.

### **Equity**

Equity attributable to equity shareholders of the parent increased by 8% (from ₱97.57 bn at year end 2015 to ₱105.11 bn at year-end 2016) driven primarily by the recognition of income during the year of ₱20.00 bn, net of dividends declared and paid to the Company's shareholders.



**Material Changes in Liquidity and Cash Reserves of Registrant**

Cash generated from operations of ₱29.89 bn continued to provide a source of liquidity during 2016, growing by ₱4.69 bn as compared to 2015. Cash from operations of fully commissioned TSI augmented the cash streams from operations.

During 2016, the Group used ₱81.38 bn cash for investing activities. This was ₱72.48 bn more compared to 2015, and largest portion was used to acquire indirect, majority interests in GMCP, and a minority interest in GNPD. Meanwhile, the Company continued to deploy financial resources in the construction of various greenfield projects. Funds were also invested in the step acquisition of a Subsidiary. The outflows were supported by dividends received during the year.

In 2016, the Group availed of long term debt through bridge financing, fresh loans availed of by certain subsidiaries and draw down on project finance facilities. During the first half of 2016, the Company declared ₱12.22 bn in dividends to its shareholders. These activities led to cash flow from financing activities of ₱47.48 bn during the year.

As of December 31, 2016, the Group's cash and cash equivalents decreased to ₱47.09 bn, from ₱51.10 bn as of the end of 2015.

**Financial Ratios**

Current assets increased by 5% but with the marked increase in current liabilities of 45%. The current ratio at the end of 2016 is now at 2.25x versus 3.12x at the end of 2015.

Consolidated debt to equity ratio at the end of 2016 was at 2.18 versus 1.39 as of end-2015, owing to the Company's increasing debt position as a result of consolidating a new Subsidiary's debt, and project and bridge financing incurred as it pursues its strategy to grow the business.

**Item 7. Financial Statements**

The consolidated financial statements of AboitizPower will be incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules will be filed as part of the Definitive Information Statement.

**Item 8. Information on Independent Accountant and Other Related Matters****(A) External Audit Fees and Services**

The following table sets out the aggregate fees billed to the Company for each of the last two years for professional services rendered by SGV.

Fee Type	2018	2017
<b>Audit Fees</b>		
Audit Fees	₱460,000.00	₱442,000.00
Audit Related Fees	-	31,500.00
<b>Total</b>	<b>460,000.00</b>	<b>473,500.00</b>
<b>Non-Audit Fees</b>		
Financial and Tax Due Diligence Fees	4,470,000.00	7,480,000.00
Bond Related Fees	6,600,000.00	3,500,000.00
<b>Total</b>	<b>11,070,000.00</b>	<b>10,980,000.00</b>
<b>Total Audit and Non-Audit Fees</b>	<b>₱11,530,000.00</b>	<b>₱11,453,500.00</b>

SGV was engaged by the Company to audit its annual financial statements. In 2018, the Company engaged SGV to conduct post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the ₱10.2 billion Bonds in 2018. The Company also engaged SGV to provide financial and tax due

diligence in 2018.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of SGV for 2018 and 2017 were pre-approved by the Board Audit Committee. The Board Audit Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors was preserved. SGV does not have any direct or indirect interest in the Company.

**(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

**PART III – CORPORATE GOVERNANCE**

Guided by the Organization for Economic Co-operation and Development's (OECD) Five Principles of Corporate Governance during 2018, AboitizPower continued its efforts to strengthen the roles and responsibilities of its Board. It adopted new protocols and improved existing systems and policies to protect the rights of its shareholders, safeguarded shareholders' equitable treatment, continuously recognized the value and participatory role of all stakeholders, and practiced the appropriate level of transparency and improved corporate disclosures. AboitizPower continues its efforts to create long-term value for all stakeholders, and to drive change for a better world by advancing business and communities.

**Shareholder Rights and Equitable Treatment**

All shareholders, regardless of the amount of their shareholdings, are given the right to participate in corporate decision making, pursuant to the Company's One Share, One Vote policy.

Moreover, to ensure that directors, officers, and even majority shareholders do not take advantage of their positions, all shareholders are apprised, with amounts disclosed, of all related-party transactions within the Aboitiz Group. All related-party transactions within the Group are reported in AboitizPower's Consolidated Audited Financial Statements each year.

All shareholders likewise receive notices of all shareholders' meetings, all agenda items to be discussed and decided upon during the said meetings are set out in the notices, and no new agenda item will be taken up during the conduct of the meeting. For the guidance of shareholders, included in the notices to shareholders' meetings include the rationale of agenda items which are submitted to the shareholders for their approval.

**Stakeholder Engagement**

The Aboitiz Group is committed to the principles of sustainability to balance the interests of People, Planet, and Profit. Following these principles, AboitizPower has obtained and maintained a good health, safety, and environmental track record. The Group launched its Sustainability Policy in 2013, with the belief that all stakeholders must be treated with fairness, and that corporate social responsibility in 2014 is an integral part of doing business. In support of this policy, the Group launched its BetterWorld campaign to encourage all stakeholders to adopt this policy for sustainability.

AboitizPower has a Revised Manual of Corporate Governance (Revised Manual) and a Code of Ethics and Business Conduct (Code) to guide the attainment of its corporate goals and strategies. In 2016, the Board of Directors, approved the revised Code which now includes a more defined anti-corruption and bribery policy, sustainability policy, and digital media policy, among others. In 2017, the Board of Directors approved the Revised Manual which specifies the composition and duties of the newly-created and restructured board committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy, a risk management policy, communication process and training process, reportorial or disclosure system of the Company's corporate policies, shareholders' benefit statement, and a monitoring and assessment system. The Revised Manual on Corporate Governance is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly Listed Companies in order to further strengthen the Company's corporate governance practices.

The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board of Directors, management and employees with the Revised Manual, the Code, other company policies, and applicable laws and regulations. The Compliance Officer also ensures the implementation of AboitizPower's rules on conflicts of interest and against the misuse of confidential and proprietary information throughout the organization.

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

There are no reported major deviations from the Revised Manual as of the date of this report. The Board of Directors regularly reviews the Manual to ensure that the same remains relevant and responsive to the needs of the organization.

Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

### Disclosure and Transparency

Pursuant to its commitment to transparency and accountability, AboitizPower, in its website, [www.aboitzpower.com](http://www.aboitzpower.com), has its own dedicated corporate governance webpage which serves as a resourcenter and library for its stakeholders. The Company also submitted an Integrated Annual Corporate Governance Report (IACGR) to the SEC and the PSE EDGE website. A copy of the IACGR is also available for download at the Company's website.

### Board Responsibility

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from directors. Attendance during board meetings are closely monitored and reported by the Compliance Officer to the SEC and the PSE, as well as in the Company's IACGR.

In 2018, the Board held a total of thirteen meetings. Below is a summary of the attendance of the Directors:

AboitizPower Board Meetings	Regular and Special Meetings for 2018													Total No. of Meetings Attended by Each Member	Percentage of Attendance
	30-Jan Regular	8-Mar Special	22-Mar Regular	21-May Regular	21-May ASM	21-May ORG	10-Jul Special	27-Jul Regular	1-Sept Special	26-Sept Special	3-Oct Regular	23-Nov Regular	11-Dec Special		
MIKEL A. ABOITIZ	A	A	P	P	P	P	P	P	P	P	P	P	P	8	69.00%
ENRIQUE M. ABOITIZ	P	A	P	A	A	A	P	P	P	P	P	P	A	6	69.00%
ERRAMON I. ABOITIZ	P	P	P	P	P	P	P	P	P	P	P	P	P	13	100.00%
LUIS MIGUEL O. ABOITIZ	-	-	-	-	-	-	-	-	-	P	P	A	P	3	75.00%
JAIME JOSE Y. ABOITIZ	P	P	P	P	P	P	P	P	P	P	P	P	P	9	92.00%
DANEL C. ABOITIZ*	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	N/A
ROMEO L. BERNARDO	P	P	P	P	P	P	P	P	P	P	P	P	P	10	100.00%
CARLOS C. EJERCITO	P	P	P	P	P	P	P	P	P	P	P	P	P	10	100.00%
ERIC RAMON O. RECTO	-	-	-	-	-	-	P	P	P	P	P	P	P	7	100.00%
JON RAMON ABOITIZ	P	P	A	P	P	P	P	P	P	P	P	P	-	11	88.00%
ANTONIO R. MORAZA	P	P	P	P	P	P	P	P	-	-	-	-	-	8	100.00%
ALFONSO A. UY	P	P	P	P	P	P	-	-	-	-	-	-	-	6	100.00%
<b>Total No. of Members Present in Each Meeting</b>	9	7	6	8	8	8	8	9	8	9	9	8	7		
<b>Percentage of No. of Members Present in Each Meeting</b>	100.00%	77.78%	66.67%	88.89%	88.89%	88.89%	88.89%	100.00%	100.00%	100.00%	100.00%	88.89%	77.78%		

\*Mr. Danel C. Aboitiz was appointed as member of the Board of Directors of December 11, 2018.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management, as well as in monitoring and evaluating management performance in meeting such goals. The different board committees - Audit, Corporate Governance, Risk and Reputation Management, Related Party Transactions, and Executive Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas. The mandate and the composition of each Board committee are described below:

- (a) The **Board Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into

Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise majority of the voting members of the Board Corporate Governance Committee.

Chairman: Romeo L. Bernardo<sup>11</sup>; Members: Erramon I. Aboitiz, Mikel A. Aboitiz, Carlos C. Ejercito, and Eric Ramon O. Recto; *Ex-Officio* Members: Joseph Trillana T. Gonzales<sup>12</sup> and Susan V. Valdez<sup>13</sup>

- (b) The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise majority of the members of the Board Audit Committee, including its Chairman.

Chairman: Carlos C. Ejercito; Members: Romeo L. Bernardo, Eric Ramon O. Recto, Mikel A. Aboitiz, and Enrique M. Aboitiz<sup>14</sup>

- (c) The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk management and related matters for the Group.

Chairman: Enrique M. Aboitiz; Members: Jaime Jose Y. Aboitiz<sup>15</sup>, Mikel A. Aboitiz, Romeo L. Bernardo, Carlos C. Ejercito, and Eric Ramon O. Recto; *Ex-Officio* Members: Liza Luv T. Montelibano and Susan V. Valdez

- (d) The **Board Related Party Transaction Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliated, directors and officers.

Chairman: Eric Ramon O. Recto; Members: Romeo L. Bernardo and Carlos C. Ejercito

- (e) The **Executive Committee** assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings.

Chairman: Erramon I. Aboitiz; Members: Luis Miguel O. Aboitiz, Mikel A. Aboitiz, Jaime Jose Y. Aboitiz, and Enrique M. Aboitiz

## 2018 Corporate Governance Initiatives

The Company regularly updates its corporate governance policies to ensure that they are relevant to the needs of the organization and, at the same time, at par with global best practices. Below are the highlights of the Company's Corporate Governance initiatives in 2018:

Aboitiz Power Corporation	<ul style="list-style-type: none"> <li>• Amendment of AboitizPower's By-Laws</li> <li>• Amendment of AboitizPower Manual on Corporate Governance</li> <li>• Establishment of a Board Executive Committee</li> <li>• 2018 Group-wide Corporate Governance Seminar</li> <li>• Cascade of the Company's Related Party Transactions (RPT) Policy</li> </ul>
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<sup>11</sup> Mr. Romeo L. Bernardo replaced Mr. Jon Ramon Aboitiz as Chairman of the Board Corporate Governance Committee on December 11, 2018. Mr. Mikel A. Aboitiz was also appointed as member of the Board Corporate Governance Committee to replace Mr. Aboitiz, effective December 11, 2018.

<sup>12</sup> Mr. Joseph Trillana T. Gonzales replaced Ms. Jasmine O. Oporto as *ex-officio* non-voting member of AboitizPower's Board Corporate Governance Committee on March 1, 2018.

<sup>13</sup> Ms. Susan V. Valdez replaced Mr. Xavier Jose Aboitiz as *ex-officio* non-voting member of AboitizPower's Board Corporate Governance Committee on January 1, 2019.

<sup>14</sup> Mr. Enrique M. Aboitiz replaced Mr. Antonio R. Moraza as member of the Board Audit Committee on September 1, 2018.

<sup>15</sup> Mr. Jaime Jose Y. Aboitiz replaced Mr. Antonio R. Moaza as member of the Board Risk and Reputation Management Committee on September 1, 2018.

	<ul style="list-style-type: none"> <li>• Cascade of the Code of Ethics and Business Conduct e-learning modules</li> <li>• Implementation of the Group-wide Whistleblowing Policy</li> </ul>
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For 2018, there were no recorded deviations from, or violations of the Revised Manual, the Code, or any other company governance and compliance policies and protocols.

For a full discussion on the Company's initiatives, a copy of the Integrated Annual Report will be available at [www.aboitizpower.com](http://www.aboitizpower.com).

### Corporate Governance Awards

As a testament to its commitment to adopt best practices, AboitizPower has been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies and cited for its commitment to good corporate governance practices.

The awards received by AboitizPower, especially in the field of corporate governance and stakeholder engagement, reflect the commitment of the Aboitiz Group to adopt and implement corporate governance best practices. AboitizPower, together with its Subsidiaries and Affiliates, have been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies.

In November 2018, the Company was recognized as one of the Top 50 Publicly Listed Companies in the ASEAN Corporate Governance Awards. The event was organized by the ASEAN Capital Markets Forum and the Institute of Corporate Directors as the appointed domestic ranking body held at the Kuala Lumpur Convention Centre, Kuala Lumpur, Malaysia,

AboitizPower also received the following awards in 2018:

Awards	Awards Received
Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2017	Top 10 Performing Philippine Publicly-listed companies in the 2017 ASEAN Corporate Governance Scorecard (ACGS)
In-House Community – Counsels of the Year Awards 2018	In-House Legal Team of the Year – Energy & Natural Resources (Asia Winner)
FinanceAsia Asia's Best Companies 2018	Top-performing Publicly Listed Company in the Philippines
IABC 16th Philippine Quill Awards	A Better Future with Cleanergy – Professional Merit Award

## ANNEX "A"

**EXPLANATION OF AGENDA ITEMS REQUIRING STOCKHOLDERS' APPROVAL**  
**(including Agenda Items requiring Stockholders' Approval)**

**ITEM NO. 2: Proof of Notice of Meeting**

**RATIONALE:** *To inform the stockholders that notice requirements for the 2019 Annual Stockholders' Meeting (ASM) have been complied with in accordance with the Company's By-Laws and the Corporation Code of the Philippines.*

The Corporate Secretary will certify the date when notices for the 2019 ASM were sent out to the stockholders of record, including the date of publication and the newspapers where the notice was published.

**ITEM NO. 3: Determination of Quorum**

**RATIONALE:** *To inform the stockholders of the existence of a quorum for the 2019 ASM, and of the procedure for the conduct of voting for the agenda items being put to a vote.*

The Corporate Secretary will certify the existence of a quorum, as verified and confirmed by the Board of Election Inspectors. Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Should there be agenda items put to a vote, the following are the rules of conduct and procedures:

- (i) During the registration process, Company personnel with nametags labeled "AboitizPower ASM Staff" will issue numbered voter receipts to stockholders and proxies. The AboitizPower ASM Staff will keep the receipts and details of the voters in the ASM registration records.
- (ii) Voting shall be done manually. The AboitizPower ASM Staff will distribute to the stockholders and proxies the relevant ballot for the particular agenda item put to a vote. The sample ballot for the agenda item will also be displayed on the screen in front of the Ballroom.
- (iii) The stockholders and proxies are required to present their voter receipts to the AboitizPower ASM Staff so that they will be provided with the ballots. Valid ballots bear the signature of the Corporate Secretary at the back.
- (iv) To vote, a stockholder is required to fill up the ballot, indicate his voting number, and the number of shares of stock he owns consistent with the records of the Company. The AboitizPower ASM Staff will collect the ballots for counting.
- (v) Each outstanding share of stock entitles the shareholder to one (1) vote, except for the election of directors where a shareholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected. The total number of votes cast should not exceed the total number of shares a stockholder owns.
- (vi) In general, the approval of the stockholders owning and representing at least a majority of the capital stock present at the meeting is sufficient to approve an agenda item. There is no item in the 2019 ASM Agenda that requires a higher percentage of votes from the stockholders.
- (vii) All votes received shall be tabulated by the Office of the Corporate Secretary and the results shall be validated by Luis Cañete & Company, an independent auditing firm which has been appointed as the Board of Election Inspectors.

- (viii) The Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for all items for approval under the agenda will be flashed on the screen.

**ITEM NO. 4: Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 21, 2018**

**RATIONALE:** *To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.*

The minutes of the meeting held on May 21, 2018 were posted at AboitizPower's website, [www.aboitizpower.com](http://www.aboitizpower.com), on May 22, 2018. Copies of the minutes will also be distributed to the stockholders before the 2019 ASM.

A resolution approving the minutes of the May 21, 2018 ASM will be presented to the stockholders for approval.

**ITEM NO. 5: Presentation of the President's Report**

**RATIONALE:** *To apprise the stockholders of the Company's operating performance, financial condition and outlook.*

The President and Chief Executive Officer, Mr. Erramon I. Aboitiz, shall deliver a report to the stockholders on the 2018 operating and financial performance of the Company, as well as its outlook for 2019.

**ITEM NO. 6: Approval of the 2018 Annual Report and Financial Statements**

**RATIONALE:** *To present to the stockholders the results of the Company's operations in 2018, in accordance with Section 74 of the Revised Corporation Code.*

The Company's audited financial statements as of December 31, 2018 have been integrated and made part of the Company's 2018 Definitive Information Statement (2018 Information Statement). The 2018 Information Statement will be sent to the stockholders at least fifteen (15) business days prior to the ASM, and the same will be posted at the Company's website at [www.aboitizpower.com](http://www.aboitizpower.com).

A resolution approving the 2018 annual reports and audited financial statements shall be presented to the stockholders for approval.

**ITEM NO. 7: Appointment of the Company's External Auditor for 2019**

**RATIONALE:** *To appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse an external auditor for 2019 for the stockholders to appoint.*

The Company's Board Audit Committee endorsed, and the Board of Directors approved for stockholders' consideration the election of Sycip Gorres Velayo & Co. (SGV) as the Company's external auditor for 2019.

SGV has been AboitizPower's Independent Public Accountant for the last 20 years. Ms. Maria Veronica Andresa R. Pore has been AboitizPower's audit partner since audit year 2017. AboitizPower complies with the requirement of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.



There has been no event in the past 20 years wherein AboitizPower and SGV or its handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

A resolution for the appointment of the Company's external auditor for 2019 shall be presented to the stockholders for approval.

**ITEM NO. 8: Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2018 up to April 22, 2019**

**RATIONALE:** *To allow the stockholders to approve or ratify the acts of the Board of Directors and Officers of the Company in accordance with the Revised Corporation Code.*

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers and management in the ordinary course of business. The board resolutions are enumerated in the 2018 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and download at the Company's website at [www.aboitizpower.com](http://www.aboitizpower.com).

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers and management in 2018 up to the date of the 2019 ASM shall be presented to the stockholders for approval.

**ITEM NO. 9: Approval of the Increase in the Directors' Per Diem and Monthly Allowance**

**RATIONALE:** *To approve the increase in the Directors' monthly allowance and per diem*

During its February 18, 2019 meeting, the Corporate Governance Committee, which performs the function of the Nomination and Compensation Committee, proposed to increase the directors' monthly allowance and per diem for every meeting, as follows:

Monthly Allowance	Directors		Chairman of the Board	
	From	To	From	To
	PHP120,000.00	PHP150,000.00	PHP180,000.00	PHP200,000.00

Per Diem Per Meeting	Directors/Committee Member		Chairman of the Board/Committee	
	From	To	From	To
Board Meeting	PHP100,000.00	PHP150,000.00	PHP150,000.00	PHP200,000.00
Board Committee Meeting	PHP80,000.00	PHP100,000.00	PHP100,000.00	PHP130,000.00

During its Board Meeting dated March 7, 2019, the Board of Directors approved the proposed increase in the monthly allowance and per diem, and endorsed the same for stockholders' approval.

The directors' remuneration was last increased in 2015, when the shareholders approved the increase in the monthly allowance from ₱100,000.00 to ₱120,000.00 for members of the Board, and from ₱150,000.00 to ₱180,000.00 for the Chairman of the Board. Since then, the Company's businesses have expanded in scope and became more complicated in nature. The

Board decided that there is thus a need to increase the remuneration of the directors so that it remains comparable with companies that have the same Board size, revenue, assets, and market capitalization.

A resolution approving the proposed increase in monthly allowance and per diem shall be presented to the stockholders for approval.

**ITEM NO. 10: Election of the Members of the Board of Directors**

**RATIONALE:** *To allow stockholders to elect the Company's Board of Directors in accordance with Section 24 of the Revised Corporation Code and the Company's Amended By-Laws.*

A stockholder may submit his nominee to the Company's Board of Directors in accordance with the deadlines set forth in the Company's Amended By-Laws, which for this year shall be on or before March 27, 2019. Under the Amended Guidelines for the Nomination and Election of Independent Directors, the period for nominations for Independent Directors started on January 1, 2019 and the table of nominations closed on February 15, 2019. The stockholders who nominated the Independent and other directors are disclosed in the 2018 Information Statement. The Board Corporate Governance Committee assesses and evaluates the nominees before submitting the final list of qualified nominees to the stockholders for approval. The profiles of all the nominees are included in the 2018 Information Statement and uploaded in the Company's website for examination by the stockholders.

A stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The nine nominees receiving the highest number of votes will be declared elected as directors of the Company.

**ITEM NO. 11: Other Matters**

The Chairman of the Meeting will open the floor for comments or queries by the stockholders. Stockholders may raise matters which may be properly taken up during the 2019 ASM.

---end---

## ANNEX "B-1"

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ROMEO L. BERNARDO**, Filipino, of legal age, with business address at [REDACTED] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Aboitiz Power Corporation (AboitizPower) and have been its independent director since May 19, 2008.
2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ALFM Family of Funds	Chairman	2003 to present
Bank of the Philippine Islands	Independent Director	2002 to present
BPI Capital Corporation	Independent Director	2012 to present
BPI/MS Insurance Corporation	Independent Director	2009 to present
BPI-Philam Life Assurance Corporation	Independent Director	2006 to present
Foundation for Economic Freedom	Vice Chairman & Founding Fellow	1997 to present
Globe Telecom, Inc.	Independent Director	2001 to present
Philippine Stock Index Fund, Inc.	Chairman of the Board	2007 to present
RFM Corporation	Independent Director	2002 to present
Lazaro Bernardo Tiu & Associates, Inc.	Managing Director	2000 to present
World Bank Philippine Advisory Group	Member	2011 to present
International Centre for Settlement of Investment Disputes	Member, Panel of Conciliators	2015 to present
GlobalSource Partners	Advisor	2008 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AboitizPower, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of AboitizPower and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of AboitizPower of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 18 FEB 2019 at TAGUIG CITY



ROMEO L. BERNARDO  
Affiant

SUBSCRIBED AND SWORN to before me this 18 FEB 2019 at TAGUIG CITY Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No. [REDACTED] issued at DFA Manila on September 20, 2015.

Doc. No. 403;  
Page No. 82;  
Book No. III;  
Series of 2019.



*[Signature]*  
Atty. Sammy Dave A. Santos  
Notary Public for Taguig City  
Notarial Commission No. 48  
Until December 31, 2019  
NAC Tower, 32<sup>nd</sup> St. Bonifacio Global City, Taguig City  
PTR No. A-4208017; Taguig City; January 07, 2019  
IBP O.R. No. 061323; January 08, 2019  
Roll No. 63272  
MCLE Compliance No. VI 0016957

## ANNEX "B-2"

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **CARLOS C. EJERCITO**, Filipino, of legal age, with business address at [REDACTED] after having been duly sworn to in accordance with law, do hereby declare that:


1. I am a nominee for independent director of Aboitiz Power Corporation (AboitizPower) and have been its independent director since May 19, 2014.
2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Mount Grace Hospitals, Inc.	President and Chief Executive Officer	2012 to present
Northern Access Mining, Inc.	Chairman	2009 to present
Forum Cebu Coal Corporation	Chairman and Chief Executive Officer	2009 to present
Pinehurst Medical Services, Inc.	Director/President	2014 to present
Silvermed Corporation	Director	2014 to present
Medical Center Manila	Director	2013 to present
VR Potenciano Medical Center	Director	2012 to present
Tagaytay Medical Center	Director	2013 to present
Bloomberry Resorts Corporation	Independent Director and Chairman of the Board Audit Committee	2013 to present
Century Properties Group, Inc.	Independent Director	2013 to present
Monte Oro Resources and Energy Corporation	Independent Director	2012 to present
Capitol Medical Center	Board Member	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AboitizPower, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of AboitizPower and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of AboitizPower of any changes in the abovementioned information within five (5) days from its occurrence.

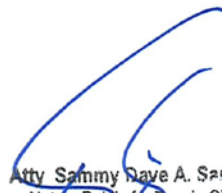
Done, this 18 FEB 2019 at TAGUIG CITY

  
**CARLOS C. EJERCITO**  
 Affiant

**SUBSCRIBED AND SWORN** to before me this 18 FEB 2019 at TAGUIG CITY. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No.  issued at DFA NCR South on February 12, 2015.

Doc. No. 401;  
 Page No. 82;  
 Book No. III;  
 Series of 2019.



  
**Atty. Sammy Dave A. Santos**  
 Notary Public for Taguig City  
 Notarial Commission No. 48  
 Until December 31, 2019

NAC Tower, 32<sup>nd</sup> St. Bonifacio Global City, Taguig City  
 PTR No. A-4208017; Taguig City; January 07, 2019  
 IBP O.R. No. 061323; January 08, 2019  
 Roll No 83272  
 MCLE Compliance No. VI 0016957

## ANNEX "B-3"

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ERIC RAMON O. RECTO**, Filipino, of legal age, with business address at [REDACTED] after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Aboitiz Power Corporation (AboitizPower) and have been its independent director since May 21, 2018.
2. I am currently affiliated with the following companies or organizations:


Company/Organization	Position/Relationship	Period of Service
ISM Corporate Corporation	Chairman (from 2013) and President	2005 to present
Q-Tech Alliance Holdings, Inc.	President/ Director	2009 to present
Atok-Big Wedge Co., Inc.	Vice Chairman and President	2009 to present
Acentic GmbH and Ltd.	Supervisory Board Member	2010 to present
Philippine Bank of Communications	Chairman of the Board	2013 to present
Bedfordbury Development Corporation	Chairman and President	2014 to present
PH Resorts Group Holdings, Inc.	Independent Director	2018 to present
Alphaland Corporation	Vice Chairman	2018 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AboitizPower, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of AboitizPower and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of AboitizPower of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 18 FEB 2019 at TAGUIG CITY

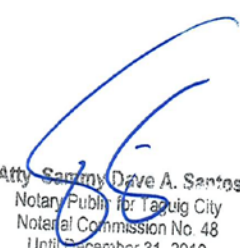


ERIC RAMON O. RECTO  
Affiant

SUBSCRIBED AND SWORN to before me this 18 FEB 2019 at TAGUIG CITY. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No.  issued at DFA Manila on February 07, 2015

Doc. No. 405  
Page No. 82  
Book No. III  
Series of 2019



  
Atty. Sammy Dave A. Santos  
Notary Public for Taguig City  
Notarial Commission No. 48  
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PTR No. A-4208017; Taguig City; January 07, 2019  
IBP O.R. No 061323 January 08, 2019  
Roll No 63272  
MCLE Compliance No. VI 0016957



**ANNEX "C"****SUMMARY OF THE MINUTES OF THE 2018 ANNUAL STOCKHOLDERS' MEETING**

The meeting was called to order on May 21, 2018 at 10:45 a.m. by the former Vice Chairman of the Board, Mr. Jon Ramon Aboitiz. The Corporate Secretary certified that notices for the 2018 Annual Stockholders' Meeting of AboitizPower were duly sent out on April 20, 2018 to all stockholders of record as of close of business on March 28, 2018. The Corporate Secretary further reported that notices of the meeting were also published in Philippine Daily Inquirer, Philippine Star, and Business World on April 18, 2018.

The Corporate Secretary certified to the existence of a quorum, there being a total of 4,953,329 shares present in person and 6,619,748,106 shares represented by proxy, or a total of 6,624,701,435 shares which constitute at least a majority of, or 90.03% of the total outstanding capital stock of 7,358,604,307 entitled to vote, or more than two-thirds (2/3) of the total outstanding shares entitled to vote.

Upon motion duly made and seconded, the minutes of the previous Annual Stockholders' Meeting last May 21, 2017 was approved.

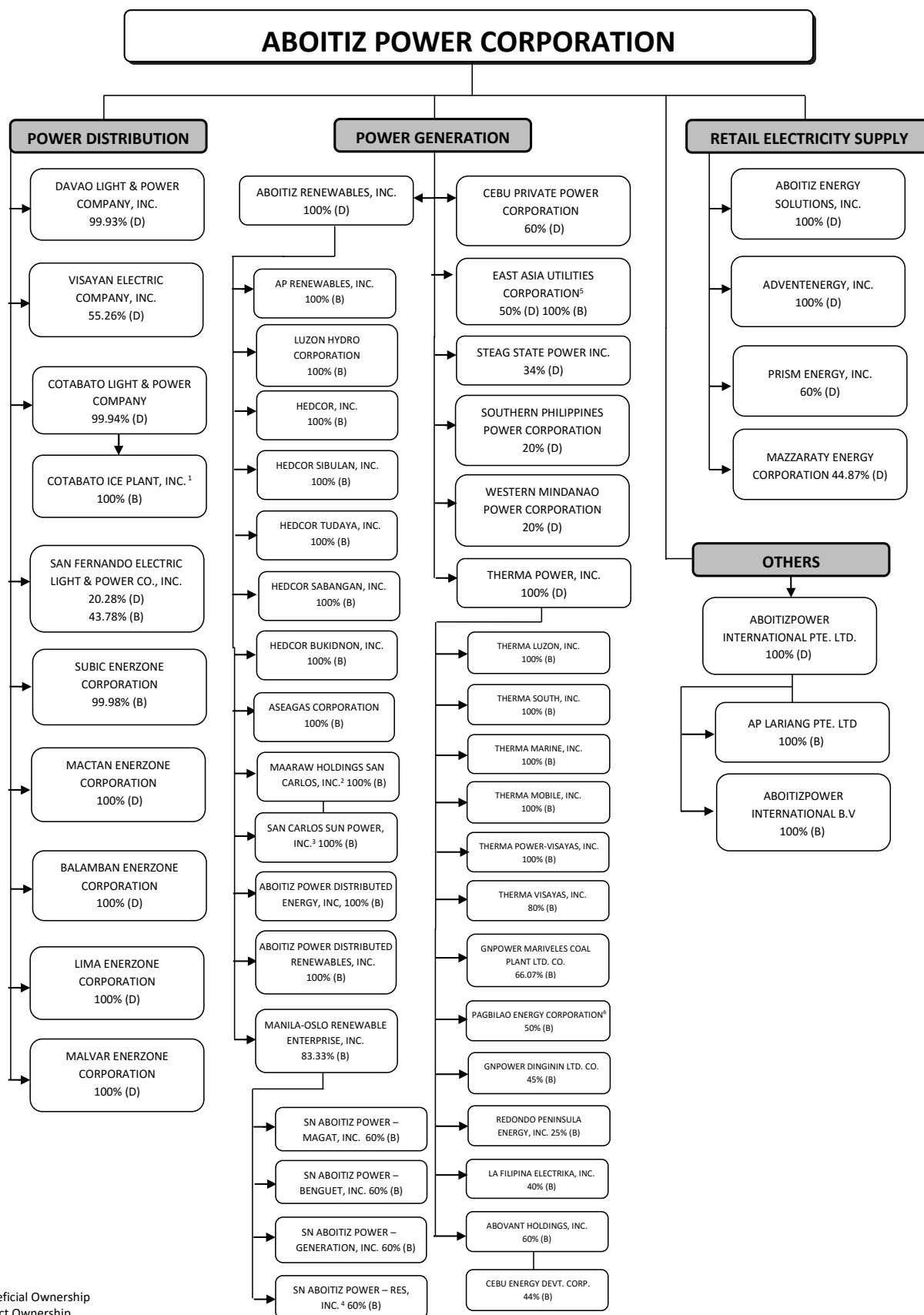
The body passed the following resolutions:

- 1) Approval of the 2017 Annual Report and Audited Financial Statements
- 2) Appointment of the Company's External Auditors for 2018
- 3) Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2017 up to May 21, 2018
- 4) Election of the Members of the Board of Directors

After the approval of the proposed resolutions, the meeting was duly adjourned.

## ANNEX "D"

As of December 31, 2018

<sup>1</sup> Other services<sup>2</sup> ARI has a 60% direct ownership in Maaraw San Carlos; AboitizPower International has a 40% indirect ownership in Maaraw San Carlos<sup>3</sup> ARI has a 35% direct ownership (50% indirect ownership) in Sacasun; AboitizPower International has 50% indirect ownership in Sacasun<sup>4</sup> Engages in Retail Electricity Supply Business<sup>5</sup> TPI has a 50% ownership in EAUC<sup>6</sup> Joint operations

### The Board Audit Committee Report to the Board of Directors

The Board Audit Committee (the “Audit Committee” or “Committee”) is pleased to present its report for the financial year ended December 31, 2018.

#### Audit Committee Responsibility

In giving effect to its duly approved charter, the Board Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing guidance relating to: (a) the adequacy (effectiveness and efficiency) of the company’s system of internal controls, governance and risk management processes; (b) the quality and integrity of the company’s accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company’s financial statements and the external auditors’ qualification and independence; (d) due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and (e) providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

It has established a constructive and collaborative relationship with the Company’s senior leadership to assist not to pre-empt any responsibility in making final audit-related decisions.

#### Committee Membership

The Board Audit Committee is composed of five (5) members, three (3) of whom are independent directors including the Chairman.

Carlos C. Ejercito (Independent Director) is the Chairman of the Committee. Other members of the committee are Romeo L. Bernardo (Independent Director), Eric O. Recto (Independent Director), Mikel A. Aboitiz (Non-Executive Director), and Enrique M. Aboitiz, Jr. (Non-Executive Director).

Informatively, there were interim changes in the Committee composition. Eric O. Recto (Independent Director) replaced Alfonso A. Uy (retired Independent Director). Erramon I. Aboitiz (Executive Director) replaced Antonio R. Moraza (retired Executive Director) and was eventually replaced by Enrique M. Aboitiz, Jr. (Non-Executive Director).

#### Meetings and Attendance

The Board Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors and advisers, where appropriate.

The Audit Committee Charter provided for the committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings, when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2018, five (5) meetings were held. The attendance by each member of the committee is indicated below:

Member	Mar 6, 2018 Regular Meeting	April 30, 2018 Regular Meeting	July 23, 2018 Regular Meeting	Oct 22, 2018 Regular Meeting	Nov 21, 2018 Joint with Risk and Reputation
<b>CARLOS C. EJERCITO</b> Chairman, Independent Director	✓	✓	✓	✓	✓
<b>ROMEO L. BERNARDO</b> Independent Director	X	✓	✓	✓	✓
<b>ALFONSO A. UY</b> Independent Director	✓	✓	-	-	-
<b>ANTONIO R. MORAZA</b> Executive Director	✓	X	-	-	-

<b>MIKEL A. ABOITIZ</b> Non-Executive Director	✓ *	✓	✓	✓	✓
<b>ERIC O. RECTO</b> Independent Director	-	-	✓	✓	✓
<b>ERRAMON I. ABOITIZ</b> Executive Director	-	-	✓	-	-
<b>ENRIQUE M. ABOITIZ, JR.</b> Non-Executive Director	-	-	-	✓ *	✓

\*Attendance via Videocon

Attendees to these meetings also include the Group Internal Audit Head, and, by invitation, the Chief Risk Officer, Chief Financial Officer, Controller and other key leaders when deemed appropriate.

### Financial Reports

The Board Audit Committee reviewed, discussed, and endorsed for the approval of the Board the 2018 quarterly unaudited consolidated financial statements and the 2018 annual audited financial statements of Aboitiz Power Corp., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company's independent external auditor, SyCip Gorres Velayo & Co. (SGV) – a member practice of Ernst & Young (EY) in the Philippines.

The activities of the Board Audit Committee are performed in the context –

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the company's independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company's audited financial statements with Philippine Financial Reporting Standards.

### External Auditors

Upon endorsement of the Board Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Power Corp., during its Annual General Stockholders Meeting held last May 21, 2018, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2018.

The overall scope and audit plan of SGV were reviewed and approved during the October 22, 2018 regular Board Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, February 26, 2019. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

In 2018, the Company also engaged SGV to conduct post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the P10.2 Billion bonds in. The Company also engaged SGV to provide financial and tax due diligence in 2018.

### Internal Auditors

The Board Audit Committee is satisfied with the internal audit function and had assessed that it is operating effectively and is able to generally cover the top risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the International Professional Practices Framework (IPPF) Attribute Standard 1100 which states that "The Internal Audit Activity must be independent, and internal auditors must be objective in

performing their work.”, the Board Audit Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impairments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2018. Internal audit is organizationally positioned to be independent – functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Board Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

Internal Audit remains to be the single-point-of-contact for the Board Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the audit team which, in turn, focus its reviews on the top risks of respective business units. Information systems and technology-related risks, however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Board Audit Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Board Audit Committee concurs with internal audit’s assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies particularly in relation to cybersecurity risks.

#### **External Quality Assessment Review (EQAR) of the Internal Audit Function**

The Internal Audit of Aboitiz Power Corp. after undergoing an External Quality Assessment (EQA) review by the authorized validators of the Institute of Internal Auditors-Philippines (IIAP) that are duly accredited by the Institute of Internal Auditors (IIA) International, received the official EQAR results in early 2018.

It is the opinion of the IIA that on the overall, the internal audit of Aboitiz Power Corporation “**Generally Conforms**” to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for internal audit practitioners. **Generally Conforms** is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

AP Internal Audit conducts Annual Internal Assessment in conformance to the requirements of a Quality Assured Internal Audit Function.

The EQA, much like any global certification is not required. Acquiring it helps build the reputation not just of internal audit but of Aboitiz as a Company that not only conforms, complies and follows but adopts and implements the Standards and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, internal audit will ensure that it continually works on its Quality Assurance Improvement Program (QAIP) and apply it across the group.

#### **Review of the Audit Charters**

Proposed changes to the Internal Audit Charter were presented in the Board Audit Committee meetings held on March 6, 2018 and October 22, 2018, respectively. The changes were in relation to the official EQAR results as well as the annual internal assessment results for 2018. The review and updating of the Internal Audit Charter are done annually, and approved by the Board Audit Committee. The review and updating of the Board Audit Committee Charter are also done annually, endorsed by the Committee and approved by the Board.

#### **Self-Assessment**

The Board Audit Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Circular No. 4, series of 2012. The assessment results showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

**Risk Management**

The partnership between the functions of risk management and audit has remained solid. In order to continuously provide objective assurance to the Board on the effectiveness of risk management, a Joint Audit and Risk Committee meeting is held at least once a year.

Presented in the joint meeting are the top strategic risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives. These top risks are among the relevant factors in consideration for the preparation of the internal audit's master plan for the following year.

Results of the 2018 series of existence validation review by internal audit on risk management or treatment plans identified and implemented by the different business units across AP as of YE2018 will be presented in the February 26, 2019 first quarterly Board Audit Committee meeting. Assurance is given when results of the review show that majority of the risk management or treatment plans generally were either acted upon (done) or being addressed (in-progress).

After considering, analyzing and reviewing all pertinent information to the integrity of financial reporting, adequacy of internal controls, risk management, governance and compliance within Aboitiz Power Corp. and its affiliated companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

In behalf of the Committee,



**Carlos C. Ejercito**  
**Chairman, Independent Director**




**Internal Control and Compliance System Attestation**  
**For the year ended, December 31, 2018**

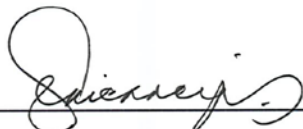
Aboitiz Power Corporation's (AboitizPower) corporate governance system includes a combination of internal and external mechanism such as the structure of the board of directors and our committees, the oversight it exercises over management, and the formulation of sound policies and controls.

- The Board of Directors is responsible for providing governance and overseeing the implementation of adequate internal control mechanism and risk management processes;
- Management has the primary responsibility for designing and implementing an adequate and effective system of internal controls and risk management processes to ensure compliance with rules and regulations, and the law;
- Management is responsible for developing a system to monitor and manage risks;
- SGV & Co., the Company's external auditor is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process;
- Internal Audit adopts a risk-based audit approach in developing an annual work plan and conducts reviews to assess the adequacy of the Company's internal control system;
- The Company's Group Internal Audit Head that acts as the equivalent of a Chief Audit Executive reports functionally to the Board Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfill its responsibilities; and
- Internal Audit activities conform with the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Based on the above assurance provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that Aboitiz Power's internal control and compliance system which covers governance, risk and control processes are adequate.



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**Erramon I. Aboitiz**  
 President & Chief Executive Officer



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**Saturnino E. Nicanor, Jr.**  
 Group Internal Audit Head