THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS SUBJECT TO COMPLETION AND AMENDMENT IN THE FINAL PROSPECTUS. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITIATION OF AN OFFER TO BUY THE SECOND TRANCHE BONDS.

ABOITIZ EQUITY VENTURES INC.

PhP30,000,000,000.00
Debt Securities Program

Second Tranche:
Up to PhP5,000,000,000.00
with an Oversubscription Option
of up to PhP5,000,000,000.00

Series C: [•]% 3-Year Bonds Due [2023]
Series D: [•]% 5-Year Bonds Due [2025]
Offer Price: 100% of Face Value

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

Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") AND WAS RENDERED EFFECTIVE ON JUNE 3, 2019 COVERING ₱30.0 BILLION OF SECURITIES. OF SUCH AMOUNT, ₱5.0 BILLION OF SECURITIES WERE ISSUED ON JUNE 18, 2019.

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

The date of this Preliminary Prospectus is [September 21, 2020]

Equity Ventures

(A corporation duly organized and existing under Philippine laws)

This Preliminary Prospectus (this "**Prospectus**") relates to the takedown of the second tranche of the Philippine Peso-denominated fixed-rate bonds (the "**Second Tranche Bonds**") and the public offer for the sale, distribution, and issuance by Aboitiz Equity Ventures Inc. ("**AEV"**, the "**Issuer**", or the "**Company**") of the Second Tranche Bonds (the "**Offer**") under the Company's PhP 30,000,000,000.00 Debt Securities Program (the "**Debt Securities Program**"). The Debt Securities Program was authorized by a resolution of the Board of Directors of the Company dated January 29, 2019. A registration statement was filed by the Company on March 29, 2019 covering the bonds with an aggregate principal amount of PhP30,000,000,000.00 applied for shelf registration (the "**Bonds**") and was rendered effective by the Securities and Exchange Commission ("**SEC**") by its order dated June 3, 2019 (the "**Shelf Registration**"). The first tranche of the Bonds, with an aggregate principal amount of up to PhP3,000,000,000, and an oversubscription option of up to PhP2,000,000,000 (the "**Series A and B Bonds**"), was covered by a prospectus dated May 31, 2019. A permit to sell was issued on June 3, 2019 by the SEC for such Series A and B Bonds which were issued on June 18, 2019. The Series A Bonds have an interest rate of 6.0157% per annum, maturing in 2024, while the Series B Bonds have an interest rate of 6.3210% per annum, maturing in 2029.

The Offer will consist of the primary offer of an aggregate principal amount of up to **PhP5,000,000,000.00** with an oversubscription option of up to **PhP5,000,000,000.00** (the "**Oversubscription Option**"). In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period (as defined below), the Second Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under Shelf Registration and may be issued in tranches within three years from the date of the effectivity of the registration statement, subject to any extension as may be granted by the SEC (the "**Shelf Period**").

The Second Tranche Bonds will be issued on [●] (the "**Issue Date**") and will be comprised of [Series C and Series D Bonds], at the discretion of AEV. The Series C Bonds shall have a term ending three (3) years from the Issue Date, or on [●], with a fixed interest rate of [•]% per annum (the "**Series C Bonds**"). The Series D Bonds, if any, shall have a term ending five (5) years from the Issue Date, or on [●], with a fixed interest rate of [●]% per annum (the "**Series D Bonds**"). The Series D Bonds shall have optional redemption dates on the third (3rd) year from the Issue Date and every Interest Payment Date thereafter until the 4th anniversary and on the fourth (4th) year from the Issue Date and every Interest Payment Date thereafter until the Maturity Date, and if such date is not a Banking Day, on the immediate succeeding Banking Day.][1] Interest on the Second Tranche Bonds shall be payable quarterly in arrears on [•], [•], [•], and [•] of each year while the Second Tranche Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the Second Tranche Bonds are outstanding (see "Description of the Offer" – *"Interest"* on page **[•]** of this Prospectus).

[1]At the discretion of the Issuer, the Series C Bonds [and/or Series D Bonds] may each have a term ending three (3) and/or five (5) from the Issue Date.

The Second Tranche Bonds shall be redeemed at par (or 100% of face value) on the relevant Maturity Dates, unless the Company exercises its early redemption option in accordance with the conditions therefore (see "Description of the Offer" – *"Redemption and Purchase"* on page **[•]** of this Prospectus).

Upon issuance, the Second Tranche Bonds shall constitute the direct, unconditional, unsecured and unsubordinated Philippine Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Second Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AEV's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines (see "Description of the Offer" – *"Ranking"* on page **[•]** of this Prospectus).

The Second Tranche Bonds have been rated **[•]** by PhilRatings on **[•]**. Obligations rated **[•]** are **[●]**.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Second Tranche Bonds are offered to the public at face value through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners named in this Prospectus (collectively, the "**Joint Lead Underwriters**") with the Philippine Depository & Trust Corp. ("PDTC") as the Registrar of the Second Tranche Bonds. The Second Tranche Bonds shall be issued in minimum denominations of PhP50,000 each, and in integral multiples of PhP10,000 thereafter. The Second Tranche Bonds shall be traded in denominations of PhP10,000 in the secondary market.

AEV intends to list the Second Tranche Bonds on the Philippine Dealing & Exchange Corp. ("PDEx"). However, there is no assurance that such a listing will be achieved either before or after the Issue Date or whether such a listing will materially affect the liquidity of the Second Tranche Bonds on the secondary market. Such listing would be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

AEV expects to raise gross proceeds of up to **PhP5,000,000,000.00** or, if the Oversubscription Option is fully exercised, up to **PhP10,000,000,000.00**. The net proceeds from the issue is estimated to be **[PhP4,933,682,250.00]** for a PhP5,000,000,000.00 issue size, or **[PhP9,874,138,500.00]** in case the Oversubscription Option is exercised, after deducting fees, commissions, and expenses. Proceeds of the Offer shall be used to partially refinance the 2013 Series A Bonds and 2015 Series A Bonds both maturing in November 2020, as described further in the section entitled *"Use of Proceeds"* on page **[•]** of this Prospectus. The Joint Lead Underwriters shall receive an aggregate fee of up to **37 basis points and** up to **39** basis points inclusive of GRT on the final aggregate nominal principal amount of the Second Tranche Bonds issued for Series C and Series D Bonds, respectively, which is inclusive of the underwriting fees and selling commissions.

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

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

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

In deciding whether to invest in the Second Tranche Bonds, a prospective purchaser of the Second Tranche Bonds ("Prospective Bondholder") should, therefore, carefully consider all the information contained in this Prospectus, including but not limited to, several factors inherent to the Company, which includes regulatory risk, information security risk, and other risk factors detailed in *"Risk Factors and Other Considerations"* section on page **[•]** of this Prospectus, as well as those risks relevant to the Philippines vis-à-vis risks inherent to the Second Tranche Bonds.

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

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

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

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

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN

BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL R. LOZANO
Senior Vice President, Chief Financial Officer, and Corporate Information Officer

SUBSCRIBED AND SWORN to before me this ____________affiant exhibiting to me Passport No. [•] issued on [•], by DFA, in the [•].

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

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FORWARD LOOKING STATEMENTS

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

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

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

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

DEFINITION OF TERMS

2013 Bonds	The seven-year Series A Bonds and 10-year Series B Bonds issued by AEV on November 21, 2013
2015 Bonds	The five-year Series A bonds, seven-year Series B bonds, and 12-year Series C Bonds issued by AEV on August 5, 2015
2019 Bonds	The five-year Series A bonds and ten-year Series B bonds issued by AEV on June 18, 2019
Abaqa International	Abaqa International Pte. Ltd. (formerly Comfez Pte. Ltd.)
Aboitiz Foundation	Aboitiz Foundation, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, AboitizLand, Pilmico, Aboitiz InfraCapital and their respective Subsidiaries and Affiliates
Aboitiz InfraCapital	Aboitiz InfraCapital, Inc. (formerly: AEV Infracapital, Inc.)
AboitizLand	Aboitiz Land, Inc.
AboitizPower or	Aboitiz Power Corporation
AboitizPower Group or the Power group	Aboitiz Power Corporation and its Subsidiaries
AboitizPower International	AboitizPower International Pte. Ltd.
Abojeb Group	Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsen Maritime, Inc.
Abovant	Abovant Holdings, Inc.
ACI	Aboitiz Construction, Inc. (formerly Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV, the Company, or the Issuer	Aboitiz Equity Ventures Inc.
AEV Av	AEV Aviation, Inc. (formerly Davco Holdings, Inc.; Spin Realty Corporation)
AEV CRH	AEV CRH Holdings, Inc.
AEV Group or the Group	AEV and its Subsidiaries
AEV International	AEV International Pte. Ltd.
AFC	American Feeds Company Limited
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person
Ambuklao-Binga	SN Aboitiz Power- Benguet’s 105-MW Ambuklao Hydroelectric

Hydroelectric Power Complex	Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
AMLA	Anti-Money Laundering Act, as amended
AP Solar	AP Solar Tiwi, Inc.
APA	Asset Purchase Agreement
APAC	APAC Commodities Pte. Ltd.
APDS	Automatic Payroll Deduction System
Apo Agua	Apo Agua Infrastructura, Inc.
Applicable Law	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Government Authority
APRI	AP Renewables Inc.
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables, Inc.
Archipelago Insurance	Archipelago Insurance Pte. Ltd.
ARI	Aboitiz Renewables, Inc. (formerly: Philippine Hydropower Corporation)
ARR	Annual Revenue Requirement
AS	Ancillary Services
ASPA	Ancillary Services Procurement Agreement
Associate	An entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies
ATM	Automated Teller Machine
ATSC	Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.)
Bakun AC Plant	The 70-MW Bakun AC run- of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
Banking Day	Any day other than Saturday, Sunday and public holidays, on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Taguig City, Makati City, and the City of Manila; provided, that all other days otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each
BCQ	Bilateral Contract Quantity
BDO Capital	BDO Capital & Investment Corporation
BEZ	Balamban Enerzone Corporation
BFF	Bintawa Fishmeal Factory Sdn. Bhd.

BIR Bureau of Internal Revenue

Board Board of Directors of AEV, unless context clearly provides otherwise

BOC Bureau of Customs

BOI The Philippine Board of Investments

Bondholder A Person whose name appears, at any time, as a holder of the Second Tranche Bonds in the Register of Bondholders

Bonds The unsecured fixed rate peso retail bonds in the aggregate principal amount of up to Thirty Billion Pesos (PhP30,000,000,000.00), to be issued in one or more tranches

BOT Build-Operate-Transfer

BPO Business Process Outsourcing

BPI Capital BPI Capital Corporation

BOT Build-Operate-Transfer

BPO Business Process Outsourcing

BPI Capital BPI Capital Corporation

Brownfield Power generation projects that are developed on sites which had previous developments

BSP Bangko Sentral ng Pilipinas

Bunker C The thickest residual fuels that is produced by blending any oil remaining at the end of the oil refining process with a lighter oil

Business Unit A Subsidiary or an Affiliate of AEV

CA Court of Appeals

CASA Current Account/Savings Account

CBA Collective Bargaining Agreement

CBAA Central Board of Assessment Appeals

CDPEI Cebu District Property Enterprise, Inc.

Cebu Energy Cebu Energy Development Corporation

CFL Comfez Limited

CG Report The Company's Corporate Governance Report

China Bank Capital China Bank Capital Corporation

CIPDI Cebu Industrial Park Developers, Inc.

CFL Comfez Limited

CG Report The Company's Corporate Governance Report

China Bank Capital China Bank Capital Corporation

CIPDI Cebu Industrial Park Developers, Inc.

CitySavings or CSB City Savings Bank, Inc.

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., GNPower Mariveles Coal Plant Ltd. Co., GNPower 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	The Company'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	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
Cotabato Light	Cotabato Light & Power Company
CPDC	Cebu Praedia Development Corporation
CPPC	Cebu Private Power Corporation
CRH Aboitiz	CRH Aboitiz Holdings, Inc.
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
DepEd	Department of Education
DOE	Department of Energy
DOLE	Department of Labor and Employment
DOTr	Department of Transportation
Distribution Companies or Distribution Utilities	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	Collectively, 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
Events of Default	Those events defined as such in the Trust Agreement and listed under "Description of the Offer" - "*Events of Default*" on page **[•]** of this Prospectus.
FEZ	FEZ Animal Nutrition Pte. Ltd.
Filagri	Filagri, Inc.
Filagri Holdings	Filagri Holdings, Inc.
Financial Services Group	Collectively, UnionBank, PETNET, CitySavings; the Company's Business Units engaged in the financial services
FIT	Feed-in-Tariff
FIT-All	Feed-in-Tariff Allowance
First Tranche Bonds	Consists of Series A Bonds and Series B Bonds, in the aggregate principal amount of PhP3,000,000,000.00, and an oversubscription of PhP2,000,000,000.00
First Metro	First Metro Investment Corporation
Food Group	The Company's Business Units engaged in the food business
GCAFI	Gold Coin Aqua Feed Incorporated
GCDG	Gold Coin Feedmill (Dongguan) Co. Limited
GCFB	Gold Coin Feedmill (Brunei) Sdn. Bhd.
GCFD	Gold Coin Feedmill (Dong Nai) Co. Ltd.
GCFHN	Gold Coin Feedmill Ha Nam Company Limited
GCFL	Gold Coin Feed Mills (Lanka) Ltd.
GCFM	Gold Coin Feedmills (Malaysia) Sdn. Bhd.
GCFS	Gold Coin Feedmill (Sabah) Sdn. Bhd.
GCG	Gold Coin Group Limited
GCGI	Green Core Geothermal Incorporated
GCHSB	Gold Coin Holdings Sdn. Bhd.
GCI	P.T. Gold Coin Indonesia
GCIH	GC Investment Holdings Limited
GCKM	Gold Coin Feedmill (Kunming) Company Limited

GCMG	Gold Coin Malaysia Group Sdn. Bhd.
GCMH	Gold Coin Management Holdings Limited
GCS	Gold Coin Sarawak Sdn. Bhd.
GCSAB	Gold Coin Sabah Sdn. Bhd.
GCSI	P.T. Gold Coin Specialties
GCSS	Gold Coin Services Singapore Pte Limited
GCSSB	Gold Coin Specialties Sdn. Bhd.
GCST	Gold Coin Specialties (Thailand) Co. Ltd.
GCSZ	Gold Coin Management (Shenzhen) Co. Limited
GCTI	P.T. Gold Coin Trading Indonesia
GCZH	Gold Coin (Zhuhai) Company Limited
GCZJ	Gold Coin (ZhangJiang) Company Limited
GCZZ	Gold Coin (Zhangzhou) Company Limited
Generation Companies	The companies within the AboitizPower Group engaged in Power Generation; "Generation Companies" may refer to any one of these companies
GLS	Golden Livestock Sdn. Bhd.
Global Formosa	Global Formosa Power Holdings, Inc.
Global Power	Global Business Power Corporation of the Metrobank Group
GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPD	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Greenfield	Power generation projects that are developed from inception on previously undeveloped sites
GRESC	Geothermal Renewable Energy Service Contracts
Grid	As defined in the Implementing Rules and Regulations of the EPIRA, 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
Government Authority	The Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person
GSIS	Government Service Insurance System
Guidelines	AEV's Amended Guidelines for the Nomination and Election of Independent Directors
GWh	Gigawatt-hour, or 1,000,000 kilowatt-hours

Hedcor	Hedcor, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc.
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
Hijos	Hijos de F. Escaño, Inc.
ILP	Interruptible Load Program
IMEM	Interim Mindanao Electricity Market
Indebtedness	(1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (2) All indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (3) Capitalized lease obligations of the Issuer
Infrastructure Group	Collectively, Aboitiz InfraCapital, LWC, AEV CRH, CRH Aboitiz, RCBM, RCMI, RCII, RCLR, RCSA, Apo Agua or the Company's Business Units engaged in infrastructure development
Insular Life	The Insular Life Assurance Company, Ltd.
IPPA	Independent Power Producer Administrator
IPO	Initial Public Offering
ISMS	Information Security Management System
Issue Date	Means **[•]**
Issue Management and Underwriting Agreement	the Issue Management and Underwriting Agreement dated **[•]** entered into between the Company and the Joint Lead Underwriters in relation to the Second Tranche Bonds
Issue Price	At par, which is equal to the face value of the Second Tranche Bonds
Issue Date	Means **[•]**
Issue Price	At par, which is equal to the face value of the Second Tranche Bonds
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital
Joint Venture	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

JVACC	J.V. Angeles Construction Company
KGT	KLEAN Greentech Co. Ltd.
kV	Kilovolt, or 1,000 volts
kW	Kilowatt, or 1,000watts
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 1,000 watts in one hour
K&L	K & L Farming Industries Sdn. Bhd.
LBAA	Local Board of Assessment Appeals
LEZ	Lima Enerzone Corporation (formerly Lima Utilities Corporation)
LHC	Luzon Hydro Corporation
LimaLand	Lima Land, Inc.
LTC	Lima Technology Center
LWC	Lima Water Corporation
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Magat Plant	The 360-MW HEPP of SN Aboitiz Power - Magat, located at the border provinces of Isabela and Ifugao
Majority Bondholders	At any time, the Bondholders who hold, represent or account for at least fifty percent (50%) plus one peso (P1.00) of the aggregate outstanding principal amount of the Second Tranche Bonds, provided that, in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series C Bonds, holders of Series C Bonds, exclusively, will be considered for quorum and approval purposes[; and in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series D Bonds, holders of Series D Bonds, exclusively, will be considered for quorum and approval purposes].
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
Master Certificate of Indebtedness	The certificates representing each of the Series C [and Series D] Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders
MCIAA	Mactan - Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MEZ	Mactan Enerzone Corporation
MGCI	Myanmar Gold Coin International Co. Ltd.

MOA	Memorandum of Agreement
MORE	Manila – Oslo Renewable Enterprise, Inc.
MW	Megawatt, or one mn watts
MWh	Megawatt-hour
MWP	Megawatt-peak
MVA	Megavolt Ampere
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Authority
NPC	National Power Corporation
NPPC	Naga Power Plant Complex, the 55 MW land-based gas turbine power plant located in Colon, Naga City, Cebu
NWRB	National Water Resources Board
Offer Period	**[•]** to **[•]**
Oil Group	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
Oversubscription Option	An option exercisable by the Joint Lead Underwriters with the consent of the Issuer to increase the offer size in the additional amount of up to PhP5,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Second Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period
PA	Provisional Authority
Pagbilao Plant or Pag1 and Pag2	The 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
PANC	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
PAN-JSC	Pilmico Animal Nutrition Joint Stock Company (formerly: Eurofeed)
PBI	Pilmico Bioenergy, Inc.
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
PDNI	Propriedad del Norte, Inc.

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
PETNET	PETNET, Inc.
PEZA	Philippine Economic Zone Authority
Philippine Pesos, PhP or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Pilmico	Pilmico Foods Corporation
Pilmico International	Pilmico International Pte. Ltd.
Pilmico Vietnam Trading	Pilmico Viet Nam Trading Company Ltd.
PIPPA	Philippine Independent Power Producers Association, Inc.
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
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.
PSPA	Power Supply and Purchase Agreement
PT Ayam	PT Ayam Unggul
PVF	Pilmico Vietnam Feeds Joint Stock Company (formerly: Pilmico VHF Joint Stock Company)
QMS	Quality Management System
RA	Republic Act
RCBM	Republic Cement and Building Materials, Inc.
RCII	Republic Cement Iligan, Inc.
RCLR	Republic Cement Land & Resources, Inc.
RCMI	Republic Cement Mindanao, Inc.
RCSI	Republic Cement Services, (Philippines) Inc.
Real Estate Group	Collectively, AboitizLand and the Company's Business Units engaged in the real estate
Record Date	The cut-off date in determining the Bondholders entitled to receive interest or principal amount due; as used with respect to any Interest Payment Date, the day which is two (2) Banking Days prior to the

	relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;
Register of Bondholders	The electronic register which shows the legal title to the Second Tranche Bonds, maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement
Registrar and Paying Agent	Philippine Depository & Trust Corp.
REM	Retail Electricity Market
Renewal Energy Act or RE Law	RA 9513, otherwise known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Retail Electricity Suppliers Association of the Philippines, Inc.
RESC	Renewable Energy Service Contracts
Revised Corporation Code	Republic Act No. 11232 or the Revised Corporation Code of the Philippines
Revised Manual	The Company's Revised Manual on Corporate Governance
RORB	Return-on-Rate base
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Real Property Tax
RSC	Retail Supply Contracts
RTC	Regional Trial Court
Run-of-river hydroelectric plant	A hydroelectric power plant that generates electricity from the natural flow and elevation drop of a river
RTT	Right-to-Top
Sacasun	San Carlos Sun Power Inc.
SB Capital	SB Capital Investment Corporation
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SC	The Supreme Court of the Philippines
SEC	The Securities and Exchange Commission of the Philippines
Second Tranche Bonds	Consists of Series C Bonds and/or Series D Bonds, in the aggregate principal amount of up to PhP5,000,000,000.00, with an Oversubscription Option of up to PhP5,000,000,000.00
Series C Bonds	The Second Tranche Bonds of up to PhP**[•]** having a term ending three (3) years from the Issue Date, or on [2023] with a fixed interest rate of [●] per annum
Series D Bonds	The Second Tranche Bonds of up to PhP**[•]** having a term ending five (5) years from the Issue Date, or on [2025] with a fixed interest rate

	of [●] per annum
SEZ	Subic EnerZone Corporation
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
Shelf Period	A period of three (3) years from the effectivity of the registration statement within which securities under shelf registration may be offered
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.)
SN Aboitiz Power Group	The group of companies formed out of the strategic partnership between AboitizPower and SN Power; particularly, 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	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
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines
STEAG Power	STEAG State Power Inc.
SBU	Strategic Business Unit of the Aboitiz Group
Subsidiary	An investee in respect of which an entity has: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect its returns
TCIC	Taiwan Cogeneration International Corporation
Tax Code	National Internal Revenue Code, as amended and may be further amended from time to time, including the rules and regulations issued thereunder
TeaM Energy	Team Energy Corporation
Team Philippines	Team Philippines Industrial Power II Corporation
THC	Tsuneishi Holdings (Cebu), Inc.
THI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-MakBan Geothermal Facilities	The geothermal facilities composed of twelve (12) geothermal plants and one (1) binary plant, located in the provinces of Batangas, Laguna and Albay

TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power - Visayas, Inc.
TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
Trustee	BDO Unibank, Inc. - Trust and Investments Group
Trust Agreement	Trust Agreement dated **[•]** entered into between the Company and the Trustee in relation to the Second Tranche Bonds
TSA	Transmission Service Agreement
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
ULGEI	Unified Leyte Geothermal Energy, Inc.
ULGPP	Unified Leyte Geothermal Power Plant
UnionBank or UBP	Union Bank of the Philippines
UPI	Union Properties Inc.
USD or 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	Vivant Corporation and its subsidiaries
WAM	Work and Asset Management
WCIP	West Cebu Industrial Park, Inc.
WCIP-SEZ	West Cebu Industrial Park- Special Economic Zone
Weather Philippines	WeatherPhilippines Foundation, Inc.
WESM	Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation
Western Union	Western Union Company
YoY	Year-on-Year

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" and the financial statements and the related notes to those statements included in this Prospectus.

BRAND PROMISE

Advancing Business and Communities

INVESTMENT THESIS

AEV's businesses have leading positions in key Philippine industries. Its core businesses of power, financial services, food, real estate, and infrastructure address basic needs of society, and are critical inputs to the businesses of other companies. AEV fuels the country's economic growth, and economic growth fuels even more demand for its products and services. It is in a sweet spot in the country's economic cycle, and well positioned to reap its demographic dividends. Its experienced management team, strategic partners and key alliances, and a consistently executed risk management program enable it to carry out its plans in a timely and effective manner. Its strong financial position allows it to seize opportunities as they arise in the market, such as its recent acquisition of a leading regional feeds player. This has accelerated its growth plans and provides natural listening posts for expansion opportunities. Finally, a strong Environmental, Social and Governance (ESG) practice is in place to satisfy the heightened expectations of its various stakeholders.

THE COMPANY

AEV is the public holding and management company of the Aboitiz Group, one of the largest conglomerates, and the second oldest family led business group, in the Philippines. Incorporated on September 11, 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on December 29, 1993, and its ownership was opened to the general public through an initial public offering of its common shares in 1994.Twenty five years after its initial public offering, it is recognized today as one of the best-managed companies in the Philippines and in the ASEAN region, consistently cited for its commitment to good corporate governance and corporate social responsibility.

Driven by the pursuit of advancing business and communities for the nation's development, AEV's various domestic and international Subsidiaries and Associates are spread out across 11 countries and are grouped into five main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; and (e) infrastructure.

As of June 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.08% are owned by directors, officers and related parties, while the rest are owned by the public.

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

FINANCIAL HIGHLIGHTS

For the period ended June 30, 2020, the AEV Group posted a net income attributable to the equity holders of parent Company ("Net Income to Equity Holders of AEV") of ₱4.04 billion, a 55% decrease year-on-year (YoY). This translated to earnings per share of ₱0.72 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 49%, followed by the Banking and Financial Services, Food, Infrastructure and Real Estate Groups at 39%, 14%, -1%, and -1%, respectively.

During the first half of 2020, the AEV Group generated non-recurring losses of ₱20 million (compared to ₱78 million in non-recurring gains in for the corresponding period in 2019), representing net unrealized foreign exchange (forex) losses from the revaluation of dollar-denominated assets. Without these one-off losses, the AEV Group's core net income for the first half of 2020 was ₱4.06 billion, 54% lower YoY. AEV recorded a 13% decrease in consolidated EBITDA for the first half of 2020 compared to the same period 2019, from ₱26.49 billion to ₱22.99 billion.

SUMMARY HISTORICAL FINANCIAL INFORMATION

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

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)	December 31, 2017 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	**₱73,186,787**	₱46,424,663	₱59,033,029	₱64,870,214
Trade and other receivables	**39,947,702**	35,195,594	35,099,504	24,192,785
Inventories	**20,129,864**	20,776,828	21,977,439	12,453,335
Land and improvements	**2,834,780**	2,570,892	2,340,113	3,689,677
Property held for sale	–	–	675,819	–
Derivative asset	–	51,060	71,583	228,644
Other current assets	**21,742,660**	19,406,255	18,290,868	12,442,516
Total Current Assets	**157,841,793**	124,425,292	137,488,355	117,877,171
Noncurrent Assets				
Property, plant and equipment	**221,517,442**	225,558,765	221,689,945	213,232,540
Investments and advances	**142,461,030**	140,351,748	106,959,557	91,609,592
Intangible assets	**67,781,883**	66,801,095	63,776,773	47,706,590
Investment properties	**11,490,275**	11,291,880	8,224,667	6,844,633
Deferred income tax assets	**3,468,664**	3,127,072	2,324,773	1,525,630
Trade receivables - net of current portion	**1,910,580**	2,423,038	3,441,898	580,925
Derivative asset - net of current portion	**-**	82,327	221,245	113,297
Net pension assets	**188,967**	190,243	158,575	176,952
Other noncurrent assets	**14,240,061**	14,134,641	10,208,281	12,264,367
Total Noncurrent Assets	**463,058,902**	463,960,809	417,005,714	374,054,526
TOTAL ASSETS	**₱620,900,695**	₱588,386,101	₱554,494,069	₱491,931,697

LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**₱41,271,902**	₱36,440,163	₱33,870,274	₱24,536,584
Bank loans	**40,112,658**	25,717,137	26,978,586	23,701,140
Current portions of:				
Long-term debts	**27,047,281**	27,126,918	10,702,974	20,722,330
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000	40,000	40,000
Finance lease obligations	**6,940,122**	5,656,226	4,131,059	3,316,165
Derivative liability	**2,702,981**	2,255,736	161,565	47,577
Income tax payable	**1,483,211**	776,596	535,233	703,489

(Forward)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)	December 31, 2017 (Audited)
Total Current Liabilities	**₱119,598,155**	₱ 98,012,776	₱76,419,691	₱73,067,285
Noncurrent Liabilities				
Noncurrent portions of:				
Long-term debts	**231,026,779**	212,452,620	200,729,393	P168,364,717
Finance lease obligations	**36,517,670**	39,637,536	42,763,296	45,909,089
Trade payables	**6,942,564**	7,206,837	3,695,261	880,943
Long-term obligation on PDS	**171,393**	159,350	173,496	186,071
Customers' deposits	**6,940,490**	6,721,156	6,127,788	6,269,383
Decommissioning liability	**3,653,564**	3,567,492	3,678,810	2,959,060
Deferred income tax liabilities	**2,548,313**	2,581,511	1,942,264	1,623,915
Net pension liability	**643,211**	639,155	486,232	400,306
Derivative liability - net of current portion	**1,182,239**	212,588	–	–
Total Noncurrent Liabilities	**289,626,223**	273,178,245	259,596,540	226,593,484
Total Liabilities	**409,224,378**	371,191,021	336,016,231	299,660,769
Equity Attributable to Equity Holders of the Parent				
Capital stock	**5,694,600**	5,694,600	5,694,600	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197	13,013,197	13,013,197
Other equity reserves:				
Gain on dilution	**5,043,152**	5,043,152	5,043,152	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540	469,540	469,540
Acquisition of non-controlling interests	**(11,717,875)**	(11,590,375)	(1,679,549)	(1,577,075)
Accumulated other comprehensive income (loss):	**(3,988,877)**	(2,648,022)	(27,076)	(4,334,008)
Retained earnings				
Appropriated	**9,200,000**	4,200,000	4,200,000	1,622,000
Unappropriated	**154,582,598**	162,864,330	148,541,910	135,288,145
Treasury stock at cost	**(647,672)**	(565,246)	(565,246)	(521,132)
	171,648,663	176,481,176	174,690,528	154,698,419
Non-controlling Interests	**40,027,654**	40,713,904	43,787,310	37,572,509
Total Equity	**211,676,317**	217,195,080	218,477,838	192,270,928
TOTAL LIABILITIES AND EQUITY	**₱620,900,695**	₱588,386,101	₱554,494,069	₱491,931,697

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Six Months Ended June 30		Years Ended December 31		
	1H 2020	**1H 2019**	**2019**	**2018**	2017
REVENUES					
Sale of:					
Power	**₱52,945,609**	₱63,834,244	₱124,605,660	₱130,734,557	₱118,759,149
Goods	**39,091,204**	35,647,246	69,625,434	47,751,035	23,819,250
Real estate	**1,146,785**	1,427,292	4,116,175	3,925,308	3,613,388
Fair value of swine	**897,319**	969,440	1,529,743	2,501,841	2,410,542
Service fees	**409,114**	576,247	1,153,570	1,883,506	1,620,401
Others	**116,034**	97,589	126,886	146,573	198,875
	94,606,065	102,552,058	201,157,468	186,942,820	150,421,605
COSTS AND EXPENSES					
Cost of generated and purchased power	**28,672,932**	37,689,343	71,361,850	71,680,298	63,949,850
Cost of goods sold	**34,252,523**	31,482,471	61,177,948	43,693,907	21,700,262
Operating expenses	**18,310,972**	17,131,038	33,546,426	30,398,694	26,255,915
Cost of real estate sales	**683,537**	852,215	2,305,141	1,871,385	1,825,570
Overhead expenses	**35,491**	64,365	111,213	136,593	113,864
	81,955,455	87,219,432	168,502,578	147,780,877	113,845,461
OPERATING PROFIT	**12,650,610**	15,332,626	32,654,890	39,161,943	36,576,144
Share in net earnings of associates and joint ventures	**3,220,263**	3,624,927	11,502,090	7,727,663	9,053,733
Interest income	**612,770**	931,352	1,574,268	1,476,151	1,375,695
Interest expense	**(9,092,388)**	(8,069,561)	(17,048,359)	(14,638,588)	(13,117,362)
Other income (expense) - net	**1,149,215**	2,362,427	5,517,803	1,410,826	(26,134)
INCOME BEFORE INCOME TAX	**8,540,470**	14,181,771	34,200,692	35,137,995	33,862,076
PROVISION FOR INCOME TAX	**2,530,111**	1,590,155	4,758,404	3,899,198	4,583,055
NET INCOME	**₱6,010,359**	₱12,591,616	₱29,442,288	₱31,238,797	₱29,279,021
ATTRIBUTABLE TO:					
Equity holders of the parent	**₱4,039,537**	₱8,950,143	₱22,036,129	₱22,232,977	₱21,608,695
Non-controlling interests	**1,970,822**	3,641,473	7,406,159	9,005,820	7,670,326
	₱6,010,359	₱12,591,616	₱29,442,288	₱31,238,797	₱29,279,021
EARNINGS PER SHARE					
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱0.717**	₱1.589	₱3.912	₱3.947	₱3.836

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Six Months Ended June 30		Years Ended December 31		
	1H 2020	**1H 2019**	**2019**	**2018**	**2017**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**₱18,615,453**	₱20,772,371	₱42,757,046	₱38,417,349	₱32,237,312
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(4,391,500)**	(27,293,588)	(39,883,146)	(30,762,254)	(11,304,774)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**12,339,599**	(9,083,606)	(15,617,585)	(13,223,356)	(19,458,941)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**26,563,552**	(15,604,823)	(12,743,685)	(5,568,261)	1,473,597
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**198,572**	648,675	135,319	(268,924)	(460,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**46,424,663**	59,033,029	59,033,029	64,870,214	63,857,528
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱73,186,787**	₱44,076,881	₱46,424,663	₱59,033,029	₱64,870,214

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following:

- Diversified business segments backed by a proven track record of growth
- Strong financial position and the ability to obtain limited recourse and corporate level financing
- Reputable and experienced management team supported by an engaged and attentive board
- Strategic partners and key alliances over generations of operational success in all core businesses
- Established corporate reputation instituted by the "Aboitiz Way"

For a full discussion, please refer to page **[•]** of this Prospectus.

BUSINESS STRATEGIES

The Aboitiz Group strategy is best understood through four strategic pillars that guide it in creating long-term value for all its stakeholders:

- Grow the business
- Engage stakeholders
- Build human capital
- Execute with excellence

A key component of its strategy is to match its business expansion with sustainability initiatives, and to strengthen its Environmental, Social, and Governance (ESG) practices.

For a full discussion, please refer to page **[•]** of this Prospectus.

RISKS OF INVESTING

An investment in the Bonds involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether or not to invest in the Bonds.

Risks involved in the Business of AEV and its Significant Subsidiaries:

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

Risks Related to the Philippines:

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

Risks Related to the Offer:

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

A detailed discussion on the above enumerated risks appears on the "*Risk Factors and Other Considerations*" section on page **[•]** of this Prospectus.

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

CAPITALIZATION

The following presents a summary of the short-term debts, long-term debts, and capitalization of the AEV Group as of June 30, 2020, and as adjusted to reflect the issue of the Bonds:

	As of June 30, 2020	**As adjusted for a ₱5 billion issue**	**As adjusted for a ₱10 billion issue**
	(in ₱ millions)	(in ₱ millions)	(in ₱ millions)
Short-term debt			
Short-term bank loans	40,113	40,113	40,113
Current portions of:			
Long-term debt	27,047	27,047	27,047
Finance lease obligation	6,940	6,940	6,940
Total short-term debts	74,100	74,100	74,100
Long-term debts – net of current portion			
Non-current portions of:			
Long-term debt	231,027	231,027	231,027
Finance lease obligation	36,518	36,518	36,518
The issue of Second Tranche Bonds	-	4,934	9,874
Total long-term debts	267,544	272,479	277,419
Equity			
Equity attributable to equity holders of the parent	171,649	171,649	171,649
Non-controlling interests	40,028	40,028	40,028
Total Equity	211,676	211,676	211,676
Total Capitalization	553,321	558,255	563,195

SUMMARY OF THE OFFERING OF THE SECOND TRANCHE BONDS

The following summary is qualified in its entirety by, and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus to which it relates.

Issuer	:	Aboitiz Equity Ventures Inc.
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	:	BDO Capital & Investment Corporation ("BDO Capital") BPI Capital Corporation ("BPI Capital") China Bank Capital Corporation ("China Bank Capital") First Metro Investment Corporation ("First Metro") SB Capital Investment Corporation ("SB Capital")
Trustee	:	BDO Unibank, Inc. – Trust and Investments Group
Registrar and Paying Agent	:	Philippine Depository & Trust Corp.
Issue / Issue Amount	:	SEC–registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer consisting of a primary offer in the aggregate principal amount of up to PhP5,000,000,000.00, with an Oversubscription Option of up to PhP5,000,000,000.00. The Issuer has the discretion to allocate the Second Tranche Bonds between Series C Bonds [and Series D Bonds,] or depending on prevailing market conditions, to fully allocate the Second Tranche Bonds in just one series, based on the book building process of the Joint Lead Underwriters. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Second Tranche Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period. The Oversubscription Option is exercisable by the Joint Lead Underwriters, with the consent of the Issuer.
Use of Proceeds	:	[Proceeds of the Offer will be used by AEV to partially refinance the 2013 Series A Bonds and 2015 Series A Bonds both maturing in November 2020]**,** as described further in the section entitled *"Use of Proceeds"* on page **[•]** of this Prospectus.
Issue Price	:	100% face value
Manner of Distribution	:	Public Offering

Offer Period	:	The Offer shall commence on [•] and end on [•].
Issue Date	:	[•]
Maturity Date or Redemption Date	:	Series C Bonds: 3 years from Issue Date or [●] [2023] Series D Bonds: 5 years from Issue Date or [●] [2025] Except when the Early Redemption Option (as defined below) is exercised, the Second Tranche Bonds will be redeemed at par (or 100% of face value) on their respective Maturity Dates.
Interest Rate	:	Series C Bonds: [•]% per annum [Series D Bonds: [•]% per annum]
Interest Payment Date	:	The Interest shall be paid quarterly in arrears on [•], [•], [•], and [•]of each year commencing on [•]until and including the Maturity Date (each, an "Interest Payment Date"), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed. Interest on the Second Tranche Bonds shall be calculated on a 30/360-day basis.
Form and Denomination	:	The Second Tranche Bonds shall be issued in scripless form in minimum denominations of PhP50,000.00 each, and in multiples of PhP10,000.00 thereafter.
Early Redemption Option	:	The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), on any one or more occasions, the outstanding Series D Bonds (the "Early Redemption Option"), on any of Interest Payment Dates specified below (any such date, the "Early Redemption Date") or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated based on the principal amount of the relevant Second Tranche Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the relevant Second Tranche Bonds) and the applicable Early Redemption Price (as set out below) in accordance with the following schedule:

Series D Bonds	
Early Redemption Dates	**Early Redemption Price (inclusive of**

	prepayment penalty)
3 years from Issue Date and every Interest Payment Date thereafter before the 4th anniversary of the Issue Date	101.00%
4 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

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

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

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

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

a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Second Tranche Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;

c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and

d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty.

Negative Pledge : The Second Tranche Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section 5.2 (a) of the Trust Agreement.

Purchase and Cancellation	:	The Issuer may at any time purchase any of the Second Tranche Bonds at any price in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Second Tranche Bonds pro-rata from all Bondholders. The Second Tranche Bonds so purchased will be redeemed and cancelled, and may no longer be reissued. Upon listing of the Second Tranche Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.
Status of the Second Tranche Bonds	:	The Second Tranche Bonds shall constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Second Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AEV's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Second Tranche Bonds.
Rating	:	The Second Tranche Bonds are rated [●] by PhilRatings.
Listing	:	The Issuer intends to list the Second Tranche Bonds on PDEx on Issue Date.
Non-Reliance		Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations

	hereunder, except for its gross negligence or willful misconduct.
Own Risk	Bondholders understand and acknowledge that investment in the Second Tranche Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Second Tranche Bonds and the regular conduct of the Trustee's business shall be for the account of the Bondholder.
Contact Details of the Trustee	BDO Unibank, Inc. – Trust and Investments Group Attention: Michael G. Munsayac Subject: [Abоitiz Equity Ventures Bonds Due 2023 and 2025] Address: 15th Floor, South Tower BDO Corporate Center. 7899 Makati Avenue, Makati City Facsimile: (632) 8840-7040 E-mail: munsayac.michael@bdo.com.ph

RISK FACTORS AND OTHER CONSIDERATIONS

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

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

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

RISKS RELATED TO THE COMPANY'S BUSINESS

An integral part of AEV's enterprise risk management efforts is to anticipate, understand and manage the risks that the Company may encounter in the businesses it is involved in.

<u>Regulatory Risk</u>

Due to the type of industries the Aboitiz Group is engaged in – power, food, banking, real estate and infrastructure – it is exposed to risks arising from the inability to anticipate new and/or changes in existing laws and regulations.

The acquisition of Gold Coin, which is headquartered in Singapore and operates in several countries across the Asian Region, has brought about not only opportunities but also a variety of risks. These include risks arising from non-familiarity with the regulatory and political landscape for each country where Gold Coin operates.

While each industry where the Aboitiz Group operates have specific regulatory risks, one thing is common, the political and regulatory landscape is continuously challenging and changing, and the Company has to keep up with the demands of regulatory compliance. Failure to do so will have negative consequences on the Aboitiz Group's operations, net income and reputation.

To keep up with the fast changing regulatory and political landscape, the Company ensures that the following actions and processes are in place:

- Collaboration of internal subject matter experts (e.g. government relations, legal, tax, regulatory) to study and analyze proposed new /changes in laws and regulations;
- Continuous coordination and discussions with regulators to (1) provide feedback on the proposed laws and regulations and; (2) ensure that the Company's interpretation of the laws is aligned with that of the regulators; and
- Coordination with the management of newly acquired companies for the purpose of, among other things, coming up with a unified approach on how to address regulatory risks.

To further address this risk, AEV started to develop an Aboitiz Unified Compliance Management System based on the governance, risk and compliance methodology. In 2018, Enterprise Compliance Management was integrated with Risk Management. Compliance framework was defined and supported by policies, guidelines and procedures. The goal is to have better compliance management and oversight resulting from greater availability of data and information. This system also supports the objective of embedding a culture of managing compliance risk in the Aboitiz Group.

Information Security Risk

AEV is cognizant of 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, the Aboitiz Group aims to strengthen its security and resilience for the potential consequences of information security breaches through the ongoing roll-out of the Information Security Management System (ISMS) Project and implementation of Cyber Security Program and Operational Technology (OT) Security Governance. These initiatives will cover the three pillars of information and operational systems security: people, process and technology.

The ISMS Project roll-out which started in 2017 will transition to program implementation in 2019. To ensure sustainable implementation of this program, appropriate structures have been in place which includes a formal governance structure and policies based on the 14 ISMS domains.

The Company also continues to work on its goal to achieve an information security risk-aware culture by releasing IT Security Awareness advisories across the Aboitiz Group and ISMS E-Learning campaigns which aim to strengthen further the prevention, detection and comprehensive response process of the Company and keep pace with the growing information security threat landscape.

Competition Risk

With the increasing number of power plants being built, the scenario of oversupply of electricity in some areas in the Philippines and the increasing competitive market conditions in the country is inevitable. In general, increased competition may put pricing pressure on products and services, as competitors attempt to price lower to capture market share, possibly affecting revenues and margins. This risk if not addressed will have a negative implication on the Company's net income, which will show in the Company's financial statements.

AEV and its Subsidiaries continue its strategy to review contractual agreements for both existing and new customers ahead of time, taking into consideration all projected capacities from new plants and existing capacities. This mitigating strategy is to ensure that plant operations are optimized, and revenue and cash flow streams are protected.

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

A significant portion of AEV's risk management program is dedicated to address business interruption exposures of the Aboitiz Group brought about by natural calamities such as typhoons, floods, and earthquakes. In addition to these standard perils, AEV also recognizes emerging man-made calamities such as cyber attacks, which is continuously increasing globally, and acts of terrorism.

In general, a business interruption, whether due to natural or man-made calamities, will affect the normal course of business operations, and may affect the Company's income generation activities, which will show in the Company's financial statements.

For the past years, AEV and its Subsidiaries strengthened its reactive and recovery measures to address potential interruptions in business operations by partnering with insurance providers in conducting training sessions and engineering surveys to realistically align the exposures with the best-fit insurance solutions. A strong partnership with WeatherPhilippines Foundation, Inc. also helps AEV and its Subsidiaries to better prepare for weather related business disruptions and minimize the impact of these events to operations. A communication process across all business units and external support (e.g. hospital, fire department) has been institutionalized for support and back-up system.

Existing business interruption scenarios and continuity plans for each of these scenarios are constantly reviewed, evaluated, and updated through *"table top exercises"* and *"lessons learned"* sessions to ensure that they remain relevant with the current business conditions. In addition, teams are prepared for emergencies through mandatory training sessions and drills while testing and improving procedures are performed on an ongoing basis.

To further improve the existing Business Continuity Management ("BCM") framework and practices of the Aboitiz Group, it underwent a business continuity audit that started in 2017 and was completed in 2018. The audit assessed the BCM maturity of the Aboitiz Group and conformity to ISO 22301:2012. The output of the audit is a business continuity roadmap which will outline the direction and basis of BCM initiatives for the next three years.

Interruptions may also be caused by other factors such as critical equipment breakdown, failures in software, network, and applications, fires and explosions, hazardous waste spills, workplace fatalities, terrorism, and other serious risks.

Planned maintenance and overall outage management of AboitizPower's generation facilities and its critical equipment and operational technology infrastructure and systems are governed by asset management standards based on global best practice. AboitizPower's generation facilities have all achieved asset management certifications based on ISO 55001:2014 standard. Recently commissioned plants will also be lined up for certification.

On the other hand, distribution network availability and reliability targets have consistently been aligned with the performance bands set by ERC as part of the RDWR.

All of AboitizPower's Business Units have also achieved OSHAS 18001 certification, a British standard which is focused on controlling occupational health and safety hazards. AboitizPower companies are also transitioning to the ISO 45001 standard to drive a risk-based culture with more proactive approaches toward mitigating risks before they happen. To further reinforce industrial fire safety, an in-house training program on Fixed Fire Fighting Systems of the U.S. National Fire Protection Association was conducted for operations, maintenance, and safety personnel.

Group insurance facilities that leverage on the AboitizPower's portfolio of generation and distribution assets, supported by risk modelling and quantification, are also in place. AboitizPower ensures that its Business Units have the right insurance solutions to achieve the optimal balance between retaining or transferring risks versus lowering the Total Cost of Insurable Risk (TCOIR). As such, business interruption insurance is procured to cover any potential loss in gross profits that may result from a major damage to critical assets.

Financial Risk

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

- Financing risk in terms of the AEV Group's inability to borrow money to fund future projects;
- Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;
- Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
- Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency- denominated placements, transactions and borrowings.

Aside from a negative effect to the AEV Group's net income, these risks would also put constraints on AEV's and its Subsidiaries' plans of growth.

Capacity additions, which are reported as projects, are good indicators of the growth plans of AEV and its Subsidiaries. For example, its largest SBU, power, has a growth target of 4,000 megawatts of attributable capacity by 2020 from an attributable net sellable capacity of 3,455 MW as of December 31, 2019. Such capacity additions are funded by a mix of debt (i.e., loans, borrowings) and equity. In relation to this, the total historical capital expenditure of the AEV Group (100% of subsidiaries and affiliates) is as follows: PhP53,000,000,000 in 2019, PhP49,000,000,000 in 2018, PhP35,000,000,000 in 2017, and PhP42,000,000,000 in 2016.

The inability to fund these capacity additions will affect the ability of AEV to execute its growth plans, which may show in the Company's financial statements, possibly as limited growth in the revenue portion of the profit and loss statement.

Furthermore, failure to pay existing loans will eventually lead to reputation risk.

To address these risks, the AEV Group has taken the following actions:

- Regular monitoring of its cash position;
- Issuance of retail bonds;
- Maintaining good relationship with the banks; and
- Strengthening of financial risk management to ensure a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the AEV Group.

Project Risks

As early as project initiation stage, it is important to recognize the potential risks that the Company may encounter. It is an integral part of project management since non-recognition of these risks could result in the inability to prevent or recover from such risks and could eventually lead to project failure.

Project risks could emanate from various sources such as poor project planning, execution and contractor/subcontractor issues. If not timely addressed, it would have a negative implication to the project itself which would ultimately affect the Company's bottom line due to incurrence of additional costs and revenue loss resulting from delay in commercial operations. For example, a delay in incoming capacity may delay the projected revenue contributions of the capacities. The impact to the projected bottom line may increase as timelines are extended. Additional costs may include interest expense if loans are undertaken in relation to the project. These will show in the Company's financial statements.

Recognizing how highly relevant and crucial risk management is, AEV and its Subsidiaries embed risk management as part of the project management process. For significant potential projects, the project management team is expected to gain a more rigorous understanding of the risks that the organization will take. While known risks are identified and managed throughout the project life cycle, the project management team is also constantly looking into other categories of risks that may arise as a result of unexpected turns but could have a positive impact on the project.

The Aboitiz Group also ensures that activities such as, but not limited to, the following are integrated into the project management process to further minimize the occurrence or impact of these risks:

- Defined selection process for contractor / subcontractor
- Acquisition of best fit insurance program to transfer the risk to a financially capable third party for the defined insurable project risks
- Conduct of “lessons learned” session in each major project milestone. This exercise does not only allow the management and the project team to celebrate quick wins but also learn from the past and current challenges and seize emerging opportunities from the project. This practice enhances the Company’s ability to capture the opportunities that help define the future of the organization.

Reputation Risk

AEV and its Subsidiaries recognize reputation as its greatest strength and most valuable asset. Focus is given on sustainability initiatives and programs, such as “*A-Park*”, “*Wealth on Waste*” and “*Race to Reduce*” that will help the Aboitiz Group in minimizing the likelihood of reputation risk. In addition, AEV is in the process of developing a communication plan which aims to build and strengthen trust through stakeholder engagement and communication.

Talent Risk

Continuous expansion of AEV and its Subsidiaries brought about challenges on the capability of the current workforce to support it. Furthermore, as the Aboitiz Group embarked on various digital transformation projects, the nature of the Company’s requirements has evolved making it more complex and complicated. There is also the increasingly competitive market, locally and abroad, for high demand talents (e.g. digital roles). These challenges have made it more difficult for the Aboitiz Group to source and match fitting talent.

Inability to prepare and minimize the impact of this risk will entail potential delay in the execution of various initiatives which could eventually lead to missed business opportunities.

To address this, AEV has identified various sourcing channels and have optimized available technological attraction tools such as LinkedIn. In addition, there is also an ongoing initiative to enhance the brand of Aboitiz as an employer and embed strategic workforce planning to business strategic planning.

Pandemic Risk

In December 2019, a novel coronavirus strain (“COVID-19”) emerged in the city of Wuhan, China. Starting in January 2020, the resulting COVID-19 outbreak became a major global concern to countries including the Philippines. On March 08, 2020, President Rodrigo R. Duterte declared a State of Public Health Emergency throughout the Philippines. Thereafter, President Duterte declared a State of Calamity for a period of six (6) months, which was later extended for a year or until September 12, 2021 (unless earlier lifted or extended as circumstances may warrant).

To prevent the further spread of the virus, President Duterte, through the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("IATF"), imposed an "enhanced community quarantine" ("ECQ") throughout the entire island of Luzon from March 16, 2020 until April 12, 2020, which was initially extended until April 30, 2020 and further extended until May 15, 2020. The ECQ measures include the suspension of work in the private sector, except in establishments providing basic necessities and engaged in food and medicine production; suspension of mass public transport facilities; suspension of travel to and from Metro Manila; and observance of strict home quarantine.

On May 12, 2020, Presidential Spokesman Harry Roque announced that Metro Manila, Laguna, and Cebu City will be placed under "modified ECQ" ("MECQ") until May 31, 2020, while other regions in the Philippines will be placed under "general community quarantine" ("GCQ") or "modified GCQ" ("MGCQ"). MECQ measures still include strict stay-at-home measures; however, essential travel is allowed, *i.e.,* to obtain essential goods or to go to work in industries allowed to resume by the Government. Industries allowed to operate during the MECQ include essential industries like health care, pharmacies, veterinary clinics, food manufacturing and supply chains, and groceries, which can operate at full capacity, while certain manufacturing and processing plants will also be allowed to operate but only at 50% capacity.

On June 1, 2020, quarantine measures were relaxed and Metro Manila was placed under the less stringent GCQ. Under GCQ, movement of persons is allowed but limited to accessing essential goods and services. Utilities such as power, energy, and water, and essential industries such as health care and food manufacturing and supply chains are allowed to operate at full operational capacities. Manufacturing and housing and office services are allowed to operate between fifty percent (50%) up to full operational capacity while financial services are allowed to operate from skeletal workforce to fifty percent (50%) operational capacity. On June 16, 2020, Cebu City was again placed under total lockdown following the rise of COVID-19 cases in the region. Following calls of health workers for a timeout after a spike of COVID-19 cases, Metro Manila, Laguna, Cavite and Bulacan were placed on MECQ for the period from August 4, 2020 until August 18, 2020. On August 19, 2020, Metro Manila and the other provinces reverted to GCQ.

In addition, Congress enacted Republic Act No. 11469 or the "Bayanihan to Heal as One Act" ("Bayanihan 1 Act"), which took effect on March 25, 2020 and which granted the President the power to regulate the distribution and use of power, fuel, energy and water. The Bayanihan 1 Act also provided the President the power to provide for a minimum of thirty (30)-days grace period on the payment of residential rents falling due during the enhanced community quarantine and to direct banks and financial institutions to implement a thirty (30)-day grace period on the payment of personal loans, among others, without incurring interests, penalties, fees, or other charges.

Since the declaration of a State of Public Health Emergency and the implementation of various community quarantine measures on business operations, public transportation, social distancing, international travel bans, and health protocols, the Aboitiz group has been implementing work-from-home arrangements and facility quarantine rotational duty schemes to address any constrained mobility brought about by the community quarantine measures, as well as to ensure the health and safety of the Company's employees while continuing to serve its customers and other stakeholders.

The Aboitiz Group is focused on understanding the COVID-19's possible ramifications to its businesses. Offhand, the majority of its industries are actually resilient and are not as vulnerable as other sectors. Its supply chain has prepared contingency plans and made sufficient adjustments to manage major disruptions. AEV has prepared scenario plans for its businesses and is working to provide accessible health services to all its facilities nationwide.

The Aboitiz Group's response to COVID-19 is focused on three (3) areas - People, Process and Technology.

On People, which is the Aboitiz Group's greatest concern, it has established a system in monitoring the

COVID-19 cases across the Aboitiz Group. It has developed a "Re-Entry Assessment and Management Program" with its healthcare provider in case there is an urgent need to go to the workplace.

On Process, the Aboitiz Group is ensuring that each Business Unit prepared its business impact analysis and regularly updates these to include flexible risk mitigation measures. The Aboitiz Group developed and regularly updates the "Group-wide Return to Work Playbook", aligned with the government's guidelines and ensures access by all team members online.

On Technology, we ensure that the Aboitiz Group's virtual private network ("VPN") and endpoint security, threat intelligence, and cyber attack response installation are completed for all team members as a protection during the work from home set-up. The Aboitiz Group has maximized the use of digital channels for activities that would normally require face to face interactions, while monitoring on daily basis VPN utilizations, information technology ("IT") security and IT infrastructure.

To date, all of the Aboitiz Group's businesses are operating and business continuity plans are successfully implemented to ensure adequate and reliable supply of its services and products.

The impact of the COVID-19 pandemic remains uncertain. The continuing community quarantine restrictions imposed by the government affected demand and economic activity. Despite this, the Aboitiz Group businesses continue to recover and enhance operational resilience.

The Power group continues to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

The Financial Services group' digital strategy and expertise proved its resilience as it is able to continue to service its customers, capture new customers while running bank operations from the homes of the employees of the Financial Services Group.

The Food Group's business proved its resiliency as demand for feeds, flour and farms increased in the first half, while it maximized and accelerated digital selling and collections.

The Infrastructure Group remains committed to participating in the Philippine infrastructure space, contributing to the nation's development amid the COVID-19 pandemic, and supporting the government's goal to accelerate the deployment of critical information and communication technology ("ICT") to address the needs of the general public arising from the shift to work-from-home set-ups and online education.

The Real Estate Group's residential business has demonstrated resilience as it sustained its sales momentum even through the pandemic. On the other hand, the commercial business is gradually recovering as tenants are starting to operate.

On September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted in view of the unabated spread of the COVID-19 in the country and the ensuing economic disruption therefrom. Among the COVID-19 response and recovery interventions included in the Bayanihan 2 Act are As follows:

- Lowering of the effective lending rates of interest and reserve requirements of lending institutions to the productive sectors of the economy. Credit accommodations to the micro-, small-, and medium-sized enterprises ("MSMEs"), cooperatives, and self-employed individuals shall be imposed a low interest, payable within three (3) years and shall not require any collateral if the loan does not exceed three million pesos (Php3,000,000.00);

- For banks, quasi-banks, financing companies, lending companies, real estate developers and other financial institutions, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Banks and other non-bank financial institutions ("NBFIs") that agree to further loan term extensions or restructuring pursuant shall be entitled to regulatory reliefs, as may be determined by the BSP.

- For institutions providing electric, water, telecommunications, and other similar utilities, a minimum thirty (30)-day grace period for the payment of utilities falling due within the period of enhanced community quarantine or modified enhanced community quarantine without incurring interests, penalties, and other charges. After the grace period, unpaid residential, MSME and cooperatives utility bills may be settled on a staggered basis payable in not less than three (3) monthly installments, subject to the procedural requirements of the concerned regulatory agencies. This shall apply to all payments due within the period of the community quarantine in the entire electric power value chain to include generation companies, the transmission utility, and distribution utilities.

- On residential rents and commercial rents of lessees not permitted to work, MSMEs and cooperatives ordered to temporarily cease operations, a minimum of thirty (30)-day grace period is imposed for those falling due within the period of the community quarantine, without incurring interests, penalties, fees, and other charges. All amounts due within the period of community quarantine shall be amortized in equal monthly installments until December 31, 2020 without any interests, penalties and other charges.

The Bayanihan 2 Act also directed the Department of Public Works and Highways ("DPWH") and other government agencies to expedite the implementation of infrastructure programs and projects and fast-track infrastructure flagship projects identified by NEDA. All permits and licenses including local government permits, licenses, clearances and registration requirement for infrastructure flagship projects shall be deemed waived for a period of one (1) year from the effectivity of the Bayanihan 2 Act.

AEV continues to enable the organization to anticipate and respond accordingly as the COVID-19 situation will require.

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 the organization in the future.

AEV recognizes the need to anticipate, understand and prepare for these potential risks triggered by the continuous and fast-paced changes in the political, economic, social, technological, legal and environmental where AEV and its Subsidiaries operate.

To address this need, subject matter experts closely monitor their area of expertise for potential changes. These changes are communicated to the Aboitiz Group Risk Management Team for further study and analysis, specifically on the potential impact to the Aboitiz Group. AEV management has also included emerging risks as part of the Risk Management Council and Board Risk Committee regular agenda.

RISKS RELATED TO THE PHILIPPINES

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

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

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

In 2018 and 2019, the Philippine gross domestic product (GDP) grew by 6.2% and 5.9%, respectively. As identified in the Philippine Development Plan 2017-2022, Philippine GDP growth is expected to strengthen at 7% to 8% in the medium term, making the Philippines one of the faster growing economies of the ASEAN region. However, the Philippines is currently experiencing an economic downturn following the Taal volcano eruption in January and the COVID-19 pandemic and the resultant quarantine restrictions. The country's GDP contracted 0.2% in the first quarter of 2020 and dropped by 16.5% in the second quarter when quarantine restrictions were in full swing in many areas and economic activities were constrained. A global recession is also predicted for the year 2020 as the economic effects of COVID-19 pandemic are felt in other countries, which also adversely affect the Philippine economy.

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

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

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

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

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

Any political instability in the Philippines may adversely affect the Company

The Philippines has from time to time experienced political, social, and military instability. In the past decade, there has been political instability in the Philippines, including alleged extrajudicial killings, alleged electoral fraud, impeachment proceedings against two (2) former presidents, removal of two (2) chief justices of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous administrations. An unstable political environment may also arise from the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting.

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

In May 2016, the Philippines elected Rodrigo M. Duterte as its new president, winning 38.5% of the votes cast. The 2016 elections had a record voter turnout of 81%, the highest in the country's three automated elections. The Duterte administration has unveiled a "10-point plan" which has committed, among others, to "continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies." As of the last quarter of 2018, President Duterte's approval and trust ratings remained high. The new leadership is currently focused on executing its reform agenda. The shift to the federal-parliamentary form of government is likewise targeted to be achieved before the end of the current administration's term. In December 2018, the Philippine House of Representatives has approved on the 3rd and final reading the resolution that seeks to shift the Philippines to a federal system of government. On July 27, 2018, President Rodrigo Duterte signed Republic Act 11054, approving the Bangsamoro Basic Law which was renamed to Bangsamoro Organic Law. There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

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

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

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

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

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

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

RISKS RELATED TO THE OFFER

Liquidity Risk

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

Reinvestment Risk

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

Pricing Risk

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

Retention of Ratings Risk

There is no assurance that the rating of the Second Tranche Bonds will be retained throughout the life of the Second Tranche Bonds. The rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Suitability of Investment

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

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

The Master Certificate of Indebtedness, which represents the Second Tranche Bonds subject of the Offer, shall not be notarized and, thus, will not be deemed a public instrument under Article 2244 (14) of the Civil Code. As such, the Second Tranche Bonds shall not enjoy preference under Article 2244 (14) of the Civil Code, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extends such preference to the Second Tranche Bonds. This is consistent with the status of the Second Tranche Bonds as being direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer.

USE OF PROCEEDS

The Issue Price shall be at par, which is equal to the face value of the Series C Bonds or Series D Bonds. AEV expects that the net proceeds of the Second Tranche Bonds shall amount to approximately [PhP4,933,682,250.00] for an issue size of up to [PhP5,000,000,000.00] or, assuming full exercise of the Oversubscription Option, [PhP9,874,138,500.00] for an issue size of up to [PhP10,000,000,000.00], in each case after deducting fees, commissions and expenses.

Based on an issue size of up to [PhP5,000,000,000.00]

Documentary Stamp Tax	37,500,000.00
Issue Management and Underwriting Fees[2]	19,500,000.00
Other Professional Fees	6,384,000.00
SEC Registration Fee and Legal Research	1,343,750.00
Credit Rating Fees	1,200,000.00
Other Expenses (e.g. Trustee Fee, PDEx Listing Fee, Printing Cost, etc.)	390,000.00
Estimated net proceeds of the Issue	**[PhP4,933,682,250.00]**

Based on an issue size of [PhP10,000,000,000.00]

Documentary Stamp Tax	75,000,000.00
Issue Management and Underwriting Fees[3]	39,000,000.00
Other Professional Fees	6,384,000.00
SEC Registration Fee and Legal Research	2,687,500.00
Credit Rating Fees	2,400,000.00
Other Expenses (e.g. Trustee Fee, PDEx Listing Fee, Printing Cost, etc.)	390,000.00
Estimated net proceeds of the Issue	**[PhP9,874,138,500.00]**

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

1. Aside from the Listing Application Fee, the Issuer will be charged an annual maintenance fee of PhP150,000.00 in advance upon the approval of the listing;

2. The Issuer will pay a yearly retainer fee to the Trustee amounting to PhP180,000.00 per annum;

3. After the issuance of the Second Tranche Bonds, a Paying Agency fee amounting to PhP100,000.00 is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the Second Tranche Bonds and the number of Bondholders; and

4. The Issuer will pay an annual monitoring fee to Philratings amounting to PhP560,000.00 (VAT inclusive). However, Philratings charges the annual monitoring fee to the Company in relation to all of its bonds outstanding.

[2] Inclusive of GRT

[3] Inclusive of GRT

The allocation of the proceeds of the Offer and the schedule of disbursements shall be as follows:

	Amount	**Timing of Disbursement**
Oversubscription Option is Not Exercised		
Payment of the maturing 2013 Series A Bonds and 2015 Series A Bonds	PhP4,933,682,250.00	November 2020
Oversubscription Option is Fully Exercised		
Payment of the maturing 2013 Series A Bonds and 2015 Series A Bonds	PhP9,874,138,500.00	November 2020

The Company plans to use up to PhP4,933,682,500.00 of the net proceeds from the Offer to partially refinance the 2013 Series A Bonds and 2015 Series A Bonds both maturing in November 2020. On November 21, 2013, AEV issued the fixed-rate Series A bonds amounting to Php6,200,000,000.00 with a term of seven (7) years from issue date and a fixed interest rate of 4.4125% per annum (the "2013 Series A Bonds"). On August 6, 2015, AEV issued the fixed-rate Series A bonds amounting to Php10,461,620,000.00 with a term of five (5) years and one (1) quarter and a fixed interest rate of 4.4722% per annum (the "2015 Series A Bonds").

In the event that the Oversubscription Option is partly exercised or not exercised at all, or in case the Company is not able to raise the full amount of the Offer, the Company shall use internally generated funds and/or available bank lines to the extent the proceeds of the Offer are insufficient to fund the refinancing of the 2013 Series A Bonds and 2015 Series A Bonds both maturing in November 2020.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's current plans, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds at the discretion of the Company's management. In the event of any substantial deviation, adjustment, or reallocation in the planned use of proceeds, the Company shall inform the SEC and the Bondholders in writing, file an amended Registration Statement or Prospectus, as may be necessary, and seek the approval of the SEC, before such deviation, adjustment or reallocation is implemented.

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

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

DETERMINATION OF THE OFFERING PRICE

The Series C Bonds and the Series D Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

THE OFFER

The Second Tranche Bonds is offered by the Company as the second tranche of the Bonds under the Company's PhP30,000,000,000 Debt Securities Program. The Company shall issue the Second Tranche Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Lead Underwriters. The Offer does not include an international offering.

Pursuant to the confirmation and certificate of permit to offer securities for sale to be issued by the SEC, the Offer will consist of the primary offer of an aggregate principal amount of up to PhP5,000,000,000.00 with an Oversubscription Option of up to PhP5,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Second Tranche Bonds under the Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period.

[The Issuer has the discretion to allocate the Second Tranche Bonds between the Series C Bonds and Series D Bonds, or depending on prevailing market conditions, to fully allocate the Second Tranche Bonds in just one series, based on the book building process conducted by the Joint Lead Underwriters.]

SHELF REGISTRATION OF SECURITIES NOT COVERED BY THE OFFER

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

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

UNDERWRITING OBLIGATIONS OF THE JOINT LEAD UNDERWRITERS

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

Joint Lead Underwriter	Commitment
BDO Capital	PhP1,000,000,000.00
BPI Capital	PhP1,000,000,000.00
China Bank Capital	PhP1,000,000,000.00

First Metro	PhP1,000,000,000.00
SB Capital	PhP1,000,000,000.00
Total	**PhP5,000,000,000.00**

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

BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital are the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners for this transaction.

The Joint Lead Underwriters shall receive an aggregate fee of up to 37 basis points and up to 39 basis points, inclusive of GRT, on the final aggregate nominal principal amount of the Series C and Series D Bonds issued, respectively, which is inclusive of underwriting fees and selling commissions to be paid .

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

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

BDO Capital, a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner, is a subsidiary of BDO Unibank, Inc. which serves as the Trustee for the Second Tranche Bonds.

The Joint Lead Underwriters have no contract or other arrangement with the Company by which it may return to the Company any unsold Second Tranche Bonds.

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

BPI Capital is a Philippine corporation organized in the Philippines as a wholly owned Subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of June 30, 2020, its total assets amounted to P3.7 billion and its capital base amounted to P4.0 billion. It has an authorized capital stock of P1 billion of which approximately P506.4 million represents its paid-up capital.is a Philippine corporation organized in the Philippines as a wholly owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the Philippine SEC to engage in underwriting and distribution of securities to the public. As of March 31, 2020, its total assets amounted to ₱4.1 billion and its capital base amounted to ₱4.0 billion. It has an authorized capital stock of ₱1 billion of which approximately ₱506.4 million represents its paid-up capital.

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

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths in origination, structuring, and execution. As of March 31, 2020, it had total assets of ₱22.9 billion, total liabilities of ₱8.8 billion and total equity of ₱14.1 billion.

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. As of December 31, 2019, its total assets amounted to ₱2.2 billion and has a total equity of ₱1.4 billion.

SALE AND DISTRIBUTION

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

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

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

TERM OF APPOINTMENT

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

MANNER OF DISTRIBUTION

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

The Joint Lead Underwriters, with the consent of the Issuer, shall agree on the process for allocating the Second Tranche Bonds and the manner of accepting the Applications to Purchase (the "Allocation Plan"). Consistent with bank procedures (if applicable) and the Allocation Plan, each of the Joint Lead Underwriters shall be responsible for determining who are Eligible Bondholders from the Applicants and for establishing the *bona fide* identity of each in accordance with AMLA, as well as its own internal policies and arrangements under acceptable standards and policies regarding "know-your-customer" and anti-money laundering.

OFFER PERIOD

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

All applications for the purchase of the Second Tranche Bonds shall be evidenced by a duly completed and signed Application to Purchase, together with two (2) fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the Second Tranche Bonds applied for, by check or by appropriate payment instruction, and the required documents which must be submitted to the Joint Lead Underwriters.

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

An Applicant who is exempt from or is not subject to withholding tax, or who claims preferential tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Joint Lead Underwriter (together with their applications) who shall then forward the same to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

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

   i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form 2336);

iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax. For qualified non-stock, non-profit educational institutions, however, Tax Exemption Rulings or Certificates of Exemption issued prior to June 30, 2012 are required to apply for new Tax Exemption Rulings; and

iv. For entities claiming tax treaty relief – (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).

In addition, upon the request of the relevant Joint Lead Underwriter, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form.

Only the originals should be submitted to the relevant Joint Lead Underwriter.

b. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and

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

Failure to submit any of the documents provided under (a), (b) and (c) above, as may be applicable, will result in the application of the regular income tax rate provided under the Tax Code.

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

MINIMUM PURCHASE

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

ALLOTMENT OF THE SECOND TRANCHE BONDS

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

ACCEPTANCE OF APPLICATIONS

AEV and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners reserve the right to accept or reject applications to subscribe in the Second Tranche Bonds, and in case of oversubscription, allocate the Second Tranche Bonds available to the applicants in a manner they deem appropriate. If any Application is rejected or accepted in part only, the Application money or the appropriate portion thereof will be returned without interest by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner to the Applicant.

REFUNDS

In the event an Application is rejected or the amount of the Second Tranche Bonds applied for is scaled down, the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner, upon receipt of such rejected and/or scaled down applications, shall notify the Applicant concerned that his application has been rejected or the amount of Second Tranche Bonds applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose application was rejected, refund shall be made by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made by the issuance by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner of its own check payable to the order of the Applicant and crossed ''Payees' Account Only'' corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick up by the Applicant concerned at the office of the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period. The Issuer shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled-down application which is not returned by the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner; in which case, the relevant Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

SECONDARY MARKET

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

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

REGISTRY OF BONDHOLDERS

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

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

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

DESCRIPTION OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Second Tranche Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board and Shareholders of the Company, the information contained in this Prospectus, the Trust Agreement, the Issue Management and Underwriting Agreement, the Registry and Paying Agency Agreement and other agreements relevant to the Offer.

The corresponding issue of the Second Tranche Bonds in an aggregate principal amount of up to PhP5,000,000,000, with an Oversubscription Option of up to an aggregate principal amount of up to PhP5,000,000,000, were authorized by a resolution of the Board dated July 29, 2020.

The Second Tranche Bonds shall be constituted by a Trust Agreement executed on [•] (the "Trust Agreement") entered into between the Issuer and BDO Unibank, Inc. - Trust and Investments Group (the "Trustee"), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Second Tranche Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A registry and paying agency agreement was executed on [•] (the "Registry and Paying Agency Agreement") in relation to the Second Tranche Bonds among the Issuer, Philippine Depository & Trust Corporation as paying agent (the "Paying Agent") and as registrar (the "Registrar").

The Second Tranche Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of PhP50,000.00 and in multiples of PhP10,000.00) thereafter, and traded in denominations of PhP10,000.00 in the secondary market.

The Series C Bonds shall mature on [•], while the Series D Bonds shall mature on [•], unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below.

The Registrar and Paying Agent has no interest in or relation to AEV which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to AEV which may conflict with the performance of its functions as Trustee for the Offer.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Second Tranche Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

FORM AND DENOMINATION

The Second Tranche Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (PhP50,000.00), each as a minimum and in multiples of Ten Thousand Pesos (PhP10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (PhP10,000.00) in the secondary market.

TITLE

Legal title to the Second Tranche Bonds shall be shown in the Registry Book maintained by the Registrar. A notice confirming the principal amount of the Second Tranche Bonds purchased by each Applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Second Tranche Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Registry Book maintained by the Registrar. Settlement in respect of such transfer or change of title to the Second Tranche Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

BOND RATING

[The Second Tranche Bonds have been rated PRS [●] with a [●] by PhilRatings on [•]. Obligations rated PRS [●] are [●]

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

TRANSFER OF BONDS

Register of Bondholders

The Issuer shall cause the Registry to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Second Tranche Bonds held by them and of all transfers of Second Tranche Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder, in the mode elected by such Bondholder in the Application to Purchase or the Registration Form, a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Second Tranche Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Second Tranche Bonds may be made during the period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Transfers; Tax Status

The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Second Tranche Bonds, including the settlement of any documentary stamp taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a Banking Day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the

Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar. Transfers taking place in the Register of Bondholders after the Second Tranche Bonds are listed on PDEx shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEx and PDTC.

Secondary Trading of the Second Tranche Bonds

The Issuer intends to list the Second Tranche Bonds at PDEx for secondary market trading or such other securities exchange as may be licensed as such by the SEC. Secondary market trading in PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEx and PDTC. Upon listing of the Second Tranche Bonds with PDEx, investors shall course their secondary market trades through PDEx Brokering Participants for execution in the PDEx Trading Platform in accordance with PDEx Trading Rules, Conventions and Guidelines, and shall settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines. The PDEx rules and conventions are available in the PDEx website (www.pds.com.ph). An Investor Frequently Asked Questions (FAQ) discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEx website.

MARKET INFORMATION ON OTHER DEBT SECURITIES

While there are already listed debt securities of AEV on PDEx, these securities have maturities that may be different from the Series C Bonds [and the Series D Bonds], and were priced at a time when benchmark rates were likely different. As such, the listed price of the said securities may not necessarily be directly comparable with the Series C Bonds [and the Series D Bonds].

RANKING

The Second Tranche Bonds shall constitute the direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably in priority of payment without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Issuer pursuant to Section 5.2 (a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Second Tranche Bonds shall effectively be subordinated in right of payment to, among others, all of AEV's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines, unless the Issuer procures a waiver of the preference created by such notarization or equally and ratably extend such preference to the Second Tranche Bonds.

INTEREST

Interest Payment Dates

The Second Tranche Bonds shall bear interest on the principal amount from and including the Issue Date at the rate of **[•]**% per annum for the Series C Bonds, and **[•]**% per annum for the Series D Bonds, payable quarterly starting on **[•]**for the first interest payment date, and **[•]**, **[•]**, **[•]**, and **[•]**of each year for each subsequent Interest Payment Date at which the Second Tranche Bonds are outstanding, or the subsequent Banking Day, without adjustment, if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the Maturity Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Banking Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Second Tranche Bonds, provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date. No transfers of the Second Tranche Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

Each Series C Bond [and Series D Bond] shall cease to bear interest from and including the Maturity Date, as defined in the discussion on *"Final Redemption,"* unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest"*) shall apply.

Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

REDEMPTION AND PURCHASE

Final Redemption

Unless previously purchased and cancelled, the Second Tranche Bonds shall be redeemed at par or 100% of face value on the respective Maturity Dates. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Banking Day if the Maturity Date is not a Banking Day.

Early Redemption Option

Prior to the respective Maturity Dates, the Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), on any one or more occasions, the outstanding Series D Bonds on the Early Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day (the "Early Redemption Date"), without any adjustment on the principal or interest accruals.

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

Series D Bonds	
Early Redemption Dates	**Early Redemption Price**
3 years from Issue Date and every quarter thereafter before the 4th anniversary	101.00%

4 years from Issue Date and every quarter thereafter before the Final Maturity	100.25%

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

Redemption for Taxation Reasons

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

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

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

Mandatory Redemption

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

a. Any law, government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Second Tranche Bonds which shall be modified in a manner which, in the reasonable opinion of the Trustee, while not constituting an Event of Default, will materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld;

b. Any provision of the Trust Agreement or any of the related documents is or becomes invalid, illegal or unenforceable by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law is introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents;

c. Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, by reason of: (i) any final judgment or order by a court of competent authority; or (ii) notwithstanding any pending action before a court of competent authority: (x) any final and effective act of any Government Authority, or (y) any final and effective law, rule, or regulation, in such a manner as to materially and adversely affect the financial condition or operations of the Issuer; and

d. Any Government Authority or any competent authority condemns, seizes, or expropriates all or substantially all of the assets or properties of the Issuer, unless such act is contested in good faith by the Issuer or unless such act is suspended or restrained by an order of a court of competent jurisdiction;

then, the Trustee, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty.

Purchase

The Issuer may at any time purchase any of the Second Tranche Bonds at any price in the open market or by tender or by contract in accordance with PDEx Rules, which may be amended from time to time, without any obligation to purchase Second Tranche Bonds pro-rata from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

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

Payments

The principal of, interest on, and all other amounts payable on the Second Tranche Bonds shall be paid to the Bondholders by crediting the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Second Tranche Bonds shall be payable in Philippine Pesos, net of final taxes and fees (if any). AEV shall ensure that so long as any of the Second Tranche Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Second Tranche Bonds. AEV may terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, AEV shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

Payment of Additional Amounts - Taxation

Interest income on the Second Tranche Bonds is subject to final withholding tax at rates depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided below or in the Trust Agreement, and without prejudice to the right of the Issuer to exercise its option to redeem the Series C Bonds or Series D Bonds for taxation reasons, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

1. The applicable final withholding tax applicable on interest earned on the Series C Bonds and Series D Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as may be in effect from time to time. Without prejudice to any new or additional requirements as may be required under new or amendatory regulations, an investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate, shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

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

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

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

        Only the originals should be submitted to the Underwriter.

    b. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and

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

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

2. Any applicable taxes on other income due to any Bondholder arising from the Series C Bonds or Series D Bonds, including but not limited to the Prepayment Penalty, if and when applicable;

3. Gross Receipts Tax under the Tax Code;

4. Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

5. Value Added Tax ("VAT") under the Tax Code, as amended.

Documentary stamp tax for the primary issue of the Second Tranche Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

FINANCIAL RATIOS

The Issuer shall not incur any loan obligation with a maturity of more than one (1) year, if on the Transaction Date, after giving effect to the incurrence of such loan obligation, and any other such cumulative obligations, but not giving any effect to the receipt or application of proceeds therefrom, the Net Debt, as at the last day of the Relevant Period immediately preceding the Transaction Date, to Consolidated Equity, in respect of the Relevant Period immediately preceding the Transaction Date, will exceed 3:1.

With respect to the Second Tranche Bonds, there are no other regulatory ratios that the Issuer is required to comply with.

For the schedule of the Issuer's relevant consolidated financial ratios as of June 30, 2020, December 31, 2019, December 31, 2018, and December 31, 2017, please refer to the table below as well as the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page [155].

	30 June 2020	31 December 2019	31 December 2018	31 December 2017
Interest Coverage Ratio	1.98	3.14	3.86	4.13
Return on Common Equity	n.a.	13.0%	14.9%	16.0%
Current Ratio	1.32	1.27	1.80	1.61
Net Debt to Equity Ratio	1.23	1.17	1.01	1.01

EVENTS OF DEFAULT

Each of the following events constitutes an Event of Default.

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

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

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

3. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in the Trust Agreement or in any other document or instruments related or otherwise in connection therewith in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; Provided, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default.

4. **Cross Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the Second Tranche Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the Fair Market Value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer.

5. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other

party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal, or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs.

6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default.

7. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof, shall have expired without being satisfied, discharged, or stayed; and

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

CONSEQUENCES OF DEFAULT

<u>Declaration</u>

1. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Second Tranche Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Second Tranche Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in the Trust Agreement or in the Second Tranche Bonds to the contrary notwithstanding.

2. The provision above, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine, including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Second Tranche Bonds, or of any First Tranche Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Second Tranche Bonds.

3. At any time after an Event of Default shall have occurred, the Trustee may:

   a. by notice in writing to the Issuer, the Registrar, and the Paying Agent, require the Registrar and Paying Agent to:

      i. act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the Second Tranche Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Second Tranche Bonds on behalf of the Trustee; and/or

      ii. deliver all evidence of the Second Tranche Bonds and all sums, documents and records held by them in respect of the Second Tranche Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any Applicable Law; and

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

<u>Notice of Default</u>

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

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names, addresses, tax identification number (TIN), tax status, and account details of the Bondholders, the amount of the Second Tranche Bonds held by them, the Cash Settlement Account numbers where payment to them shall be credited and such other information as may be agreed upon between the Registrar and the Issuer.

<u>Penalty Interest</u>

In case any amount payable by the Issuer under the Second Tranche Bonds, whether for principal, interest, fees due to the Trustee, Registrar or Paying Agent or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of two percent (2.0%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid.

Payments in the Event of Default

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

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

Application of Payments

Any money collected by the Trustee and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by the Trustee, Paying Agent and Registrar without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Second Tranche Bonds shall require the conformity of the Trustee.

Remedies

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

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

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Second Tranche Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, unless such failure was due to any circumstance beyond its control, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given under the Applicable Law.

Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default except the Payment Default, Cross-Default, Insolvency Default, and Closure Default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Second Tranche Bonds.

MEETINGS OF BONDHOLDERS

Meetings

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

Notice of Meetings

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

Failure of Trustee to Call a Meeting

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

Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

Procedure for Meetings

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

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Second Tranche Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

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

Voting Rights

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

Voting Requirement

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

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

Role of the Trustee in Meetings of Bondholders

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

Evidence Supporting Bondholders' Action

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders. The Trustee shall rely on the Registrar to authenticate all Bondholders' signature at all times.

Duties and Responsibilities of the Trustee

The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.

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

The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with the Trust Agreement.

The Trustee may, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Second Tranche Bonds and the Trust Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Second Tranche Bonds and the Trust Agreement.

The request shall be reasonable, made not less than seventy-hours (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request, provided such limitation shall not apply if in conflict with the duties and responsibilities of the Trustee under any provision of the Trust Agreement.

The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

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

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

Supplemental Agreements

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

1. Without the consent of each Bondholder affected thereby:

    a. extend the fixed maturity of the relevant Series C Bonds and/or Series D Bonds, or
    b. reduce the principal amount of the relevant Series C Bonds and/or Series D Bonds, or
    c. reduce the rate or extend the time of payment of interest and principal thereon;

2. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or

3. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in the Trust Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

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

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

MISCELLANEOUS PROVISIONS

Notice

Any notice or demand authorized by the Trust Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

Notices to the Bondholders shall be sent to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any of the following modes: (i) registered mail; (ii) surface mail; (iii) one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Registry Book. The Trustee shall rely on the Registry Book provided by the Registrar, in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on the date of publication, or (iv) on the date of delivery, for personal delivery.

Binding and Conclusive Nature

Except as provided under the Trust Agreement, all notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement, resulting from the Trustee’s reliance on the foregoing.

Dispute Settlement

In case any dispute shall arise between the Issuer, the Trustee or any of the Bondholders in respect of the Trust Agreement, or other related agreements or arrangements, the Issuer, the Trustee or any of the Bondholders shall attempt to resolve the same amicably by agreement which shall be in writing. However, if no such agreement is concluded within thirty (30) Banking Days from the time the dispute arose, or such period as may be reasonable under the circumstances, the parties may have recourse to the usual judicial action that may be obtained under the circumstances.

No Right to Set-Off

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

Governing Law

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

THE COMPANY

The Issuer, AEV, is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of June 30, 2020, it is the seventh largest conglomerate based on assets, the sixth largest based on revenue and the fourth largest based on market capitalization. Incorporated on September 11, 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on December 29, 1993, and its ownership was opened to the general public through an Initial Public Offering (IPO) of its common shares in 1994.

Driven by the pursuit of advancing business and communities for the nation's development, AEV's core businesses, conducted through its various domestic and international Subsidiaries and Associates across 11 countries, are grouped into five main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; and (e) infrastructure.

As of June 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.08% are owned by directors, officers and related parties, while the rest are owned by the public.

The Company's common shares were listed on the PSE in 1994 and, as of June 30, 2020, AEV had a market capitalization of ₱256 billion, with a common share price of ₱45.50 per share.

The Company's key business groups representing each of its SBUs are as follows:

Power. AEV's power generation, distribution and retail electricity supply business is operated through Aboitiz Power Corporation ("AboitizPower") and its subsidiaries, joint ventures and associates (collectively, "AboitizPower Group"). Based on Energy Regulatory Commission ("ERC") Resolution No. 02-2020, dated March 12, 2020, the power generation business of AboitizPower ("Power Generation Business") is among the leaders in the Philippines in terms of installed capacity. Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales (based on the DOE's Distribution Development Plan 2016-2025) and the second largest market share (based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of June 2020) in the Philippines. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Today, through its renewable energy subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control (based on ERC Resolution No. 02-2020 dated March 12, 2020). AboitizPower is listed on the PSE and as of June 30, 2020, AboitizPower had a market capitalization of ₱199 billion, with a common share price of ₱27.00 per share.

Food. AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico Foods Corporation ("PFC") and its subsidiaries, and its international feeds business through Pilmico International Pte. Ltd. ("Pilmico International") and its various subsidiaries and associates (the food SBU collectively referred to herein as the "Food Group"). The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition. In July 2018, Pilmico International acquired 75% equity interest in Gold Coin Management Holdings, Ltd. ("GCMH") and its subsidiaries (collectively, the "Gold Coin Group"), expanding AEV's animal feed business into 11 countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH. The Gold Coin Group is a leading brand in animal nutrition with over 2,900 employees and 21 production facilities, with an installed milling capacity of three million MT per year as of June 30, 2020. Following the GCMH acquisition, the Company believes that the Food Group is the fourth largest animal feed producer in Southeast Asia based on internal market data of the capacities of major players within the market.

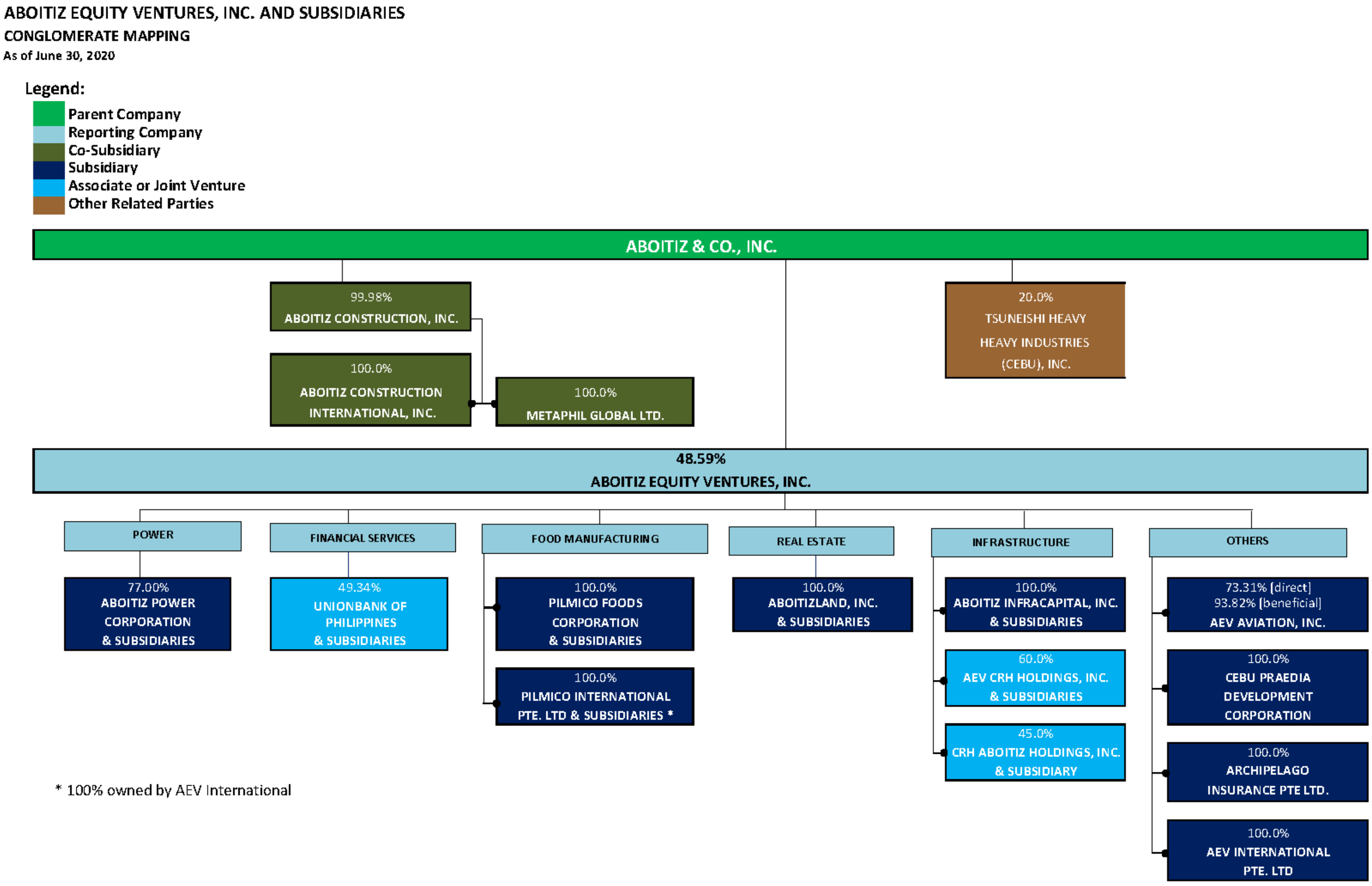
Financial Services. AEV's financial services group is consolidated under its Associate, Union Bank of the Philippines ("UnionBank" or the "Bank") and its subsidiaries, which include City Savings Bank, Inc. ("CitySavings"), a thrift bank, UBP Investments Corporation ("UBPIC"), a holding company, and UBX Philippines Corporation ("UBX PH"), an innovation and technology company. UnionBank is a universal banking corporation listed on the PSE. UnionBank is among the top universal banks in the country, ranking sixth among the top 10 listed banks in the Philippines based on assets as of June 30, 2020, as reported in disclosures made by private universal banks to the PSE. UnionBank had a market capitalization of ₱66 billion, with a common share price of ₱54.00 as of June 30, 2020.

Real Estate. AEV's development of residential communities is through AboitizLand, Inc. ("AboitizLand"). As of June 30, 2020, AboitizLand had 13 residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums as well as five commercial projects in operation. In addition, AboitizLand is the developer and operator of three economic zones: (a) the Mactan Economic Zone II ("MEZ II") in Lapu-Lapu City, Mactan, Cebu; (b) the West Cebu Industrial Park ("WCIP") in Balamban, Cebu, through its subsidiary, Cebu Industrial Park Developers Inc. ("CIPDI"); and (c) the Lima Technology Center in Malvar, Batangas. AboitizLand also has five commercial projects under development, namely: (a) The Outlets at Lipa in Lipa, Batangas; (b) The Persimmon Plus in Mabolo, Cebu City; (c) the iMez Building; (d) Pueblo Verde; and (e) The Outlets at Pueblo Verde. The latter three commercial projects are all located in Lapu-Lapu City, Mactan, Cebu.

Infrastructure. The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital, Inc. ("Aboitiz InfraCapital") and AEV CRH Holdings, Inc. ("AEV CRH"). Aboitiz InfraCapital was granted "original proponent status" by the Department of Transportation ("DOTr") for its unsolicited proposal to operate and maintain the new Bohol-Panglao International Airport and the Laguindingan Airport. Laguindingan Airport is the first international airport in northern Mindanao that serves the cities of Cagayan de Oro, Iligan, and Marawi, as well as the provinces of Misamis Oriental, Lanao del Norte, and Bukidnon. Aboitiz InfraCapital also holds administrative franchises to provide water and wastewater-related services to residential, commercial and industrial customers in Batangas, Cebu and Davao, among others. AEV CRH is AEV's partnership with CRH plc, a global leader in the manufacture and supply of building materials and products. AEV CRH acquired Republic Cement & Building Materials, Inc. ("RCBM" and together with its subsidiaries and affiliates, the "Republic Cement Group") in 2015. As of June 30, 2020, the Company believes that the Republic Cement Group is one of the country's leading local cement manufacturing and distribution companies with five integrated plants and one grinding facility in operation across Luzon, Visayas, and Mindanao.

Others. AEV's other investments include holdings in: (a) aviation through AEV Aviation, Inc. ("AEV Av"), (b) insurance through Archipelago Insurance Pte. Ltd. ("Archipelago Insurance"), and (c) portfolio investments abroad through AEV International.

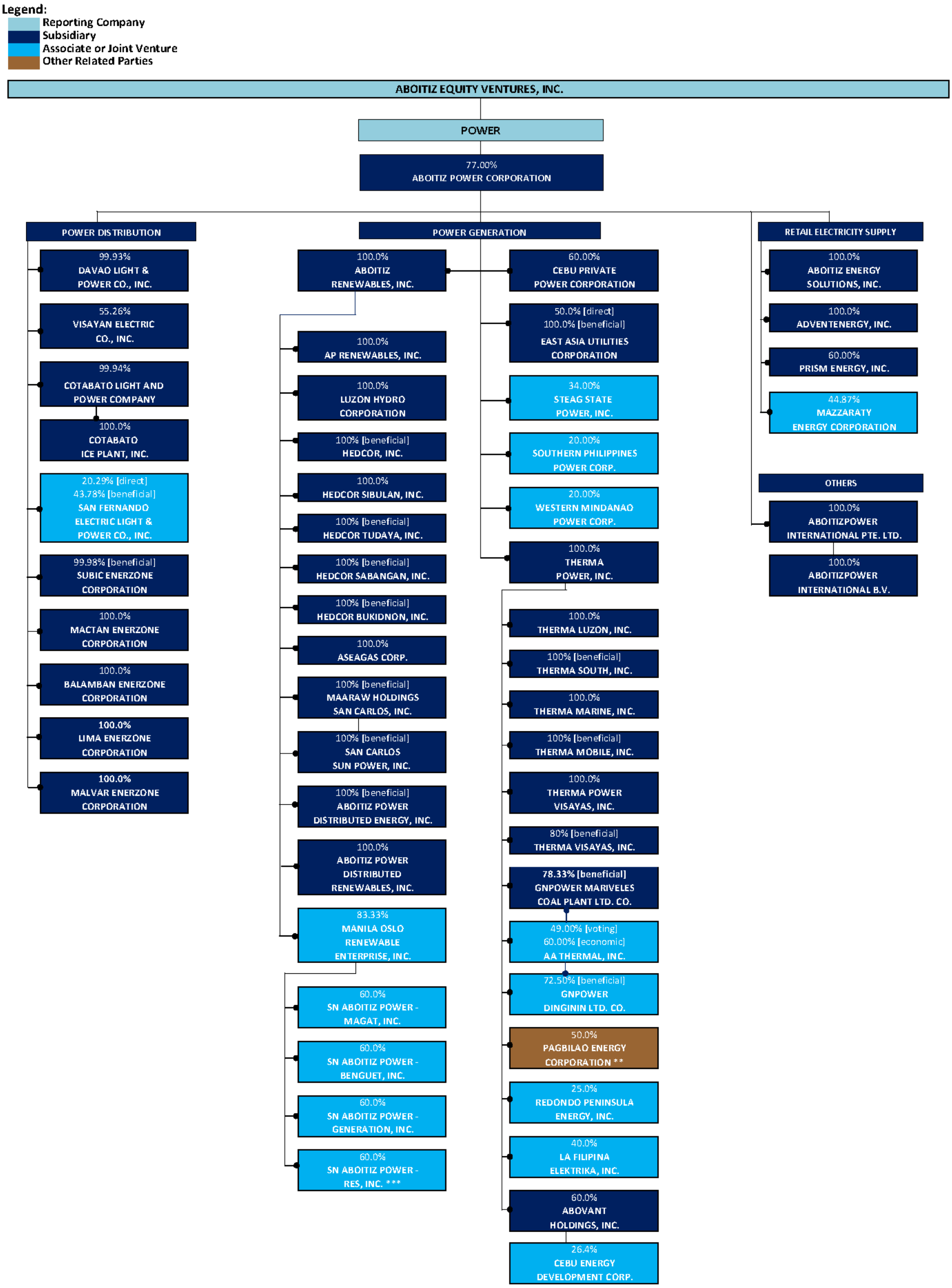
Below is the Aboitiz Group's corporate structure as of June 30, 2020:



ABOITIZ EQUITY VENTURES, INC. - POWER

CONGLOMERATE MAPPING

As of June 30, 2020



** Joint Operations

*** Engages in retail electricity supply business

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES

CONGLOMERATE MAPPING

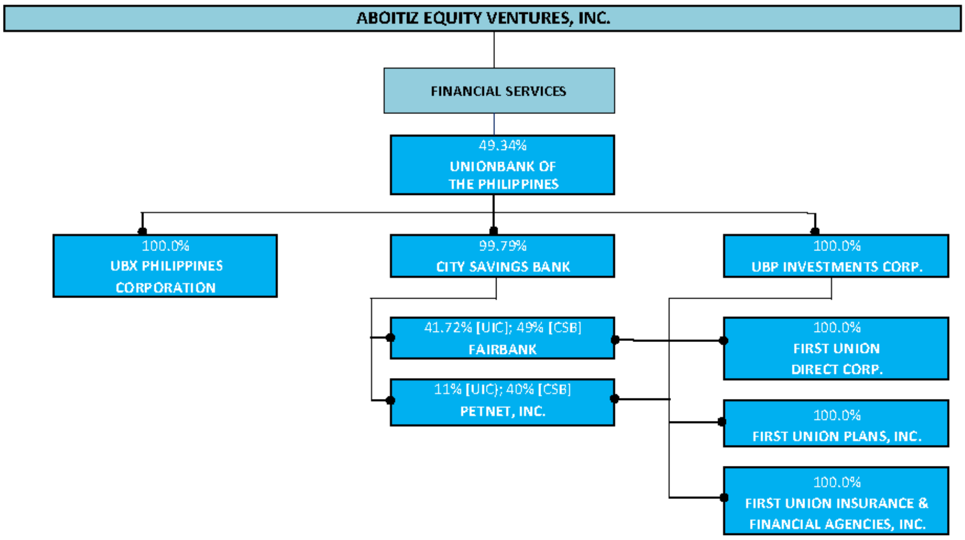
As of June 30, 2020

Legend:

Reporting Company

Subsidiary

Associate or Joint Venture

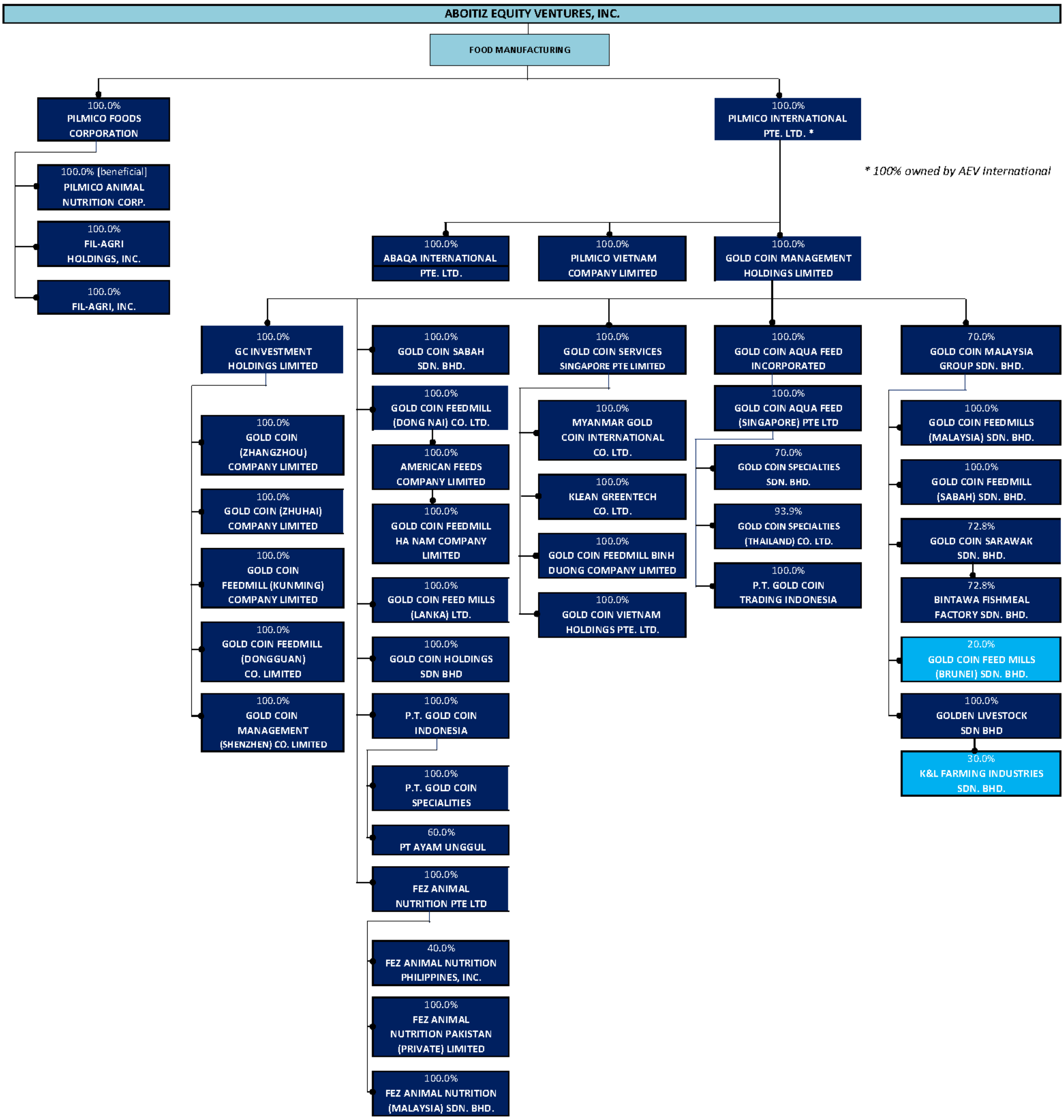


ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING

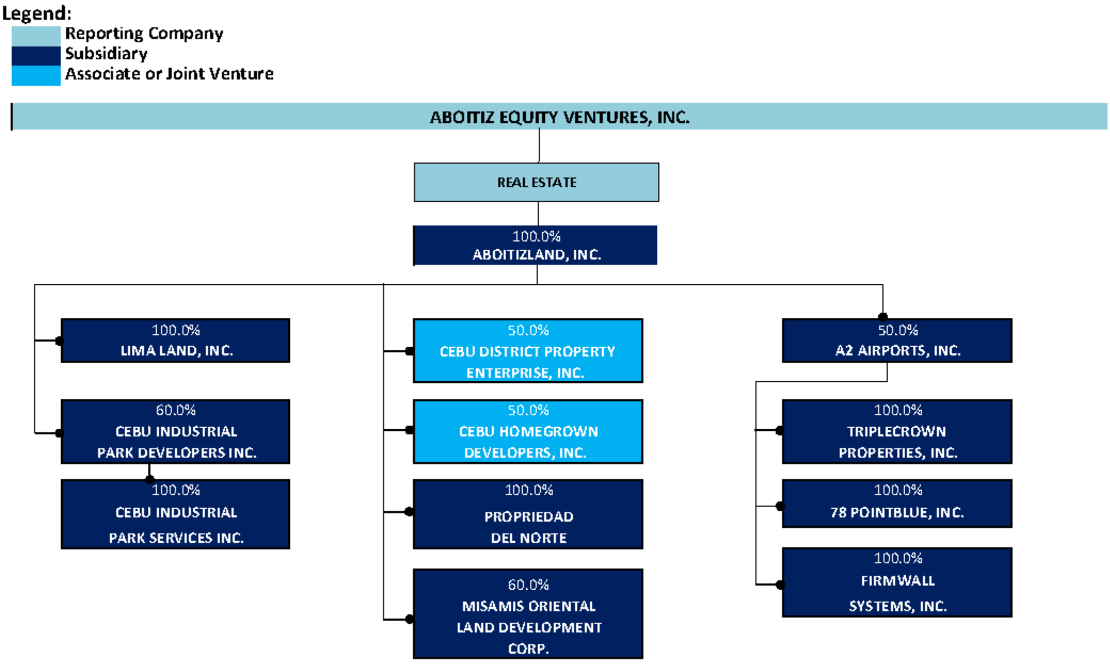
CONGLOMERATE MAPPING

As of June 30, 2020

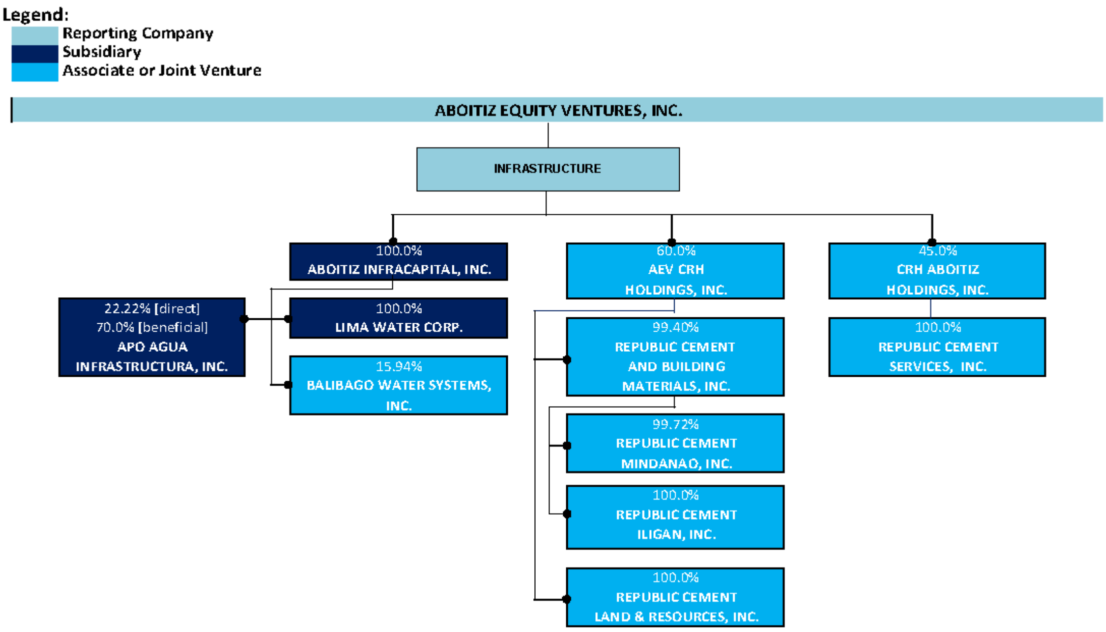
Legend:
- Reporting Company
- Subsidiary
- Associate or Joint Venture



ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING
As of June 30, 2020



ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE
CONGLOMERATE MAPPING
As of June 30, 2020



BUSINESS DEVELOPMENT

Incorporated on September 11, 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on December 29, 1993, and its ownership was opened to the general public through an Initial Public Offering of its common shares in 1994.

In 2013, AEV transferred its corporate headquarters from Cebu to Metro Manila. The transfer, including the corresponding amendment to the Company's corporate documents, was approved by the stockholders during the May 20, 2013 Annual Stockholders' Meeting. AEV's current principal office address is at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. AEV and its Subsidiaries still maintain administrative and liaison offices in Cebu.

As of June 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.08% are owned by directors, officers, and related parties, while the rest are owned by the public.

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

Power Generation, Distribution, and Retail Electricity Supply

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired a 20% ownership interest in Visayan Electric in the early 1900s. The Aboitiz Group's direct and active involvement in the power distribution industry can be traced to the 1930s when ACO acquired Ormoc Electric Light Company and its accompanying ice plant, Jolo Power Company, and Cotabato Light & Power Company ("Cotabato Light"). In July 1946, the Aboitiz Group strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light, now the third largest privately-owned electric utility in the Philippines in terms of customers and annual GWh sales.

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

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro-Electric Development Corporation ("HEDC"). HEDC carried out feasibility studies (including hydrological and geological studies), hydroelectric power installation and maintenance, and also developed hydroelectric projects in and around Davao City. On June 26, 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now Cleanergy, Inc., "Cleanergy"), 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 a combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a build-operate-transfer ("BOT") agreement with NPC to develop and operate the 70 MW Bakun AC hydroelectric plant (the "Bakun Plant") in Ilocos Sur.

AEV's Power Business Unit, AboitizPower was incorporated on February 13, 1998 in Cebu City as a private holding company for the Aboitiz Group's investments in power generation and distribution. Ownership in AboitizPower was opened to the public through an initial public offering of its common shares and its common shares were officially listed in the PSE on 16 July 2007.

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. AboitizPower has accumulated interests in a portfolio of power generating plants, using renewable and non-renewable sources. As of June 30, 2020, its generation companies have an installed capacity which is equivalent to a 16% market share of the national grid's installed generating capacity (based on ERC Resolution No.02-2020, dated March 12, 2020). AboitizPower also owns interests in nine distribution utilities in Luzon, Visayas, and Mindanao, including the second and third largest distribution utilities in the Philippines, Visayan Electric Company, Inc. (VECO) and Davao Light & Power Company, Inc. (Davao Light). Combined, AboitizPower's Subsidiaries engaged in the supply of retail electricity have a total market share of 21% as of June 30, 2020, making the Company the second largest player in the retail electricity space. AboitizPower is listed on the PSE and as of June 30, 2020, AboitizPower had a market capitalization of PhP199 billion, with a common share price of PhP27.00 per share.

AboitizPower's renewable investments are held primarily through its wholly-owned subsidiary, Aboitiz Renewables, Inc. and its subsidiaries and joint ventures (collectively, "Aboitiz Renewables"). AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Today, through Aboitiz Renewables, AboitizPower is the largest renewable energy group in terms of installed capacity under its market control (based on ERC Resolution No. 02-2020, dated March 12, 2020).

AboitizPower also owns interests in nine distribution utilities in Luzon, Visayas, and Mindanao, including Visayan Electric Company, Inc. ("Visayan Electric") and Davao Light Company, Inc. ("Davao Light"), the second and third largest distribution utilities in the Philippines, respectively. AboitizPower's subsidiaries engaged in the distribution of electricity sold a total of 2,629 GWh for the six months ended June 30, 2020.

AboitizPower's operations is comprised of: (a) Power Generation; (b) Power Distribution; and (c) RES and Others. The Power Generation business is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA") and for trading in the WESM. The Power Distribution business is engaged in the distribution and sale of electricity to end-users through its various distribution utilities, and the RES and Others segment includes retail electricity sales to various off-takers that are considered eligible contestable customers ("Contestable Customers") and provision of electricity related services, such as installation of electrical equipment. The table below sets out the contribution of each segment to AboitizPower's revenues for the periods indicated.

Financial Services

AEV's financial services group is composed of Union Bank of the Philippines ("UnionBank") and its Subsidiaries, including thrift bank CitySavings, Inc. ("CitySavings"), UBP Investments Corporation ("UBPIC"), a holding company, and UBX PH Corporation ("UBX PH"), an innovation and technology company. UnionBank is a publicly-listed universal bank whose principal shareholders are AEV, the Social Security System (SSS), and The Insular Life Assurance Company, Ltd. ("Insular Life"). It distinguishes itself through technology and innovation, unique branch sales and service culture, and centralised backroom operations.

UnionBank offers a broad range of products and services, which include deposit and related services; corporate and middle market lending, consumer finance loans such as mortgage, auto, and salary loans, and credit cards; investment, treasury, and capital markets; private banking, trust and fund management; and remittance, cash management, and mobile banking. In addition, UnionBank offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier, and various life insurance products through its bancassurance partnership with Insular Life.

UnionBank's clientele encompasses retail, middle-market, and corporate customers, as well as major government institutions. UnionBank believes that its use of technology, marketing strategies, and operational structure have enabled it to capture and secure a loyal customer base and achieve high levels of efficiency and productivity.

UnionBank has undertaken two bank mergers, first with International Corporate Bank ("Interbank") in 1994 and then with International Exchange Bank ("iBank") in 2006.

On January 8, 2013, UnionBank's Board of Directors approved the purchase of CitySavings, a premier thrift bank engaged in, among other banking activities, granting teacher's loans under the Department of Education's automatic payroll deduction system ("APDS"). The transaction was approved by the Monetary Board of the Bangko Sentral ng Pilipinas ("BSP") on March 21, 2013.

On October 16, 2014, an amendment to UnionBank's Articles of Incorporation was approved by the BSP, whereby the authorized capital stock increased from ₱6.7 billion to ₱23.1 billion, divided into approximately 1.3 billion common shares with par value of ₱10.00 each and 100 million preferred shares with par value of ₱100.00 each. UnionBank likewise obtained BSP approval for the payment of 65% stock dividends, which was used to fund the 25% subscription relating to the increase in capital stock. Record date and payment date for the aforesaid dividend declaration were set on November 18, 2014 and December 4, 2014, respectively.

On November 20, 2014, UnionBank issued ₱7.2 billion of Basel III-compliant Tier 2 Unsecured Subordinated Notes with a coupon rate of 5.375% per annum, due February 20, 2025, and callable on February 20, 2020. The Bank exercised its call option and redeemed the notes on February 20, 2020.

On August 16, 2016, UnionBank signed a Cooperation Agreement with Lombard Odier & Co., a Swiss global wealth and asset manager, to expand its wealth and asset management businesses, offer estate planning solutions and launch a global and diversified multi-asset fund customized to UnionBank's high-net-worth and ultra-high-net-worth clients' requirements. In July 2017, the Capital Accumulation Global Fund of Funds, a US dollar-denominated fund of funds that is invested in various mutual funds and exchange traded funds in the global markets, was launched.

On December 15, 2016, UnionBank's subsidiaries, UBPIC (formerly Union Properties, Inc.) and CitySavings received approval from the Monetary Board of the BSP to finalize the joint-acquisition of the majority stake in FAIRBank, a rural bank that provides banking and microfinance services and loan products to micro, small, and medium enterprises, and micro housing institutions.

On January 27, 2017, UnionBank and CitySavings entered into a bancassurance partnership with Insular Life for the sale and distribution of insurance products across UnionBank's and CitySavings's respective networks. On April 4, 2017, BSP granted UnionBank and CitySavings the authority to engage in cross-selling activities with Insular Life across its network.

On November 22, 2017, UnionBank announced the issuance of US$400 million in Fixed Rate Senior Notes, as the debut drawdown under its Medium-Term Note Programme. On November 27, 2017, UnionBank launched an upsize of US$100 million. This brings its total Senior Notes issuance to US$500 million, issued at par with a yield of 3.369% per annum, maturing November 29, 2022. The said bonds were rated Baa2 by Moody's, identical to the issuer rating given to UnionBank, and were listed in the Singapore Stock Exchange.

On December 29, 2017, CitySavings announced that it has signed a Share Purchase Agreement ("SPA") with the ROPALI Group to acquire 100% of the common shares of Philippine Resources Savings Bank

Corporation (PR Savings), an Isabela-based bank engaged in extending motorcycle, agri-machinery, and teachers' salary loans. Subsequently on February 26, 2018, CitySavings agreed to acquire 100% of the preferred shares in PR Savings from the International Finance Corporation. The transaction was approved by the Philippine Competition Commission ("PCC") on April 5, 2018, and the BSP on June 19, 2018. On December 27, 2018, the bank also received BSP's approval for the merger between CitySavings and PR Savings, with CitySavings as the surviving entity. The merger was approved by the SEC on February 28, 2019.

On January 5, 2018, City Savings and UBPIC executed a share purchase agreement with the majority shareholders of Progressive Bank, Inc. (PBI) for the acquisition of 75% equity interest in PBI through a combination of subscription and purchase of common shares. PBI is a rural bank based in Iloilo and engaged in the business of providing credit to farmers, tenants, and rural enterprises. The transaction was approved by the BSP on February 24, 2020.

On February 9, 2018, CitySavings and UPI signed an SPA with AEV to purchase 51% of the common shares of PETNET, Inc. The transaction was approved by the Philippine Competition Commission (PCC) on May 8, 2018, and by the BSP on November 23, 2018. PETNET, more widely known by its retail brand name PeraHub, has over 3,000 locations nationwide and offers a variety of cash-based services including remittance, currency exchange, and bills payment. In addition, PETNET is an outsourced service provider of CitySavings, facilitates and accepts applications for DepEd salary loans and GSIS pension loans.

On February 21, 2018, UnionBank issued ₱3.0 billion LTNCDs due on August 21, 2023 with a fixed rate of 4.375% per annum. This is the initial tranche of the Parent Bank's ₱20.0 billion LTNCD program as approved by BSP. The net proceeds from the issuance of LTNCD will be used to diversify the Parent Bank's maturity profile of funding sources and to support its business expansion plans.

On September 28, 2018, UnionBank announced the completion of its ₱10.0 billion Stock Rights Offer (SRO) following the end of the offer period on September 21, 2018. It issued 158,805,583 common shares or 15% of UnionBank's outstanding shares prior to the SRO and was priced at ₱62.97 per share. The rights shares were listed at the PSE on the same day. UnionBank determined that the SRO would strengthen its CET1 capital, further solidifying its capital adequacy and financial strength, positioning it to support critical strategic growth initiatives.

On November 23, 2018, UnionBank issued ₱10.5 billion in senior fixed rate bonds, the first issuance under its ₱20.0 billion multi-tranche bond and commercial paper program. On November 29, 2018, UnionBank increased the final bond issuance to ₱11.0 billion. The two-year fixed rate bonds have a coupon rate of 7.061% per annum due 2020. The said bonds were listed on the PDEx on December 7, 2018. On June 3, 2019, UnionBank issued another ₱5.8 billion senior fixed rate bonds. These carry a coupon rate of 6.0% per annum and will mature in June 2022. The net proceeds of the issuance were used to support UnionBank's business expansion plans and for general corporate purposes.

On December 21, 2018, UnionBank incorporated UBX Philippines Corporation (UBX Philippines), a holding company designed to house UnionBank's technological projects and platforms, and investments in Fintech companies.

On February 6, 2019, CSB and UBPIC executed a SPA with the majority shareholders of Bangko Kabayan Private Development Bank ("Bangko Kabayan") to acquire 70% ownership, with CSB owning 49% and UBPIC owning 21%. Bangko Kabayan is a rural bank based in Batangas, providing credit and other services to MSMEs. The transaction was approved by BSP and Philippine Competition Commission (PCC) on September 19, 2019 and January 9, 2020, respectively.

On February 11, 2019, the Monetary Board approved UBX PH's start of commercial operations. UBX PH acquired 30% of the common shares of Shiptek Solutions Corporation ("Shiptek") in May 2019 and acquired 35% of the common shares of CC Mobile Financial Services Philippines, Inc. (CCPH) in September 2019. Shiptek is a technology solutions firm incorporated in the Philippines which operates, conducts and maintains the business of developing, marketing, selling, distributing and licensing the logistics solution technology known as XLOG. CCPH is a fintech company incorporated in the Philippines which offers microfinancing services.

On October 21, 2018, UBX Private Ltd. ("UBX SG") was incorporated by UBPIC in Singapore. It was acquired by UBX PH from UBPIC on March 21, 2019. It is a holding company that is principally engaged in acquiring various fintech start-ups.

On February 24, 2020, UnionBank issued ₱6.8 billion of Basel III-compliant Tier 2 Unsecured Subordinated Notes with a coupon rate of 5.25% per annum, due May 24, 2030, and callable on May 25, 2025.

Food Manufacturing

The Food Group began with PFC, which was incorporated in August 1958 as a joint venture between the Aboitiz Group, the Pillsbury Group of the U.S. and two other Philippine business groups. The Pillsbury Group and the Philippine business groups eventually sold all their shareholdings to AEV. Since then, the Food Group has grown to become AEV's integrated agribusiness and food SBU, engaged in the business of flour, hog and layer farms, animal feeds, and by-products in the Philippine and in the Asia-Pacific region. In particular, PFC is ranked among the top three domestic flour producers based on internal market data as of June 30, 2020. The Food Group established representative offices in Jakarta, Indonesia in 2004 and Ho Chi Minh City, Vietnam in 2015, to expand its flour export business. Through these representative offices, the Food Group distributes flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia and plans to continue to strengthen its presence in the ASEAN region. AEV through its food manufacturing Business Units, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and Pilmico International Pte. Ltd. (Pilmico Intl), is engaged in the business of flour, hog and layer farms, animal feeds, and by-products. Since 1962, AEV has operated Pilmico, which, in turn, operates the Food Group's Philippine-based flour and feeds businesses and is the holding company of Pilmico Animal Nutrition Corporation ("PANC"). PANC, on the other hand, operates the feeds and farms business in Luzon. The Food Group's international operations are held through Pilmico International, which is a wholly-owned subsidiary of AEV International. In July 2018, Pilmico International completed the acquisition of a 75% equity interest in Gold Coin Management Holdings, Ltd. (GCMH) and its subsidiaries (collectively, the "Gold Coin Group"), for a final consideration of US$333.8 million. This expanded AEV's animal feed business into 11 countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH for a consideration of US$120 million. The Gold Coin Group is a leading brand in animal nutrition with over 2,900 employees and more than 21 production facilities, with an installed milling capacity of three million MT per year as of June 30, 2020. Following the Gold Coin Group acquisition, AEV believes that the Food Group is the fourth largest feeds player based in Southeast Asia.

The operations of the Food Group are divided into three segments: (a) Feeds and flour; (b) Hog and Layer Farms; and (c) International Animal Nutrition, which are undertaken primarily through the following key subsidiaries: PFC, PANC and Pilmico International, a subsidiary of AEV International.

Feeds and Flour

Incorporated on August 8, 1958, Pilmico began its flour milling business through a joint venture of the Aboitiz Group, the Lu Do Group, the Soriano Group and the Pillsbury Group of the United States of America (U.S.A.). The Lu Do, Soriano and Pillsbury Groups eventually sold all their shareholdings to AEV.

In September 2008, PFC commenced commercial operations of its first feed mill with a capacity of 115,000 MT ("Iligan Feed Mill 1") located within its flour mill complex in Iligan City. In October 2010, PFC completed the construction of a second line in Iligan Feed Mill 1, doubling its capacity to produce animal feeds. The Company believes this allowed PFC to meet the growing demand for animal feeds in the Visayas and Mindanao regions, achieve operating cost efficiencies and yield improvements.

In order to address additional raw material requirements and feeds volume required by the expansion of feed mills, PFC expanded its port facilities, as well as its unloading and storage capabilities, in Iligan: the port expansion in 2012 to accommodate Panamax vessels, and inter-island pier 2 in 2015. The Company believes that the strategic location of its operations in Iligan lowers the costs of freight and distribution and that these expansions addressed bottlenecks in the delivery of raw materials to Iligan and the distribution of feeds to the other parts of Visayas and Mindanao.

In April 2016, PFC commenced commercial operations of its second feed mill in Iligan ("Iligan Feed Mill 2"). The additional 124,800 MT in feed mill capacity from Iligan Feed Mill 2 addressed the further growing demand for feeds in the Visayas and Mindanao regions. PFC also completed a powermix line in 2016 to support the Food Group's growing poultry business.

Anchoring on Pilmico's core strength as a flour miller, Pilmico had taken the opportunity to grow the flour business internationally. In June 2014, Pilmico established its first Southeast Asian representative office in Jakarta Selatan, Indonesia, followed by the creation of another representative office in Ho Chi Minh City, Vietnam in March 2015. Pilmico's international expansion allowed it to build its market in the Indochina region, deepen its reach in the ASEAN market, and increase its competitiveness in the flour milling industry.

Through these representative offices, Pilmico was able to establish its flour export business, successfully distributing its flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia and Indonesia. Further efforts will be made by Pilmico to strengthen its presence in the ASEAN region.

In 2017, the Food Group broke ground in building new warehousing and silo storage to support volume growth in the feeds and flour businesses. This was completed in the second quarter of 2018.

Hog and Layer Farms

In June 1997, Pilmico entered into the swine production and animal feeds business through Pilmico Animal Nutrition Corporation (PANC) (formerly Fil-Am Foods, Inc.). PANC was a joint venture with Tyson International Holding Co. (Tyson), a subsidiary of Tyson Foods, and PM Nutrition Company, Inc. (PMNC), an affiliate of Purina Mills, Inc. In October 2002, Pilmico acquired the shareholdings of Tyson and PMNC, thus making PANC its wholly-owned Subsidiary. The Food Group's hog and layer farms operations are conducted through PANC. To date, PFC, together with another wholly-owned subsidiary, Filagri Holdings, Inc. ("Filagri"), owns 100% equity interest of PANC.

In January 1999, PANC began commercial operations of its feed mill plant located in Capas, Tarlac to cater to the growing demand of feeds in Luzon. Since commencing its swine operations with 4,750 sow level in the second half of 1999, PANC has grown to 8,000 sow level as of June 30, 2020, which translates to a monthly sales volume of 22,000 heads of market hogs. PANC plans to increase its sow level to 20,000 by 2023 which is expected to translate to a monthly sales volume of 32,000 heads of market hogs.

In December 2015, PANC started its layer farms operations. The layer farm facility was completed and became fully-operational by December 2016. This layer farm facility can hold up to 173,000 egg-laying chickens that translates to 4 million eggs per month.

To support the growing Luzon commercial feeds volume as well as increased feeds requirements from its growing layer and swine operations, PANC completed the construction of a second feed mill ("Tarlac Feed Mill 2") and a third feed mill ("Tarlac Feed Mill 3"), resulting in an additional 124,800 MT each in feed mill capacity. Tarlac Feed Mill 3 was completed in August 2016.

In 2017, PANC successfully completed the increase of its sow level to 14,000, twice the size of its farms business from its first expansion in 2012. At this 14,000-sow level, monthly sales volume reached 22,000 heads. This made PANC as one of the biggest commercial producers of market hogs in the country.

To continually grow the farms business, PANC intends to increase its sow level to 20,000 by 2023.

International Animal Nutrition

In 2014, AEV began its expansion into the Vietnamese market via the aqua feeds segment through Pilmico International. Pilmico International acquired 70% of the total outstanding shares in PVN (formerly, Pilmico VHF Joint Stock Company and originally, Vin Hoan 1 Feed JSC), one of the largest aqua feeds producers in Vietnam. This acquisition allowed the Aboitiz Food Group to expand its feeds business in Vietnam and build its market base internationally. In August 2017, Pilmico International bought an additional 15% equity stake and subsequently, in August 2019, Pilmico International purchased the remaining 15% equity stake, making PVN a 100% owned subsidiary of Pilmico International.

PVN's operations are in Dong Thap Province in Vietnam, approximately 165 kilometers from Ho Chi Minh City. It was the fourth largest pangasius aqua feeds producer in the Mekong Delta as of June 30, 2020, with a capacity of 165,000 MT per year and which capacity was expanded to 270,000 MT in April 2016. This expansion supported efforts to build a commercial market in Vietnam and export market, in addition to the long-term supply agreement with Vinh Hoan Corporation.

The investment in PVN allowed the Food Group to gain a foothold in the Vietnamese aqua feeds business, and at the same time, build its reach to other aqua farm customers. This strategic move was also intended to establish a gateway to investments in other ASEAN countries like Thailand, Laos, and Cambodia, allowing the Food Group to expand its core feeds business internationally, and to diversify and gain competence in the aqua feeds product segment [currently not produced in the Philippines]. The Investment in Vietnam likewise paved the international investments of the Food group and gain competence in aqua feedmilling. We were able to gain a wider foothold in ASEAN+China with the investment in Gold Coin.

In 2019, Pilmico Animal Nutrition Joint Stock Company ("PAN-JSC") was folded into the Gold Coin Group as part of the ongoing integration between the businesses of Pilmico International and the Gold Coin Group and was renamed Gold Coin Feedmill (Binh Duong). Pilmico International initially acquired a 70% equity stake in PAN-JSC from Europe Nutrition Joint Stock Company (Eurofeed), a feed mill operator, in 2017. This acquisition was part of Pilmico International's expansion of its feeds business in Vietnam. Following this acquisition, the Food Group began offering animal feeds products for the different stages of growing swine, poultry, cow and rabbit. See "—GCMH and the Gold Coin Group."

Pilmico VN Trading was incorporated in July 2015 as a limited liability company operating in Vietnam and engaged in the wholesale of food products, beverages, agricultural and forestry raw materials, among others. In October 2016, Pilmico International purchased a 100% ownership interest in Pilmico VN Trading. It is currently the vehicle used for the importation and distribution of Food Group products within the Vietnam market.

In July 2018, to further expand the Food Group's animal feeds business within the Asian region, AEV, through Pilmico International, acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group. In May 2019, Pilmico International completed its acquisition of the remaining 25% equity interest in GCMH.

Headquartered in Singapore, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feeds and is a leading brand in animal nutrition with more than 21 livestock and aqua feed mills across seven countries in the Asia-Pacific, with an installed milling capacity of three million metric tonnes per year as of June 30, 2020. As of June 30, 2020, it has two research facilities located in China and Malaysia. In particular, the Gold Coin Group manufactures and sells animal feed and specialty nutrition products, including compound feed, pre-mix and additives for the livestock and aqua sectors in the Asia-Pacific region. Products and services include: (a) livestock feed such as feed for poultry broiler/layer, swine, duck, other birds and fish; (b) aqua feed or feeds for aquaculture produce such as shrimp; and (c) specialty nutrition or the premix and specialty concentrates complete feed. In 2018, the Food Group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio. Moreover, the Gold Coin Group continuously introduces innovative new products, product variants, and line extensions in the livestock and aquaculture feeds segments.

The Company believes the Gold Coin Group enjoys lead market positions in key Asian markets with an established and loyal client base. Combined with the Gold Coin Group, Pilmico International expects to become a comprehensive animal nutrition platform across the Asia-Pacific region, with competitive advantages in terms of developing a stronger and multi-branded platform of animal nutrition and delivering scientifically balanced livestock and aqua feeds, and specialty nutrition products addressing the demands of a wide range of customers.

GCMH is an investment holding company incorporated under the laws of the British Virgin Islands in January 2000. GCMH is the parent holding entity, through which all investments in the Gold Coin Group are held and has subsidiaries in Singapore, China, Hong Kong, Indonesia, Malaysia, Vietnam, Thailand, Sri Langka, Myanmar, Pakistan, Brunei and the Philippines. GCMH's predecessor, Gold Coin (Malaysia) Berhad, was listed on the Malaysian Stock Exchange in 1974, but was privatised in 2001 for strategic considerations. In 1981, its first mill was opened in Jakarta, Indonesia. In 1983, the Gold Coin Group also opened a mill in Shenzhen, China, in Colombo, Sri Lanka in 1993, and in Dong Nai, Vietnam in 2004. It also opened its first aqua mill in Malaysia in 1991, and in India in 2006. The Gold Coin Group established its flour mill business in 1984. A year after, it started its research and formulation for aqua feed. In 2004, it divested its flour business.

The Gold Coin Group entered into a joint venture agreement with Ayam Unggul Indonesia in 2010, and with CCK in East Malaysia in 2016 to accelerate market penetration in poultry feed in East Malaysia.

Real Estate

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. It is mainly engaged in the development of real estate projects with primary focus on residential communities, integrated industrial townships and commercial hubs.

AboitizLand currently has 13 residential projects selling three particular product types: lot only, house and lot, and condominiums. It is the developer and operator of three economic zones: (a) the Mactan Economic Zone II (MEZ II) in Barangay Basak, Mactan, Lapu Lapu City; (b) the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc. (CIPDI); and (c) the Lima Technology Center (LTC) in Malvar, Batangas. It also has five commercial projects currently operating: (a) The Outlets at Lipa in Lipa, Batangas, (b) The Persimmon Plus in Mabolo, Cebu City; (c) the iMez Building, (d) Pueblo Verde; and (e) The Outlets at Pueblo Verde. The latter three commercial projects are all located in Barangay Basak, Mactan, Lapu-Lapu City.

In 2013, AboitizLand acquired a 60% majority stake in LimaLand, the owner and operator of the Lima Technology Center, a 590-hectare PEZA-registered industrial park located in Malvar, Batangas. AboitizLand was able to complete the acquisition following the purchase of the remaining 40% ownership interest in February 2014.

In January 2014, AboitizLand and Ayala Land Inc. (Ayala Land) entered into a joint venture for the development of a 17-hectare property located in Mandaue City, Cebu. In 2015, its project company, Cebu District Property Enterprise Inc. (CDPEI), began the development of the property into a future city center. The planned estate will have residential and commercial spaces with retail and office components, and with direct access to major roads and public transport facilities.

In the first half of 2017, AboitizLand launched Seafront Residences, a 43-hectare beachside community located in San Juan, Batangas, and Foressa Mountain Town, a 250-hectare mountain town community located in Balamban, Cebu.

In 2018, AboitizLand began its foray into the north with the launches of Ajoya Cabanatuan and Ajoya Capas both located in Central Luzon. It also launched the Seafront Villas in San Juan, Batangas in the same year to complement the development of the Seafront Residences.

Midway through 2019, AboitizLand was able to launch two new residential projects – Ajoya Pampanga in Mexico, Pampanga & The Villages at Lipa in Lipa, Batangas. The former development looks to continue the growth of the “Ajoya” brand in Central Luzon. While the latter project aims to further build on the thriving industrial township in Lima by complementing and integrating with the current industrial and commercial developments.

In September 2019, AboitizLand and Point Blue partnered to co-develop microstudio rental apartments, an innovative new category in the real estate residential sector. These micro studio apartments are leased ready for move-in and all units are equipped with a bed, ample storage space, a desk and chair, roller blinds, air conditioner, microwave, free high-speed internet, and within walking distance of Metro Manila’s Central Business Districts. In addition, AboitizLand entered into a joint venture agreement with Cebu Landmasters Inc. to develop a mixed-use vertical project in Mandaue City, Cebu. Pre-selling of the first condominium tower is expected to begin by November 2020.

Infrastructure

Incorporated on January 13, 2015, Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital) (formerly: AEV Infracapital, Inc.) is the investment vehicle of the Aboitiz Group for all infrastructure related investments.

On March 17, 2015, Apo Agua Infrastructura, Inc. (Apo Agua), a joint venture company with J.V. Angeles Construction Company (JVACC), entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District (DCWD). The proposed joint venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points. The Engineering, Procurement, and Construction (EPC) contract with JVACC was executed on February 6, 2018, and is expected to be completed within 2021.

On September 15, 2015, the Company and CRH plc through their investment vehicles, through AEV CRH Holdings, Inc. (AEV CRH), CRH Aboitiz Holdings, Inc. (CRH Aboitiz), closed the acquisition of the Lafarge S.A.'s Philippine assets, which included four Luzon-based cement manufacturing plants located in Bulacan, Norzagaray, Teresa, and Batangas; an integrated plant in Iligan, Mindanao; a cement grinding mill in Danao City, Cebu; and associated limestone quarries. CRH plc is a global leader in the manufacture and supply of a diverse range of building materials and products for the modern built environment.

On August 1, 2017, Aboitiz InfraCapital acquired 100% ownership and took full operational control of Lima Water Corporation (LWC) from Lima Land Inc., a wholly owned subsidiary of AboitizLand. LWC, with a capacity of 8 million liters per day, is the exclusive water and wastewater services provider in Lima Technology Center, the Philippines' largest privately-owned and top-selling industrial park.

On August 3, 2017, Aboitiz InfraCapital signed an agreement to acquire 11% stake in Balibago Waterworks System, Inc. (BWSI) from San Fernando Electric Light & Power Co., Inc. (SFELAPCO). In April 2019, the company increased its ownership stake to 16% through the acquisition of shares from individual shareholders. BWSI is currently operating 68 water distribution franchises across the country.

An Original Proponent Status was granted by the DOTr to Aboitiz InfraCapital for its unsolicited proposal to operate and maintain the new Bohol-Panglao International Airport (BPIA) on September 3, 2018. This new international airport located in the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. The airport was inaugurated last November 28, 2018 and has an estimated capacity of 2 million passengers per annum.

On August 10, 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the operations, maintenance, and expansion of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor (NMDC). On February 26, 2019, Aboitiz InfraCapital was granted Original Proponent Status by the Civil Aviation Authority of the Philippines for its unsolicited proposal on Laguindingan Airport. The airport has been operational since 2013 with a design capacity of 1.6 million passengers per annum.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology ("DICT") allowing the former to build, operate, and maintain a network of cellular towers throughout the Philippines that it can lease to the telecommunication companies.

On September 18, 2019, Aboitiz InfraCapital submitted to the Department of Transportation an unsolicited proposal to operate and maintain the new Bicol International Airport. The airport is envisioned to become the new gateway to the Bicol region, helping bolster economic development of the region and contributing significantly to unlocking the large tourism potential of the region. The airport is currently being constructed by the government and is expected to be completed in 2020.

On October 23, 2019, Aboitiz InfraCapital submitted to the National Irrigation Administration an unsolicited proposal for the Iloilo Bulk Water Supply and Renewable Energy Project that covers the construction, operation and maintenance of a 86.4 MLD bulk water supply system, a 6.6 MW hydroelectric power plant and a 6.27 MW floating solar plant. The project is proposed to be connected to the NIA's

Jalaur dam complex and is aligned with NIA's Jalaur River Multipurpose Project (JRMP). The dam component is currently under construction by NIA.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

COMPETITIVE STRENGTHS

AEV believes that its principal strengths are the following:

1. Strong track record in each of its business segments

The Company believes that it has a proven track record of successfully operating its various business units - as AEV, or through previous activities of the Aboitiz family. Through ACO, the Aboitiz Group has been in business in the Philippines since the late 1800s. It entered the power distribution business in 1918 when the family bought a 20% equity stake in the Visayan Electric Company, and the power generation business in 1978 when Hedcor was formed. Even earlier, around 1914-1916, the family entered banking and the allied field of insurance as Cebu agent of the Manila-based insurance and loan firms El Hogar Filipino and Filipinas. It entered the flour milling business in 1958 with Central Philippine Milling Corporation, the land business in 1989 with Acoland, and cement business in 2015 with Republic Cement Corporation. After generations of success and ambition for expansion, ACO listed the Company on the PSE in 1994 to fund emerging growth opportunities. Since then, AEV has expanded into various business segments in power, food, financial services, infrastructure and real estate, among others, to provide long-term value for its stakeholders.

Power

AboitizPower, a diverse company engaged in power generation, distribution and retail energy supply, is one of the Company's most profitable subsidiaries. AboitizPower's generation group has developed some of the largest private power producers in the Philippines, having a well-balanced portfolio of renewable (hydro, geothermal and solar) and non-renewable (coal and oil) energy sources across 47 generation facilities since 1978. AboitizPower's hydro group, Hedcor, Inc. ("Hedcor"), has played an integral role in the power generation business by emerging as a pioneer in the development of small-to medium-sized hydroelectric plants in the Philippines. Furthermore, the RES group of AboitizPower has the second largest market share (based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of June 2020) in the Philippines.

The Aboitiz Group entered the power distribution business in 1918 when the Aboitiz family bought a 20% equity stake in Visayan Electric, which at that time included an integrated power generation business. AboitizPower's power distribution business ("Power Distribution") with more than 70 years of experience, is currently composed of nine distribution utilities, two of which serve the second- and third-largest markets in the Philippines: Cebu City and Davao City, and their surrounding areas. AboitizPower continues to invest to improve reliability and increase efficiency by instituting standardized operating systems and processes. AboitizPower's ownership interests Power Distribution companies are expected to continue providing stable sources of revenue. The Company believes it is well-positioned to benefit from the stable electricity demand growth rate in the country, as economic activity in two of the largest electricity markets, Cebu City and Davao City, increases.

Food

The Company's food business started with a flour milling business in 1958 with Central Philippine Milling Corporation. Since 1962, the Company has operated PFC, which, in turn, operates the Food Group's Philippine-based flour and feeds businesses and is the holding company of Pilmico Animal Nutrition

Corporation ("PANC"). PANC, on the other hand, operates the feeds and farms business in Luzon. The Food Group's international operations are held through Pilmico International, which is a wholly-owned subsidiary of AEV International.

The Food Group has developed a strong presence in animal feeds and swine production since it entered the market in the late 1990s. Through its feed business, the Food Group provides customers with high quality feeds for aqua, hogs and poultry, as well as customized solutions for large farm accounts. In 2014, the Food Group acquired Vinh Hoan Feeds, an aqua feeds plant in Vietnam, marking its debut international expansion. As a total solutions provider, the Food Group aims to become a one-stop shop that offers quality feeds, technical support, and a growing range of fresh and quality meats and eggs products. To ensure the growth of its customers' businesses, the Food Group adheres to the four-pillar Diamond Program, which is the prescribed animal nutrition and livestock management program for feeds business end-users and consists of: (i) good breeding practice and the right genetics, (ii) complete herd healthcare and disease prevention, (iii) sound farm management and (iv) excellent nutrition and quality feeding. The Company expects the Food Group to continue establishing its presence in the Philippines and the rest of the Asia-Pacific region.

In July 2018, Pilmico International, a wholly-owned subsidiary of AEV International, acquired a 75% equity interest in GCMH, for a final consideration of US$333.8 million. This expanded AEV's animal feed business into 11 countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH for a consideration of US$145 million.

Financial Services

The Aboitiz Group engaged in the banking and financial services industry by entering the allied field of insurance as Cebu agent of the Manila-based insurance and loan firms El Hogar Filipino and Filipinas in 1914-1916. Since then, the Company's financial services operations have experienced substantial growth, primarily through UnionBank and its subsidiaries. UnionBank is a publicly listed universal bank that has consistently been recognized as one of Asia's leading companies in banking and finance, ranking among the Philippines' top ten universal banks in terms of key performance ratios in profitability, liquidity, solvency and efficiency. CitySavings is the thrift bank subsidiary of UnionBank, offering loan products including salary loans to public school teachers, motorcycle loans, and pension loans. PETNET is one of the country's leading remittance networks, with over 3,000 locations nationwide and provides complimentary products, which include foreign exchange, bills payment, airline ticketing, cellphone loads and micro-insurance.

Real Estate

For over 25 years, Aboitiz Land Inc. delivers its promise of creating better ways to live through innovative concepts translated into thriving communities. Having cemented its reputation as a leading developer of premium master planned communities in Cebu, the Real Estate Group continues to widen its foothold by launching several residential communities in Luzon including Seafront Residences, Ajoya Cabanatuan, Ajoya Capas, Ajoya Pampanga and The Villages at Lipa. AboitizLand is intent to pursue further growth by penetrating key cities while maintaining leadership in Cebu.

Infrastructure

The Company marked its entrance and interest in infrastructure related businesses in 2015 through the Republic Cement Group. Through the Company's partnership with CRH plc, the Republic Cement Group has developed into one of the largest local cement manufacturing and distribution companies in the

Philippines. The Republic Cement Group has five integrated plants and one grinding facility in operation across Luzon, Visayas, and Mindanao.

The Company is currently developing one of the country's largest private bulk water supply projects through Apo Agua Infrastructura, Inc. ("Apo Agua" and such project, the "Apo Agua Project"), a joint venture between Aboitiz InfraCapital and J.V. Angeles Construction Corporation. The Company, through Aboitiz InfraCapital, is now looking into the rehabilitation and expansion of regional airports and the construction, operation and maintenance of a network of cellular towers throughout the Philippines that it can lease to the telecommunication companies.

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

The Company believes its strong financial position enables AEV to expand its business portfolio through selective acquisitions and greenfield projects, while concurrently supporting organic growth of the existing businesses. AEV's strong balance sheet, as well as the Company's ability to secure bank financing from leading Philippine banks, provides support for the Company's ambitious growth plans, while maintaining a relatively low leverage.

The growth that the Company's SBUs have achieved over the years, particularly the power segment, as enabled AEV to benefit from strong cash flow generation and high levels of liquidity of its financial resources. For example, within the power segment, approximately 93% of AEV's Power Generation business is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, the National Power Corporation ("NPC"), industrial and commercial companies, and the National Grid Corporation of the Philippines. The remaining approximately 7% capacity is sold through the wholesale electricity spot market ("WESM").

3. Strong and experienced management team

The Company and its SBUs are led by an experienced management team with a strong understanding of both financial and technical aspects in each of their respective business segments. Furthermore, the Company's senior management has extensive operational and management experience in relevant industries and has enjoyed a long tenure with the Company and the Aboitiz Group. The Company also believes that its reputation, along with the management team's experience and relationships in various industries, are key factors in ensuring the sustainability of the Company's operations.

The Company is led by Mr. Sabin M. Aboitiz, President and Chief Executive Officer ("CEO") of AEV since January 1, 2020 and a director since May 2018, a member of the Board Risk and Reputation Management Committee and Board Corporate Governance Committee since May 2018 and January 1, 2020, respectively, and Chairman of the Board Executive Committee since January 1, 2020. Mr. Sabin M. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 2015 to 2019.

Mr. Sabin M. Aboitiz succeeded Mr. Erramon I. Aboitiz who was President and CEO of AEV from January 5, 2009 to December 31, 2019. Mr. Erramon I. Aboitiz will continue to sit as director of the Company.

Supporting Mr. Sabin M. Aboitiz is Mr. Manuel R. Lozano, who has been the Senior Vice President/Chief Financial Officer/Corporate Information Officer of AEV since May 2015. Before joining the Company as the Chief Financial Officer of AboitizPower in 2008, Mr. Lozano was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company. In addition, each SBU is led by the following, who each have over 20 years' experience in their respective industries: Mr. Emmanuel V. Rubio, President and CEO of AboitizPower; Ms. Liza Luv T. Montelibano, Senior Vice President/Chief Financial Officer/Corporate Information Officer of AboitizPower; Mr. Hubert de Roquefeuil, President and CEO of the Food Group; Mr. Edwin Bautista, CEO of UnionBank; Mr. David Rafael, CEO of AboitizLand; and Ms. Cosette Canilao, President and CEO of Aboitiz InfraCapital.

The Company believes that compliance with the principles of good governance begins with the Board. In addition to an experienced management team, one of the members of the Board for 2019-2020 is Mr. Enrique M. Aboitiz, who was appointed Chairman in December 2018. He has served as a director of AEV since May 1994, and has been Chairman of the Board Risk and Reputation Management Committee since February 2009, a member of the Board Audit and Board Corporate Governance Committees since December 2018, and a member of the Board Executive Committee since May 2018.

The Company has received a number of awards for its strength in governance and management, including awards for "Most Committed to Corporate Governance" (ranked ninth) and "Best CFO" (Manuel R. Lozano, ranked third) by FinanceAsia Asia's Best Companies 2018, "Top-performing Publicly Listed Company in the Philippines" by Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2017, and "Top 50 ASEAN PLCs" at the Second ASEAN Corporate Governance Awards.

4. Strategic partners and key alliances

AEV has established strategic partnerships and key alliances across five SBUs over generations of success under the Aboitiz family. The Aboitiz Group believes that these partnerships and alliances enhance its ability to compete for, develop, finance and operate future growth projects in all sectors.

Together with SN Power, which is a leading global renewable energy company with projects and operations in Asia, Africa and Latin America, AboitizPower owns and operates the 397 MW Magat-Maris hydroelectric power plant (the "Magat Plant") and the 245 MW Ambuklao-Binga hydroelectric power complex. AboitizPower has also established partnerships with the companies such as STEAG GmbH, Global Power, Manila Electric Company ("MERALCO"), and TeaM Energy Corporation ("TeaM Energy"), which are reputable names in their respective industries. The Company remains open to strategic partnerships in the pursuit of exploratory projects. UnionBank has an exclusive relationship with Insular Life to support its bancassurance business.

In relation to its infrastructure segment, AEV has partnered with the CRH Group of Ireland to propel its cement business, and formed key alliances with the JV Angeles Construction Company and Balibago Waterworks System, Inc. ("Balibago Water") for various water projects.

5. Established corporate reputation

The Company believes that the corporate reputation of the Aboitiz Group is one of its most valuable assets. The Company's deep commitment to corporate governance and upholding its reputation can be traced back to 1920 when ACO was formally incorporated. Mr. Ramon Aboitiz (who was commonly referred to as Don Ramon Aboitiz), who was leading ACO at the time, once wrote "the biggest fortune I have is my word and reputation," which he upheld even during periods of difficulty.

AEV, although no longer a private family-owned business, places paramount importance on the words of Mr. Ramon Aboitiz (who was commonly referred to as Don Ramon Aboitiz). With new investors and stakeholders both domestic and international involved in the business, the Company seeks to uphold the highest standards in the conduct of its business. The Company intends to continue to maintain and develop its generational corporate reputation by further committing to its "triple bottom line" focus of "People, Profit and Planet."

The Company believes it has developed into the organisation it is today because the family, shareholders, professional team leaders and team members in its various organizations and business units have always upheld strong values. In July 2013, the Company adopted its group-wide corporate values of integrity, innovation, teamwork and responsibility as its foundation for the "Aboitiz Way." These values are intended to guide the Company towards corporate stewardship and the creation of shared value for its stakeholders.

The Company has been consistently recognized locally and within the ASEAN Region as among the Philippines' best managed companies and has also been cited by, among others, the Philippines' Institute of Corporate Directors and the ASEAN Capital Markets Forum for its commitment to good corporate governance, being one of the region's top performers in the ASEAN Corporate Governance Scorecard. The Company's leadership team believes that the Company's reputation as a responsible corporate citizen is a major driving factor in the prosperity and success of the Company's SBUs in the Philippines and abroad.

BUSINESS STRATEGIES

The AEV group strategy is best understood through four strategic pillars that guide it in creating long-term value for all its stakeholders:

1. Grow the business
2. Engage stakeholders
3. Build human capital
4. Execute with excellence

Business Growth

AEV's first strategic pillar is to grow the business by continuing to explore businesses that meet the following criteria: (a) well-suited to AEV's experience and expertise in its currently operational business segments, (b) has dependable and growing sources of income, and (c) scalable with long-term growth potential. AEV will seek to grow within the Company's acceptable thresholds for risk, leverage, and returns to maintain sustainable growth. An integral part of AEV's strategy is to keep the Company's balance sheet healthy and to uphold the Company's ability to raise funds through the debt market.

While the Company is open to the possibility of expanding into a new industry to develop another SBU, AEV remains bullish on the long term prospects of its five core businesses. AEV's business presence in the sectors in which it currently operates is aligned with the international indicators of economic growth. As a result, the Company expects that a prosperous economy will create greater demand for the Company's products and services, such as power consumption. The Company believes its offerings and strategies are well-positioned to take advantage of the country's economic cycle and to reap the benefits of demographic dividends.

Power

While GDP in the Philippines is projected to contract in 2020 as a result of the pandemic, it is expected to recover in 2021 and continue its positive growth momentum in the coming years, according to consensus reports. To sustain this growth, the Philippines will require a sufficient amount of competitively priced power to meet the country's increasing energy needs. The Company believes AboitizPower is strategically constructed to meet this increasing demand; AboitizPower seeks to provide the country with reliable power at a reasonable cost and in a responsible manner. Further, AboitizPower has a strong pipeline which features a generation portfolio of multi-fuel technologies. AboitizPower has been increasing its generation portfolio since 2007 and expects to continue to develop a strong and sustainable pipeline for the future while also protecting and optimizing the Company's current business to drive cost-efficient growth. AboitizPower is committed to growing its attributable capacity which it expects will be sourced from a portfolio of renewables and selective baseload builds. It is expected that the Company's portfolio ratio will be close to a 50:50 Cleanergy (renewable energy including natural gas) and thermal capacity mix by the end of the current decade.

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

AboitizPower expects to continue to expand its renewable portfolio. Hedcor is continually exploring potential hydropower plants located in Luzon and Mindanao, with capacities ranging from 20 MW to 70 MW. In addition, AboitizPower entered into an agreement with SN Power AS and PT Energi Infranusantara to participate in the feasibility studies for the exploration and development of a potential 127 MW hydropower generation project along the Lariang River in Central Sulawesi, Indonesia. The project company, PT Auriga Energi, was awarded the basic license to develop the project and pre-feasibility studies are currently taking place.

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

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

Food

The Food Group, through PFC, is strategically positioned as a manufacturer and producer. Given the trend of rising protein consumption globally, it is building a comprehensive animal nutrition platform in Asia. This requires having a good base of products and services that facilitates creation of a portfolio of offerings that will serve both existing and future customers and markets. Similar to the Company's other business segments, the Food Group utilizes a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

As part of the Food Group's overseas strategy, the recent acquisition of the Gold Coin Group has allowed the Food Group to expand its customer base and geographic reach. The Company believes that the Food Group is now the fourth largest animal feed manufacturer in Southeast Asia, and is present in 11 countries across the Asia-Pacific. The Gold Coin Group's position provides the Food Group a foothold in these regional markets to explore opportunities down the value chain. Geographic expansion also provides the Food Group and the rest of AEV's businesses access to local or regional information for potential expansion opportunities. The Food Group looks forward to harnessing synergies in distribution, localized operations, cross-selling, research and development, and raw materials and logistics costs.

Financial Services

UnionBank is currently strengthening its business model by repositioning itself into a digital bank to compete in the evolving banking landscape. In August 2017, it launched UnionBank Online, its retail mobile banking app that offers a wide range of banking services, including digital account opening and mobile check deposit. In September 2017, UnionBank introduced "the Ark", the first fully digital bank branch in the Philippines. In May 2019, UnionBank launched "The Portal", its online banking platform for corporates and SMEs, allowing transactions such as electronic funds transfer and corporate mobile check deposit. These are part of UnionBank's digital transformation plan that focuses on delivering superior customer experience while at the same time utilizing cost efficiencies.

Through CitySavings and its subsidiaries, UnionBank is also expanding its core business model to the unbanked and underbanked segments of the population (i.e., the portion of the adult population that do not have a formal bank account), currently serviced by fragmented institutions relying on traditional brick-and-mortar and face-to-face delivery segments. UnionBank's approach is to deliver products using innovative technologies to service these segments by upgrading its technology systems in cost-efficient ways. Technology is at the core of its strategy, to the extent where some believe it will evolve into a tech company with an embedded banking experience in the near future.

Recognizing that banking may become an embedded experience in the near future, UnionBank established its technology and innovation arm, UBX PH, to lead its initiatives in building platforms and exploring emerging technologies in the financial space.

Real Estate

AboitizLand's strategy has been looking to expand outside of Cebu and Metro Manila, and to step up mid-market residential launches. AboitizLand is looking to capitalize on the growing provincial house and lot mid-market, to develop commercial spaces that complement existing residential and industrial communities, and to grow its well-performing industrial business. Moreover, AboitizLand expects to start building recurring income sources focusing on opportunities around current developments, such as microstudio rental apartments strategically located within walking distance of central business districts in Metro Manila developed through its partnership with Point Blue, Inc., a 50/50 joint venture targeting 2,000 units by 2022. Point Blue, Inc. is a company focused on building medium-rise micro studio buildings in key cities within Metro Manila. Furthermore, AboitizLand expects to actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the Lima Technology Center.

Infrastructure

Aboitiz InfraCapital expects to continue to support the government's infrastructure program and submit unsolicited proposals to address the country's pressing infrastructure needs, such as water, airports and other infrastructure. Aboitiz InfraCapital's bulk water project, Apo Agua, was the result of an unsolicited bid. Apo Agua has commenced construction of the Apo Agua Project bulk water facility, which is expected to be completed in 2021. Together with Lima Water Corporation ("Lima Water") and Balibago Water, Aboitiz InfraCapital is now present in all aspects of the water value chain, which includes water supply, distribution and wastewater treatment. Using this water portfolio as a platform, Aboitiz InfraCapital expects to continue to explore unserved or underserved areas within the infrastructure sector for opportunities to enter the water space across the country. To expedite and ensure exploration into new opportunities, the Company will seek to develop strategic partnerships that will complement its existing expertise. Already a strong player in the cement sector, the Republic Cement Group remains committed to building capacity for the country's long-term cement requirements, and expects to upgrade facilities in order to ensure best-in-class efficiency standards.

The Company, through Aboitiz InfraCapital, is looking into the rehabilitation and expansion of regional airports and the construction, operation and maintenance of a network of cellular towers throughout the Philippines that it can lease to telecommunication companies.

Stakeholder Engagement

AEV's second strategic pillar is to maximise shared value for all the entities involved in its business through active stakeholder engagement. Direct, regular, open, and respectful dialogue with key stakeholders is seen as an essential element in developing mutually beneficial and sustainable relationships that help unlock value for all parties.

AEV's mission since its founding has been to create long term value for all its stakeholders. The philosophy of creating shared value is at the core of AEV's fundamentals. AEV believes that the only way for the business enterprise to be truly sustainable and durable for generations to come is if all stakeholders reap rewards from shared value; that AEV's shareholders should not be the only beneficiaries in its value creation efforts.

AEV also aims to drive economic and social development in the areas in which AEV has a presence at a local as well as regional and national level. AEV's goal is to expand its reach to society at large and make its shared value accessible to every household.

Human Capital

AEV's third strategic pillar is to build human capital. This strategy entails strengthening its capability to attract, retain, and optimise top calibre professionals who will not only help manage its businesses, but also work to enhance its capabilities and skills. Talent management and succession planning are at the core of AEV's strategy in relation to human capital.

The Aboitiz Group has always taken pride in leadership excellence across five smooth leadership transitions during the group's history while retaining the simple and entrepreneurial approach that fuelled its expansion. This approach has played an integral part in the continuity of AEV's policies and the execution of its strategic business plans over time. Today, as a new generation of leaders of AEV's business takes shape, its leadership team will seek to continue to produce leaders from within the ranks, having a leadership bench that is capable of stimulating healthy change and progress within the organisation. In building its future leadership team, AEV aims to seek out people who believe in its purpose and brand promise, whose values are aligned with its core values, and who will thrive in its long-standing culture.

Execution Excellence

AEV's fourth strategic pillar is to execute with excellence. AEV defines this strategic pillar by its ability to act in a timely and effective manner. AEV works continuously to enhance its business processes across all corporate service units and SBUs to ensure AEV maintains its competitive edge.

AEV believes that a major component to retain this ability to execute swiftly can be attributed to the leadership of the AEV Board. The Board is composed of highly professional directors that work in an environment of respect and collegiality, where candidness and robust discussions are not only encouraged but are the norm. The Board is comprised of three independent directors, as well as executive and non-executive members who have diverse professional backgrounds, such as economics, corporate finance, engineering, accounting, auditing and investment banking, in addition to experience in the private, government and multilateral agency sectors and other policy-making bodies. AEV's availability to a breadth of expertise provides a unique motor to pivot accordingly to market conditions and policy changes.

AEV has adopted corporate governance best practices and put in place a consistently executed risk management program to satisfy the heightened expectations of its various stakeholders. AEV has been recognised by, among others, the Philippines' Institute of Corporate Directors and the ASEAN Capital Markets Forum as one of the best-managed companies in the Philippines and in the ASEAN region, and is frequently cited for its commitment to good corporate governance.

Sustainability and ESG

Sustainable business practices have enabled the Aboitiz Group to operate commercially for 200 years. A key component of its strategy is to match its business expansion with sustainability initiatives. AEV looks at a triple-bottom line to measure the impact of its activities not only on profit but also on people and the planet. In line with this, it continues to strengthen its commitment to environment, social, and governance (ESG) practices. AEV's goal is to grow profitably, while partnering with its stakeholders to create shared value, and minimizing its environmental impact.

To strengthen ESG governance, ESG was included as a regular Board agenda in 2020. In July 2020, the Board Corporate Governance Committee was renamed the Environment, Social and Corporate Governance Committee to assist the Board in establishing a group-wide integrated approach in addressing its ESG commitments by recommending guidelines and policies related to ESG that are material to the businesses, operations, performance or public image of the Aboitiz Group, and assess current ESG practices with the intention to align with material and emerging ESG principles and best practices.

AEV reports on its areas of focus: team member engagement and development, corporate social responsibility, customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, financial growth, and financial returns. Its report has been prepared in accordance with GRI Standards: Core option. Its key performance indicators are aligned with the United Nations Sustainable Development Goals. AEV was one of the first Philippine businesses to support the United Nations' 17 Sustainable Development Goals. AEV published its first sustainability report in 2009. In the Philippines, less than 22% of publicly listed companies have published a report on sustainability impacts and performances, based on the 2017 Integrated Annual Corporate Governance Reports submitted to the Philippine Securities and Exchange Commission.

DESCRIPTION OF THE ISSUER

Incorporated on September 11, 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on December 29, 1993, and its ownership was opened to the general public through an Initial Public Offering of its common shares in 1994.

In 2013, AEV transferred its corporate headquarters from Cebu to Metro Manila. The transfer, including the corresponding amendment to the Company's corporate documents, was approved by the stockholders during the May 20, 2013 Annual Stockholders' Meeting. AEV's current principal office address is at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. AEV and its Subsidiaries still maintain administrative and liaison offices in Cebu.

As of June 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.08% are owned by directors, officers, and related parties, while the rest are owned by the public.

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

a) Principal Products and Services

As of June 30, 2020, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into five main categories as follows: (a) power distribution, power generation, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; and (e) infrastructure. Principal products and services offered by the AEV's core businesses are discussed per SBU below.

Based on the SEC parameters of what constitutes a significant Subsidiary under Item XX of Annex "B" of SRC Rule 12, AboitizPower is AEV's only significant Subsidiary.

b) Sales

Comparative amounts of consolidated revenues, and profitability of continuing operations are as follows:

(in ₱ millions)	2017	2018	2019	1H 2019	1H 2020
Revenue	₱150,422	₱186,943	₱201,157	₱102,552	₱94,606
Operating Income	₱36,576	₱39,162	₱32,655	₱15,333	₱12,651

The operations of AEV and its Subsidiaries are based largely in the Philippines.

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

Contribution to Revenue

	2017		2018		2019		1H 2019		1H 2020	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Power	119,391	79	131,572	70	125,635	61	63,959	62	53,032	56
Food	26,230	17	50,253	27	74,466	36	36,617	36	39,989	42
Financial Services	742	1	645	0	-	0	-	0	-	0
Real Estate	3,674	2	4,001	2	4,196	2	1,427	1	1,147	1
Infrastructure	34	0	96	0	96	0	46	0	42	0
Others	1,647	1	1,819	1	1,550	1	665	1	508	1
	151,718	100	188,386	100	205,943	100	102,714	100	94,718	100

Eliminations	(1,297)		(1,443)		(4,785)		(162)		(112)	
Total	**150,422**	**100**	**186,943**	**100**	**201,157**	**100**	**102,552**	**100**	**94,606**	**100**

Note: *Percentages refer to the business group's share in the total net revenue for a given year. The revenues of associates do not form part of the Group's consolidated revenues. For additional details on the income contributions of all business segments/groups to AEV, please refer to Business Segment Information of the Notes to the Consolidated Financial Statements.*

c) Distribution Methods of the Product or Services

At the parent company level, AEV offers corporate center services to its Subsidiaries and Associates to enable the Group to realize cost synergies. AEV has service contracts that may include human resources, internal audit, legal, treasury and corporate finance, among others. The parent company maintains a pool of highly qualified professionals with business expertise specific to the businesses of the Aboitiz Group.

AEV's Business Units have their respective distribution methods of products and services. Please refer to the discussion on distribution methods of each SBU.

d) New Products/Services

With innovation being one of its core values, the Aboitiz Group is always on the lookout for new and efficient ways to provide service to its shareholders and customers.

AEV's Business Units have their own innovative products and services. Please refer to the discussion on new products and services of each SBU.

e) Competition

At the parent company level, AEV has no direct competitors. However, for reference purposes, other holding and management companies listed in the PSE can be used for comparison.

AEV's Business Units are subject to significant competition in the industry segments of which they operate. Please refer to the discussion on competition of each SBU.

f) Sources of Raw Materials

AEV's Business Units have their respective sources of raw materials and are not dependent upon one or a limited number of suppliers for essential raw materials. Please refer to the discussion on sources of raw materials of each SBU.

g) Major Customers

As a holding company providing management services, AEV's principal customers are its Subsidiaries and Associates.

AEV's Business Units have their respective major customers. Please refer to the discussion on major customers of each SBU.

h) Transactions with and/or Dependence on Related Parties

AEV and its Subsidiaries, in their regular conduct of business, have entered into related party transactions consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are made on an arm's length basis.

ACO and certain associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. These services are obtained from AEV and AboitizPower to enable the AEV Group to realize cost synergies. The parent companies maintain a pool of highly qualified professionals with business expertise specific to the businesses of the AEV Group. Transactions are priced on an arm's length basis, and covered with service level agreements to ensure quality of service.

ACO and certain associate companies lease office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts with three-year periods.

The AEV Group has cash deposits and money market placements with UnionBank and CitySavings, AEV's banking Associates. These are earning interest at prevailing market rates.

Power generation Subsidiaries sell to certain power associates based on their respective power supply agreements. Meanwhile, power distribution Subsidiaries purchase from certain generation associates based on existing power purchase agreements.

A wholly-owned construction and steel fabrication subsidiary of ACO renders its services to the AEV Group for the construction of a new power plant.

The Company's retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by ACO. The Fund has investments in the equity of one of its subsidiaries.

The above related party transactions are discussed extensively in the audited financial statements of AEV.

No other transaction, without proper disclosure, was undertaken by AEV 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.

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

AEV's RPT Committee has the mandate to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary. AEV's current RPT Policy continues to ensure that RPTs are conducted at arms-length and at market prices, and underwent the appropriate approval process.

i) Patents, Copyrights, and Franchises

AEV 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 which AEV and its Subsidiaries have filed with the Philippine Intellectual Property Office (IP Office) and intellectual property offices abroad.

Philippine IPO

Trademarks	Owner	Registration No. / Date Issued	Description	Status
Driven to Lead. Driven to Excel. Driven to Serve. word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2012-001132 June 21, 2012	Application for the word mark "Driven to Lead. Driven to Excel. Driven to Serve."	Registered.
Aboitiz word mark (Class Nos. 30, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2018-018635 March 17, 2019	Application for the word mark "Aboitiz".	Registered.
Aboitiz word mark (Additional activities under Class Nos. 36, 37)	Aboitiz Equity Ventures Inc.	04-2019-000086	Application for the word mark "Aboitiz" to cover additional services under Class Nos. 36 and 37.	Registered.
Advancing Business and Communities Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021743	Application for the device mark "Advancing Business and Communities", with color claim.	Registered.
Aboitiz Equity Ventures word mark (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021492	Application for the word mark "Aboitiz Ventures".	Registered.
Aboitiz Equity Ventures Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021742 October 6, 2019	Application for the device mark "Aboitiz Equity Ventures", with color claim.	Registered.
A Future Built By You (Class No. 35)	Aboitiz Equity Ventures Inc.	4-2019-003834 August 8, 2019	Application for the mark "A Future Built By You".	Registered.
Aboitiz & Device – Black (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012408 September 24, 2007	Application for the device mark "Aboitiz (Black)".	Registered.
Aboitiz & Device – Red (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012409 September 24, 2007	Application for the device mark "Aboitiz (Red)".	Registered.
Passion for better ways word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012413 September 24, 2007	Application for the word mark "Passion for better ways".	Registered.

International Trademarks Application (Madrid Protocol)

Trademarks	Owner	Country of Application	Status
Aboitiz (Word Mark) (#1504418) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	WIPO	Registered.

AEV and its Subsidiaries have other pending trademark applications under the Madrid Protocol for the following countries: Brunei, China, Indonesia, Cambodia, Laos, Singapore, Thailand, and Vietnam.

j) Government Approvals

AEV and its Subsidiaries rely on government approvals relative to the industries in which they operate. The discussion on the need of any government approval for principal products or services of AEV and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in the discussion of each SBU below.

h) Effect of Existing or Probable Governmental Regulations

AEV and its Subsidiaries are subject to the laws generally applicable to all Philippine corporations, such as corporation law, securities law, tax laws, and the Local Government Code. All Philippine corporations are also subject to labor laws and social legislation, including Republic Act (RA) No. 11199 or the Social Security Act of 2018, RA No. 10606 or the National Health Insurance Act of 2013, RA No. 11223 or the Universal Health Care Act, RA No. 9679 or the Home Development Mutual Fund Law of 2009, The Philippine Labor Code and its implementing rules, and other labor-related laws, regulations, and DOLE mandated work-related programs.

The Aboitiz Group closely monitors its compliance with the laws and government regulations affecting its businesses. Please refer to the discussion on the effects of existing and/or probable governmental regulations for rules applicable to the individual SBU.

At the Aboitiz Group level, the following are the general business regulation framework:

1. Tax Reform for Acceleration and Inclusion Law

RA No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN Law") was signed into law by President Rodrigo Roa Duterte on December 19, 2017, and took effect on January 1, 2018. Its declared policies are to: (a) enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth; (b) provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) ensure that the government is able to provide better infrastructure, health, education, jobs, and social protection for the people.

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

Furthermore, the TRAIN Law repeals Section 9 of RA No. 9511 or the National Grid Corporation of the Philippines Act, which removes VAT exemptions on transmission charges and sale of electricity by cooperatives duly registered under the Cooperative Development Authority (CDA).

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

Finally, the TRAIN Law doubled the documentary stamp tax (DST) on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance, fidelity bonds, other insurance, indemnity bonds, and deeds of sale and conveyance remain unchanged.

The TRAIN law is the first package of the Comprehensive Tax Reform Program of the Duterte Administration.

In addition, House Bill No. 4157, referred to as the Corporate Income Tax and Incentive Rationalization Act ("CITIRA Bill" or "Package 2") was passed and approved on third and final reading in the House of Representatives on September 13, 2019. The CITIRA Bill is the result of the re-filing of the Tax Reform for Attracting Better and Higher Quality Opportunities (TRABAHO) Bill from the previous 17th Congress. The bill also seeks to reform the country's fiscal incentives to make it performance-based, targeted, time-bound, and transparent. This means that incentives will be granted based on the number and quality of jobs that will be created, the investments made on research and development and skills training, the capital invested for countrywide infrastructure development, among other criteria. A counterpart bill (Senate Bill No. 1357) is currently pending second reading in the Senate.

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

1. An immediate five percentage point cut in the corporate income tax rate starting July 2020;
2. Maintaining for up to nine years the status quo for registered business activities enjoying the five percent tax on gross income earned incentive; and
3. More flexibility for the President to grant a combination of fiscal and non-fiscal incentives.

Further, the 4th package of the Tax Reform for Acceleration and Inclusion ("TRAIN Package 4") or House Bill No. 304, also known as the Passive Income and Financial Intermediary Taxation Act ("PIFITA"), has introduced reforms to the taxation of passive income, financial intermediaries, and financial transactions. One of the reforms introduced is the unification the tax rates of passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing from 20%) on interest income, dividends, and capital gains on the sale of shares of stock. On September 9, 2019, the House of Representatives passed House Bill ("HB") No. 304, or Package 4 of the TRAIN Bill, on its third reading.

Before HB No. 304 can become effective, it needs to be considered and approved by the Senate, which may impose revisions.

2. Revised Corporation Code

RA 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are:

a) Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
b) A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
c) Banks, quasi-banks, pawnshops, non-stock savings and loan associations (NSSLA), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in

accordance with the Securities and Regulation Code The Philippines is party to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, a judgment or final order of a foreign court is, through the institution of an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.

d) The Code allows the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
e) Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
f) The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
g) As to the filing of the by-laws and any amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.
h) A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Philippine SEC approves any merger or consolidation; or any voluntary dissolution.
i) In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

The Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

3. The Philippine Competition Act

RA No. 10667 (the Philippine Competition Act) was signed into law on July 21, 2015 and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission ("PCC"), an independent quasi-judicial agency to be composed of five commissioners. Among the PCC's powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

The Philippine Competition Act also introduces the pre-notification regime for mergers and acquisitions, which requires covered transactions to be notified to the PCC for its approval.

On June 3, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act ("IRR"). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion (Size of Party) and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR (Size of Transaction); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The PCC also has released its "Guidelines on the Computation of Merger Notification Thresholds", providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to the PCC.

On March 1, 2018, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1 billion for both the Size of Person and Size of Transaction tests to ₱5 billion for the Size of Person and ₱2 billion for the Size of Transaction as defined in the Implementing Rules and Regulations (IRR). In addition, parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2 billion.

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 IRR, as amended, shall be automatically adjusted commencing on 1 March 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%.

The new thresholds for the notification requirements as provided in PCC Resolution No. 02-2020, effective March 1, 2020, are as follows:

Test	Old Threshold	New Threshold (effective March 1, 2020)
Size of Person Test	₱5.6 billion	₱6 billion
Size of Transaction Test	₱2.2 billion	₱2.4 billion

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 ₱6 billion instead of ₱5.6 billion. 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 ₱2.4 billion instead of ₱2.2 billion. Both thresholds must be breached in order for the compulsory notification requirement to apply. As to joint venture transactions, notification is mandatory if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. The new thresholds will not apply to (a) transactions already pending review with the PCC, (b) notifiable transactions consummated before March 1, 2020, and (c) transactions already decided by the PCC.

Violations of the Philippine Competition Act and its IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1 to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, the PCC published the 2017 Rules of Procedure (“Rules”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On September 10, 2019, the Supreme Court issued A.M. No. 19-08-06-SC, or the *Rule on Administrative Search and Inspection under the Philippine Competition Act* (“Search and Inspection Rule”). The Search and Inspection Rule governs the application, issuance and enforcement of an inspection order in relation to administrative investigations of alleged violations of the Philippine Competition Act, its implementing rules and regulations, and other competition laws.

Pursuant to Bayanihan 2 Act, which was signed into law on September 11, 2020, all mergers and acquisitions with transaction values below ₱ 50 billion shall be exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two (2) years from the effectivity of Bayanihan 2 Act. Further, such mergers and acquisitions shall also be exempt from the PCC’s power to review mergers and acquisitions motu proprio for a period of one (1) year from the effectivity of Bayanihan 2 Act.

4. Foreign Investments Act of 1991

RA No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 ("FIA"), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the "Negative List"). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

a) a citizen of the Philippines;
b) a domestic partnership or association wholly-owned by citizens of the Philippines;
c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
d) a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa*(G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the

"Narra Nickel Case"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

5. Data Privacy Act of 2012

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) 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 is collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its IRR took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the NPC. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

In 2017, the Company launched its data privacy compliance program which includes the implementation of Information Security Management System (ISMS) for the entire Aboitiz Group. In the last years, the Group and its Business Units have been able to establish a fundamental awareness of data privacy principles, including ISMS philosophies, through the development and implementation of Data Privacy Policies, manuals, and supporting guidelines. The Aboitiz Group has since begun to build each SBU's business continuity resilience, especially with regard to Information Security and Data Breach Management.

6. Registration under the BOI

Under the Executive Order (EO) No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday; (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

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

STRATEGIC BUSINESS UNITS ("SBU(s)")

POWER

AEV's power Business Unit, AboitizPower was incorporated on February 13, 1998 in Cebu City, Philippines as a private holding company.

AboitizPower through its Subsidiaries, joint ventures, and Associates, is a leading player in the Philippine power industry with interests in privately-owned generation companies, RES services, and distribution utilities throughout the Philippines, from Benguet in the north to Davao in the south.

AboitizPower's portfolio of power generating plants consist of a mix of renewable and non-renewable sources and of baseload and peaking power plants. This allows the Company to address the 24-hour demand of the country with its coal and geothermal plants handling base-load demand, while the hydropower, solar, and oil-based plants handle intermediate to peaking demand. Most of these plants are also capable of providing ancillary services, which are also critical in ensuring a reliable grid operation. Based on ERC Resolution No. 02-2020, dated March 12, 2020, its generation companies have an installed capacity which is equivalent to a 16% market share of the national grid's installed generating capacity. AboitizPower is on track to meet its 2020 target of 4,000 MW net attributable capacity. By year end, AboitizPower expects to own 4,432 MW of attributable capacity, with the entry of GNPower Dinginin Ltd. Co.'s Units 1 and 2, both units of which are under construction. AboitizPower's renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. (ARI) and its Subsidiaries and joint ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country.

AboitizPower also owns interests in nine Distribution Utilities in Luzon, Visayas, and Mindanao, including Visayan Electric and Davao Light, the second and third largest distribution utilities in the Philippines, respectively. AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 2,629GWh for the first half of 2020.

The power generation business is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA") and for trading in the WESM. The power distribution business is engaged in the distribution and sale of electricity to end-users through its various distribution utilities, and the RES and Others segment includes retail electricity sales to various off-takers that are considered eligible contestable customers ("Contestable Customers") and provision of electricity-related services, such as installation of electrical equipment. AboitizPower's Subsidiaries engaged in the supply of retail electricity contracted a total of 829 MW as of June 30, 2020, accounting for the second largest share in the open access market.

As of June 30, 2020, AEV owns 77% of the outstanding capital stock of AboitizPower.

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

a) Principal Products and Services

GENERATION OF ELECTRICITY (POWER GENERATION BUSINESS)

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. As of June 30, 2020, the power generation business accounted for 95% 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 June 30, 2020 and full year 2019 compared to the same period in 2018 and 2017:

Generation Companies	Energy Sold				Revenue			
	1H 2020	FY 2019	FY 2018	FY 2017	1H 2020	FY 2019	FY 2018	FY 2017
	(in GWh)				(in million Pesos)			
APRI	1,532	2,968	2,857	2,747	5,720	12,545	12,518	11,645
Sacasun	25	49	41	41	139	269	197	189
Hedcor	45	226	172	162	169	881	694	822
LHC	83	262	291	272	246	787	970	774
Hedcor Sibulan	90	191	213	259	621	1,282	1,385	1,591
Hedcor Tudaya	14	29	32	41	84	172	191	240
Hedcor Sabangan	10	51	53	55	59	300	315	325
Hedcor Bukidnon	115	284	115	-	633	1,605	573	-
SN Aboitiz Power-Magat	671	2,054	2,379	1,324	1,821	6,608	7,182	8,298
SN AboitizPower-Benguet	869	1,975	2,085	989	2,424	6,065	6,070	6,996
TLI	3,148	6,812	6,808	5,126	10,115	25,410	26,603	22,939
TSI	514	1,393	1,959	1,647	3,574	9,099	11,141	10,535
TVI	1,049	1,710	269	-	3,910	6,254	702	-
Cebu Energy	1,014	1,900	1,978	1,724	3,949	8,578	9,724	8,752

STEAG Power	917	1,840	1,840	1,212	2,314	4,791	4,373	4,255
GMCP	2,414	3,909	5,498	5,482	8,545	19,373	23,492	21,644
WMPC	427	638	438	221	728	1,158	1,393	1,439
SPPC	0	0	161	50	0	0	161	524
CPPC	271	550	551	141	521	1,685	1,253	1,484
EAUC	132	383	368	63	299	1,013	819	844
TMI	405	1,200	1,432	182	551	1,865	2,016	2,076
TMO	374	938	814	286	569	1,968	1,694	3,111
Davao Light*	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light*	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral

**Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by ERC. The Davao Light plant has been decommissioned since November 2018.*

Renewables

Aboitiz Renewables, Inc. (ARI)

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998. As of June 30, 2020, AboitizPower's renewable energy portfolio comprises attributable net sellable capacity of approximately 921 MW in operation, divided into 46 MW of solar, 585 MW of hydro, and 290 MW of geothermal.

AboitizPower's investments and interests in various renewable energy projects, including geothermal, large hydro, run-of-river hydro, and solar projects, are held primarily through its wholly-owned Subsidiary, ARI and its Subsidiary power generation companies. ARI was incorporated on January 19, 1995. AboitizPower, through and/or with ARI, owns equity interests in the following Generation Companies, among others:

Generation Company	Percentage of Ownership	Plant Name (Location)	Plant Name (Location)	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet 1-11 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lon-oy, Irisan 1 and 3, and Sal-angan	Run-of-river hydro	51	51	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	5	5	Distribution utility
		Manolo Fortich (Mindanao)	Run-of-river hydro	69	69	FIT
Hedcor Sabangan	100%	Sabangan (Luzon)	Run-of-river hydro	14	14	FIT
Hedcor Sibulan	100%	Sibulan (A, B and Tudaya A) (Mindanao)	Run-of-river hydro	49	49	Distribution utility
Hedcor Tudaya	100%	Tudaya (B) (Mindanao)	Run-of-river hydro	7	7	FIT
Luzon Hydro Corporation	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	70	70	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46	46	Bilateral
	60%	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	53	WESM

SN Aboitiz Power-Benguet		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASPA
SN Aboitiz Power-Magat	60%	Magat (Luzon)	Large Hydroelectric	360	180	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	9	4	FIT*
AESI	100%	ULGPP**strips	Geothermal	40	40	Bilaterals
Total				**1,255***		

Notes:

** Sum figures will differ due to rounding effect.*

*** Unified Leyte Geothermal Power Plant. The contract between AESI with PSALM in respect of the 40MW ULGPP capacity was terminated on 26 October 2019.*

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

LHC, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 70-MW run-of-river hydropower Bakun Plant located in Amilongan, Alilem, Ilocos Sur. LHC was incorporated on September 14, 1994.

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

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

Hedcor, Inc. (Hedcor)

In 2005, ARI consolidated all its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy, into Hedcor. Cleanergy is Hedcor's brand for clean and renewable energy. Hedcor owns, operates, and manages run-of-river hydropower plants in Northern Luzon and Davao City, with a combined net sellable capacity of 36.52 MW.

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

The electricity generated from Hedcor's hydropower plants are taken up by NPC, Adventenergy and Davao Light pursuant to PPAs with the said off-takers. Irisan I sells energy under the Feed-in-Tariff ("FIT") mechanism through a renewable energy payment agreement ("REPA") with the National Transmission Corporation ("Transco"). The remaining electricity is sold through the WESM.

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year. In 2019, Hedcor's hydropower plants generated a total of 964 GWh of Cleanergy.

In 2017, Hedcor broke ground on its Bineng Combination Hydro project in La Trinidad, Benguet. It replaced Bineng 1, 2, and 2B, which originally had a combined capacity of 6 MW, with a new facility that produces 19 MW of hydro power of which 100% is attributable to AboitizPower. The plant commenced commercial operations in July 2019.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 49.23-MW hydropower plants composed of three cascading plants (the "Sibulan Project") located in Santa Cruz, Davao del Sur. The Sibulan Project consists of: Sibulan A Hydro, which produces 16.32 MW; Tudaya 1 Hydro, which produces 6.7 MW; and Sibulan Hydro B which produces another 26.25 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. ERC renewed the Certificates of Compliance (COC) for Tudaya Hydro 1 on March 10, 2014, and for the Sibulan Hydro A and B plants on May 18, 2015. The energy produced by the Sibulan Plants is sold to Davao Light through a PSA signed in 2007. The company was incorporated on December 2, 2005.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 7-MW Tudaya Hydro 2 run-of-river hydropower plant in Santa Cruz, Davao del Sur. The company was incorporated on January 17, 2011.

The Tudaya Hydro 2 plant has been commercially operating since March 2014. Tudaya Hydro 2 is currently selling energy under the FIT mechanism through a Renewable Energy Supply Agreement (RESA) with Davao del Sur Electric Cooperative, and through a REPA with Transco.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

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

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Hedcor Bukidnon, a wholly-owned Subsidiary of ARI, owns, operates, and manages the Manolo Fortich hydropower plants with a combined net sellable capacity of 68.8 MW located in Manolo Fortich, Bukidnon. The company was incorporated on January 17, 2011.

The Manolo Fortich plant is composed of the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2. Both plants produce at least 350 GWh annually, harnessing the power of Tanaon, Amusig, and Guihean rivers. The construction of the Manolo Fortich plant was completed in 2018.

The Manolo Fortich plant is selling under the FIT mechanism through REPAs with various cooperatives and private distribution utilities.

Large Hydros

SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat)

SN Aboitiz Power-Magat owns and operates the 360-MW Magat Plant located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao (the “Magat Plant”), and the 8.5-MW run-of-river Maris Main Canal 1 HEPP located in Brgy. Ambatali in Ramon, Isabela (the “Maris Plant”). The company was incorporated on November 29, 2005.

SN Aboitiz Power-Magat’s Certificate of Compliance (“COC”) was issued in December 2015 and is valid for five years or until November 28, 2020. SN Aboitiz Power-Magat is ARI’s joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa and Latin America. SN Aboitiz Power-Magat is 60% owned by MORE. To date, SN Power Invest Netherlands BV owns the remaining 40% equity interest of SN Aboitiz Power-Magat.

The Magat Plant was completed in 1983 and was turned over to SN Aboitiz Power-Magat in April 2007 after winning a bidding process conducted by PSALM in December 2006. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, which AboitizPower believes gives it a competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs.

On April 25, 2019, ERC certified the Magat Plant’s new Maximum Stable Load (Pmax) at 388 MW. The Magat Plant’s Units 1-4 have been favored for an uprate of 2 MW each—from 95 MW to 97 MW per unit. This means that Magat Plant is capable of producing, under normal to best conditions, its nameplate capacity of 360 MW to 388 MW.

The new Pmax of the four units was based on the capability test conducted by NGCP in 2018. The new technical specifications will be reflected in the Magat Plant’s COC upon its renewal in 2020.

SN Aboitiz Power-Magat is an accredited provider of ancillary services to the Luzon Grid. It sells a significant portion of its available capacity to NGCP, the system operator of the Luzon Grid. SN Aboitiz Power-Magat’s remaining capacity is sold as electric energy to the spot market through WESM and to load customers through bilateral contracts.

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

SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga hydroelectric power complex, which consists of the 105-MW Ambuklao HEPP (the "Ambuklao Plant") and the 140-MW Binga HEPP (the "Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province. SN Aboitiz Power-Benguet is also a joint venture between ARI and SN Power. To date, 60% equity is owned by MORE and 40% equity interest is owned by SN Power. The company was incorporated on March 12, 2007.

The Ambuklao-Binga hydroelectric power complex was turned over to SN AboitizPower-Benguet in July 2008. SN AboitizPower-Benguet began a significant rehabilitation project that restored the Ambuklao

Plant to operating status and increased its capacity from 75 MW to 105 MW when it re-commenced operations in 2011. The Binga Plant also underwent refurbishment that began in 2010 and was completed in 2013. This refurbishment increased Binga Plant's capacity to 125 MW. In March 2017, SN Aboitiz Power-Benguet received its amended COC from ERC for all four units of the Binga Plant. The amended COC reflects the increase of the Binga plant's capacity from 130 MW (35 MW for each of the four units) to 130.08 MW (35.02 MW for each unit). It is capable of generating up to 140 MW. The Ambuklao Plant and Binga Plant sell capacity from spot energy generation and ancillary services to the national transmission system and related facilities that conveys power.

Geothermal

AP Renewables Inc. (APRI)

APRI, a wholly-owned Subsidiary of ARI, is one of the leading renewable power companies in the country. It owns the 234 MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") located in Albay, Laguna, and Batangas, with a potential capacity of 683.3 MW. These geothermal facilities were acquired by APRI from PSALM in July 2008 and were formally turned over to APRI on May 25, 2009.

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

On August 24, 2018, APRI and PGPC signed a Geothermal Resources Supply and Services Agreement ("GRSSA") for the supply of steam and drilling of new production wells for the Tiwi-MakBan Geothermal Facilities. The GRSSA effective date will run until the expiration of APRI's initial DOE operating contracts term on October 22, 2034, thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC has committed to drill at least 12 new production wells over a six-year period to increase steam availability. The GRSSA also provides for more equitable and competitive fuel pricing in the long run.

The Tiwi-MakBan Geothermal Facilities have generally operated at par or better than industry standards. APRI routinely evaluates and implements various projects while improving coordination with PGPC to improve efficiency levels and counteract the challenges of a declining steam supply.

Solar

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

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

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

As of December 31, 2019, the energy generated from the SacaSun Plant benefited more than 6,774 homes within the Visayas Grid and displaced the energy equivalent to 6,365,712 gallons of gasoline or approximately 61,846,065 pounds of coal.

Maaraw San Carlos is the holding company of SacaSun. It was incorporated on April 24, 2015, and is effectively owned by AboitizPower, through its wholly-owned Subsidiaries, ARI and AboitizPower International.

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

APX1 is the project company which, together with APX2 (formerly: Kookabura Equity Ventures, Inc.) (collectively, APX), engage in the business of operating rooftop PV solar systems in the distributed energy space. APX1 and APX2 are wholly-owned Subsidiaries of AboitizPower through ARI. APX1 and APX2 were incorporated in November 2016 and May 2002, respectively.

APX1 is a registered Philippine Economic Zone Authority (PEZA) company, which intends to serve customers operating within PEZA zones.

To date, APX has a total of approximately 4.4 MW of rooftop solar projects operating or under development stage. Notable operational PV solar systems are the 1.508MWp Rooftop PV Solar System at The Outlets @ Lipa for Lima Land, Inc. and the 0.832MWp Rooftop PV Solar System at the PANC Feedmill in Capas, Tarlac.

Renewables Pipeline

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

SN Aboitiz Power-Gen implements the SN Aboitiz Power Group's Business Development Program, which aims to grow the SN Aboitiz Power Group's renewable energy portfolio by looking at potential power projects in the Philippines, primarily within its current host communities in Northern Luzon.

There is a pipeline of projects in various stages from initial prospecting, pre-feasibility, feasibility, construction, including the completed Maris Plant which has since been transferred to SN Aboitiz Power-Magat.

As of the end of 2019, SN Aboitiz Power-Gen's most significant project is the proposed 380-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (which is currently on hold due to market constraints), and the 20-MW Olilicon hydropower plant (the "Alimit Project").

All four of the Indigenous Peoples Organizations that will be impacted by the proposed Alimit hydropower complex have signified their Free and Prior Informed Consent (FPIC) by signing MOAs.

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

Non-Renewable Energy

Therma Power, Inc. (TPI)

AboitizPower's investments and interests in various non-renewable energy projects are held primarily through its wholly-owned Subsidiary, TPI and its Subsidiary power generation companies. TPI was incorporated on October 26, 2007. AboitizPower, through and/or with TPI, owns equity interests in the following Generation Companies, among others:

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Coal Group						
TLI	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/WESM
PEC	50%	Pagbilao 3 (Luzon)	Coal-fired	400	200	Bilaterals
TSI	100%	TSI Plant (Mindanao)	Coal-fired	260	260	Bilaterals
TVI	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/WESM
CEDC	26.4%	Cebu Energy (Visayas)	CFB	216	57	Bilaterals/WESM
GN Power Mariveles	78.32%	Mariveles Project (Luzon)	Coal-fired	632	495	Bilaterals/WESM
STEAG Power	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71	NPC (2031)
Oil Group						
CPPC	60%	CPPC Plant (Visayas)	Bunker-C fired power plant	66	40	Distribution utility
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired power plant	44	44	Bilaterals
SPPC	20%	SPPC Plant (Mindanao)	Bunker-C fired power plant	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
		Power Barge Mobile 2 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted power plant	200	200	Distribution utility
WMPC	20%	WMPC Plant (Mindanao)	Bunker-C fired power plant	100	20	Bilaterals
Cotabato Light	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired power plant	7	7	N/A
			Total	**3,382***	**2,537***	

** Sum figures will differ due to rounding effect*

Oil Group

Therma Marine, Inc. (TMI)

TMI, a wholly-owned Subsidiary of TPI, owns and operates Power Barges Mobile 1 (previously known as PB 118) and Power Barges Mobile 2 (previously known as PB 117), which have a total generating capacity of 200 MW. Power Barges Mobile 1 is currently moored at Barangay San Roque, Maco, Davao De Oro while Power Barges Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte. The company was incorporated on November 12, 2008.

The 192 MW net dependable capacities of TMI are currently fully contracted and sold to various cooperatives, industrial and commercial customers in Mindanao under ESAs, all of which are approved by ERC. TMI is now registered as a WESM Trading Participant beginning January 8, 2020 in anticipation of WESM in Mindanao.

Therma Mobile, Inc. (TMO)

TMO, a wholly-owned Subsidiary of TPI, operates four barge-mounted power plants located at the Navotas Fish Port, Manila, which it acquired on May 27, 2011. The barge-mounted power plants have an installed generating capacity of 231 MW. TMO operates with a net available capacity of 165 MW. The company was incorporated on October 20, 2008.

On January 7, 2019, TMO notified Meralco that it will physically disconnect from Meralco's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC and IEMOP, following applicable legal notice requirements. TMO signed a PSA with Meralco for a term of one year beginning April 26, 2019.

East Asia Utilities Corporation (EAUC)

EAUC, a wholly-owned Subsidiary of TPI, is the owner and operator of a 44-MW Bunker C-fired power plant within MEPZ I, Lapu-Lapu City, Cebu. The company supplies the power requirements of the MEPZ I locators, and began supplying power through the WESM on December 26, 2010 EAUC was incorporated on February 18, 1993.

EAUC has received awards by the DENR-EMB for its commendable role in the Metro Cebu Airshed Governing Board, and by IEMOP for its exemplary compliance in the spot market.

Therma Power-Visayas, Inc. (TPVI)

TPVI, a wholly-owned Subsidiary of TPI, is the project company that was awarded the winning bid for the privatization of the 25.3-hectare Naga Power Plant Complex (NPPC) located at Naga City, Cebu. The company was incorporated on October 8, 2007.

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

On July 16, 2018, PSALM physically turned over the NPPC to TPVI. The plant started commercial operations on August 7, 2020 and was first dispatched based on an offer into the WESM on August 26, 2020.

Cebu Private Power Corporation (CPPC)

CPPC owns and operates a 70-MW Bunker C-fired power plant located in Cebu City. The company was incorporated on July 13, 1994. It is one of the largest diesel-powered plants on the island of Cebu. Commissioned in 1998, the CPPC plant was constructed pursuant to a BOT contract to supply 62 MW of power to Visayan Electric.

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

CPPC entered into a PPA with Visayan Electric that expired in 2013. A new PSA was signed between Visayan Electric and CPPC and is awaiting ERC approval. ERC has allowed Visayan Electric to continue drawing power from CPPC under the same terms and conditions of the expired PPA until ERC approves the new PSA. CPPC has been awarded by IEMOP for its exemplary regulatory compliance in the WESM.

Southern Philippines Power Corporation (SPPC)

SPPC owns and operates a 55-MW Bunker C-fired power plant in Alabel, Sarangani, a town outside General Santos City in Southern Mindanao. The company was incorporated on March 15, 1996.

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

Western Mindanao Power Corporation (WMPC)

WMPC owns and operates a 100-MW Bunker C-fired power station located in Zamboanga City, Zamboanga Peninsula in Western Mindanao. The company was incorporated on March 15, 1996.

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

Coal Group

Therma Luzon, Inc. (TLI)

TLI, a wholly-owned Subsidiary of TPI, is the first IPPA in the country, and assumed the role of the registered trader of the contracted capacity of the 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "Pagbilao Plant"). TLI was incorporated on October 20, 2009.

As the IPPA, TLI is responsible for procuring the fuel requirements of, and selling the electricity generated by, the Pagbilao Plant. The Pagbilao Plant is currently owned and operated by TeaM Energy Corporation (TeaM Energy). Under the IPPA agreement, TLI has the right to receive the transfer of Pagbilao Unit 1 and Unit 2 at the end of the Energy Conversion Agreement. Over the years, TLI's capacity was contracted to various cooperatives, private distribution utilities, directly connected customers, and to affiliate RES.

Pagbilao Energy Corporation (PEC)

PEC owns and operates the 400-MW Unit 3 project within the Pagbilao Power Station, located in Pagbilao, Quezon. PEC is a joint-venture between AboitizPower and TeaMEnergy, through their respective Subsidiaries, TPI and TPEC Holdings Corporation. The Pagbilao Unit 3 Project is not covered by either TLI's IPPA with PSALM or TeaM Energy's BOT contract with NPC/PSALM. Pagbilao Unit 3 commenced operations in March 2018.

Through TPI, AboitizPower has 50% equity interest in PEC, while TPEC Holdings Corporation owns the remaining 50%.

The output of Pagbilao Unit 3 is sold to TLI and TPEC.

Therma South, Inc. (TSI)

TSI, a wholly-owned Subsidiary of TPI, owns and operates the 300-MW (2x150MW) CFB coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur. TSI was incorporated on November 18, 2008. Commercial operations for Unit 1 and Unit 2 began in September 2015 and February 2016, respectively.

TSI contributes to the continuing growing power requirements of Mindanao by providing stable and cost-effective base load power. TSI supplies power to various private distribution utilities and energy cooperatives.

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

Therma Visayas, Inc. (TVI)

TVI is the project company for the construction of the 2x150 MW CFB coal-fired power plant located in Toledo City, Cebu. In May 2014, TVI signed an engineering, procurement, and construction contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc.

AboitizPower, through TPI, effectively owns 80% equity interest of TVI. The remaining 20% is held by Vivant Group.

TVI has PSAs with Visayan Electric and RES affiliates – AESI, AdventEnergy, and Prism Energy, Inc.

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

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

Cebu Energy 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, for the purpose of constructing three units of 82-MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarters of 2010, respectively. Cebu Energy declared commercial operations on February 26, 2011, and is the first commercial clean-coal facility in the country.

To date, Cebu Energy is the owner of the 3x82 MW CFB coal-fired power plant,with the primary purpose of engaging in the business of power generation, wholesale of electric power to NPC, private electric cooperatives, and other entities, and carrying on of all businesses incidental thereto.

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

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)

STEAG Power is the owner and operator of a 210 MW (net) coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The company was incorporated on December 19, 1995. The STEAG Power Plant was built under a BOT arrangement and started commercial operations on November 15, 2006.

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

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

STEAG Power has a 25-year PPA with NPC, which is backed by a Performance Undertaking issued by the Philippine government.

AA Thermal, Inc.

On May 2, 2019, AboitizPower completed its acquisition of 49% voting stake and 60% economic stake in AA Thermal, Inc., AC Energy Inc. (AC Energy)'s thermal platform in the Philippines.

The AA Thermal platform initially consists of AC Energy's limited partnership interests in GMCP and GNPD, where AboitizPower, through TPI, already holds direct partnership interests.

GNPower Mariveles Coal Plant Ltd. Co. (GNPower Mariveles or GMCP)

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

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced on January 29, 2010 and was declared commercially available in 2013.

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

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

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

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

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

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

GNPower Dinginin Ltd. Co. (GNPower Dinginin or GNPD)

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

GNPD started the construction of Unit 1 in September 2016 with target delivery in the second quarter of 2020 for Unit 1. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017 and with expected target delivery in the fourth quarter of 2020. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

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

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

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself. After the restructuring on December 31, 2018, TPI directly owns a 45% partnership interest in GNPD. As of June 30, 2020, AboitizPower owns 72.50% effective partnership interest in GNPD.

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

On December 19, 2019, GNPD became a duly registered personal information controller with NPC.

On December 27, 2019, GNPD renewed its registration with the Freeport Area of Bataan (FAB). As a FAB Registered Enterprise, GNPD is entitled to the incentives granted under Republic Act (RA) No. 9728, the organic law creating the FAB.

Other Generation Assets

Cotabato Light maintains a stand-by 4.45-MW Bunker C-fired power plant capable of supplying approximately 14.16% of its requirements as of December 31, 2019.

Future Projects

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

DISTRIBUTION OF ELECTRICITY (POWER DISTRIBUTION BUSINESS)

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

With ownership interests in nine Distribution Utilities, the Company believes that AboitizPower is currently one of the largest electricity distributors in the Philippines. AboitizPower's Distribution Utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities and five economic zones across Luzon, Visayas and Mindanao.

In 2019, the wholly-owned Distribution Utilities and Visayan Electric undertook a rebranding initiative to modernize the look and feel of the brands and visually show their relation to AboitizPower. The implementation phase for the transition to the rebranded look is currently ongoing, and is expected to be completed by year-end.

The power distribution business' earnings contribution to AboitizPower's business segments in 2019 is equivalent to 24%. The Distribution Utilities had a total customer base of 1,030,726 as of end-2019, compared to 995,828 in 2018, and 954,300 in 2017.

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

Company	Electricity Sold (MWh)				Peak Demand				No. of Customers			
	1H2020	2019	2018	2017	1H2020	2019	2018	2017	1H2020	2019	2018	2017
Davao Light	1,214,855	2,633,920	2,468,192	2,317,985	452	454	421	404	426,616	420,666	404,574	384,434

Cotabato Light	85,937	173,114	165,409	153,973	32	31	31	29	44,088	43,449	41,681	41,110
Visayan Electric	1,561,998	3,500,781	3,159,032	2,938,532	583	601	547	522	455,054	450,088	437,823	422,814
SFELAPCO	336,054	714,948	665,425	623,607	134	140	134	116	113,408	112,091	107,536	101,942
SEZ	123,808	329,633	423,939	517,558	54	62	100	106	3,479	3,473	3,343	3,267
MEZ	45,757	117,433	123,276	114,272	21	22	22	21	87	87	85	83
BEZ	47,165	101,885	100,554	91,273	27	27	27	27	34	34	31	31
LEZ	102,651	249,394	224,175	197,908	48	44	39	33	854	834	755	619
MVEZ	41	51	N/A	N/A	0.07	0.06	N/A	N/A	5	4	N/A	N/A
Total	**3,518,266**	**7,821,159**	**7,330,002**	**6,955,108**	**1,350**	**1,382**	**1,320**	**1,258**	**1,043,625**	**1,030,726**	**995,828**	**954,300**

Visayan Electric Company, Inc. (Visayan Electric)

Incorporated on February 22, 1961, Visayan Electric is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales. Visayan Electric supplies electricity to a region covering 674 square kilometers (sq. kms.) in the island of Cebu with a population of approximately 1.7 million. Visayan Electric has 19 power substations and one mobile substation that serve the electrical power needs of various cities, municipalities, and barangays in the island and province of Cebu.

Visayan Electric, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The franchise has been renewed in September 2005 for a period of 25 years or until September 2030.

As of 2019, Visayan Electric's total systems loss is at 6.00%. This includes a feeder loss level of 4.38%., which is below the government-mandated feeder loss cap of 6.25%.

By June 2020, Visayan Electric's systems loss is at 6.12%. This includes a feeder loss of 4.46%.

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

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

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Davao Light's franchise area covers various cities and municipalities in Davao, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms.

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

52.29% of Davao Light's power supply mix is from renewable energy sources, including NPC-PSALM, Hedcor Sibulan, and Hedcor's Talomo plant.

In 2019, Davao Light has upgraded certain substations and its associated 13.8 kV distribution feeders, as well as various distribution lines in different zones in Davao City. This is to increase capacity, reliability, and flexibility in the sub-transmission and distribution network of Davao Light's franchise and cater to the growing power demand of customers and the thriving economy. The company has also completed the construction and upgrade of a total of 8.2 circuit kilometers of 13.8 kV line and 6 circuit kilometers of 69 kV line. Its Underground Distribution System (UDS) project, which was started in 2019, is slated for completion by 2020.

The growth in demand resulted in total sales of 2,633,920 MWh as of December 2019. Davao Light recorded a total growth in energy sales for 2019 of 6.71% and increase of demand of 7.73%. During the first half of 2020, however, total sales of 1,214,855 MWh was 4% lower versus the same period 2019 due to the COVID-19 pandemic. Likewise, energy sales in pesos for the same comparative periods decreased by 7%.

As of June 30, 2020, Davao Light's systems loss is at 7.37%. This includes a feeder loss of 4.19%, which is below the government-mandated feeder loss cap of 6.25%. .

AboitizPower has a 99.93% equity interest in Davao Light.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Sultan Kudarat, Maguindanao, with a land area of 191 sq. kms. Incorporated in April 1938, Cotabato Light's original 25-year franchise was granted by the Philippine Legislature through RA No. 3341 in June 1939. The most recent renewal of the franchise was in June 2014, for another 25 years or until 2039.

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 14.16% of its franchise area requirements. The standby power plant, capable of supplying electricity in cases of supply problems with its power suppliers or NGCP and for the stability of voltage whenever necessary, is another benefit available to Cotabato Light's customers.

As of June 30, 2020, Cotabato Light's systems loss is at 8.36%. This includes a feeder loss of 7.69%, which is above the government-mandated feeder loss cap of 6.25%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

AboitizPower directly owns 99.94% equity interest of Cotabato Light.

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

SFELAPCO was incorporated on May 17, 1927 and was granted a municipal franchise in 1927. The most recent renewal of its franchise was in March 2010 for a period of 25 years.

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. As of December 31, 2019, it includes 597.466 and 997.026 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. SFELAPCO supplies various barangays in certain cities and municipalities of Pampanga.

As of June 30, 2020, SFELAPCO's systems loss is at 4.75%. This includes a feeder loss of 3.30%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower has an effective equity interest of 43.727% in SFELAPCO.

Subic EnerZone Corporation (Subic EnerZone)

On June 3, 2003, Subic Enerzone was incorporated as a joint venture owned by a consortium including Davao Light, AEV, and SFELAPCO, among others, to undertake management and operation of the SBFZ power distribution utility.

As of June 30, 2020, Subic EnerZone served a total of 3,479 customers, consisting of 102 industrial locators, 1,264 commercial locators, 1,991 residential customers, 103 streetlights and 19 industrial locators under RES.

As of June 30, 2020, Subic EnerZone's systems loss is at 3.20%. This includes a feeder loss of 2.97%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower owns, directly and indirectly through Davao Light, a 99.98% equity interest in Subic EnerZone.

Mactan Enerzone Corporation (Mactan Enerzone)

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

Mactan Enerzone sources its power from SN Aboitiz Power-Magat and Green Core Geothermal Incorporated pursuant to a CSEE.

As of June 30, 2020, Mactan Enerzone served a total of 53 captive industrial locators, 28 captive commercial locators, and 6 industrial locators under RES.

As of June 30, 2020, Mactan Enerzone's total systems loss is at 0.96 %. This includes a feeder loss of 0.43%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower owns a 100% equity interest of Mactan Enerzone.

Balamban Enerzone Corporation (Balamban Enerzone)

Balamban Enerzone was incorporated in February 2007 when CIPDI, a joint venture between AboitizLand and THC, spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries located in Balamban, Cebu.

As of June 30, 2020, Balamban Enerzone served a total of 16 captive industrial customers, 12 captive commercial customers, and 6 contestable industrial customers.

As of June 30, 2020, Balamban Enerzone's total systems loss is at 0.43%. This includes a feeder loss of 0.17%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower directly owns a 100% equity interest of Balamban Enerzone.

Lima Enerzone Corporation (Lima Enerzone)

Lima Enerzone was incorporated as Lima Utilities Corporation on June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply.

As of June 30, 2020, Lima Enerzone served a total of 90 captive industrial locators, 13 captive commercial locators, 729 captive residential customers, 8 street lamps, and 18 industrial locators under RES.

As of June 30, 2020, Lima Enerzone's total systems loss is at 5.17%. This includes a feeder loss of 0.62%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower directly owns a 100% equity interest of Lima Enerzone.

Malvar Enerzone Corporation (Malvar Enerzone)

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

As of June 30, 2020, Malvar Enerzone served a total of 2 captive industrial locators, and 2 captive commercial locators.

As of June 30, 2020, Malvar Enerzone's total systems loss is at 8.3%. This consists of a feeder loss of 8.3%, which is above the government-mandated feeder loss cap of 6.25 % due to the ongoing substation construction and very low load factor for all locators in LISP IV.

AboitizPower directly owns a 100% equity interest of Malvar Enerzone.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES (RETAIL ELECTRICITY SUPPLY BUSINESS)

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

Aboitiz Energy Solutions, Inc. (AESI)

AESI is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES valid until October 28, 2022. The company was incorporated on August 11, 1998.

At the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers. As of June 2020, AESI supplied retail electricity to a total of 201 customers, with total energy consumption of 956.13mn kWh.

AboitizPower owns a 100% equity interest of AESI.

Adventenergy, Inc. (AdventEnergy)

AdventEnergy was specifically formed to serve Contestable Customers who are located in economic zones.

AdventEnergy differentiates itself from competition by sourcing most of its electricity requirements from a renewable source. As a result, an increasing number of companies are opting to source a part, if not the majority, of their electricity supply from AdventEnergy as an environmental initiative.

As of June 2020, AdventEnergy supplied retail electricity to 67 customers with a total consumption of 501.28mn kWh.

AboitizPower owns a 100% equity interest of AdventEnergy.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009 as a joint venture between AboitizPower and Vivant Corporation. It was granted a license to act as a RES valid until May 22, 2022.

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

As of June 30, 2020, Prism Energy supplied retail electricity to 43 customers with a total energy consumption of 94.51mn kWh.

AboitizPower directly owns a 60% equity interest in Prism.

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

SN Aboitiz Power-RES is the retail arm of the SN Aboitiz Power Group. SN Aboitiz Power-RES is a joint venture between ARI and SN Power. To date, its 60% equity interest is owned by MORE with the remaining 40% owned by SN Power Philippines.

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

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

b) Sales

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

Comparative amounts of revenue, profitability and identifiable assets as of June 30, 2020 are as follows:

	2020	2019	2018
Gross Income	₱53,032	₱63,9592	₱65,265
Operating Income	11,036	13,991	16,818
Total Assets	**₱415,571**	**₱404,549**	**₱373,712**

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

Comparative amounts of revenue contribution and corresponding percentages to total revenue by business group as of June 30, 2020 are as follows:

	2020		2019		2018	
Power Generation	₱35,622	55%	₱42,709	53%	₱40,970	53%
Power Distribution	21,189	33%	23,700	29%	23,157	30%
Retail Electricity Supply	7,449	11%	13,008	16%	12,281	16%
Services	933	1%	1,648	2%	1,501	2%
Total Revenue	**65,192**	**100%**	**81,066**	**100%**	**77,909**	**100%**
Less: Eliminations	(12,161)		(17,107)		(12,644)	
Net Revenue	**₱53,032**		**₱63,959**		**₱65,265**	

Note: Values are in Million Pesos.

c) Distribution Methods of the Product or Services

POWER GENERATION BUSINESS

The AboitizPower's Generation Companies sell their capacities and energy through bilateral PSAs, private distribution utilities, electric cooperatives, RES, or other large end-users; and through the WESM. There are also Subsidiaries and Affiliates selling ancillary services through ASPAs with NGCP. The majority of AboitizPower's generation companies have transmission service agreements with NGCP for transmission of electricity to the Grid.

POWER DISTRIBUTION BUSINESS

Ancillary Services are necessary to help ensure a reliable and stable Grid, which co-exist with the energy market or WESM. NGCP signs ASPA with qualified generators to fulfill specific ancillary service requirements per Grid. Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, and TLI have ASPAs with NGCP. The SN Aboitiz Power Group delivers regulating, contingency, and dispatchable reserves, blackstart service and reactive power support, through its three power plants, namely Ambuklao Plant, Binga Plant, and Magat Plant. TLI's Pagbilao plants are also delivering contingency reserves to the Luzon Grid under its ASPA. On March 26, 2018, ERC approved TMI's ASPA with NGCP for a maximum period of five years. TMI provides both contingency and dispatchable reserves to the Mindanao Grid on a non-firm basis.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, Hedcor Sabangan, and Hedcor Manolo Fortich 1 plants, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river HEPPs. Hedcor, Hedcor Tudaya, Hedcor Sabangan, and Hedcor Bukidnon, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-All Administrator, for the collection and payment of the FIT. The power generated by Hedcor Tudaya 2 is covered by a RESA. Currently, Hedcor Bukidnon and Hedcor are applying for FIT eligibility of the 27.38MW Manolo Fortich 2 and 20.4MW La Trinidad Project plants, respectively.

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

With the exception ofMalvar Enerzone, all of AboitizPower's Distribution Utilities have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities to receive power from PSALM to their respective independent power producers to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by ERC.

RETAIL ELECTRICITY SUPPLY BUSINESS

AboitizPower's wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI maintain a portfolio of energy-based supply contracts from renewable and non-renewable sources to secure reliable and affordable electricity for its customers. These electricity supply contracts involve a mix of fixed rate and margin based electricity fees that are updated year on year to ensure that supply is maintained at competitive rates.

d) 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.

e) Competition

POWER GENERATION BUSINESS

AboitizPower continues to face competition in both the development of new power generation facilities and the acquisition of existing power plants. Competition for financing these activities, as well as the demand for use of renewable energy sources, remains to be a challenge to AboitizPower's growth and portfolio of assets.

The continued robust economic growth of the Philippine economy, the presence of a market to sell, such as WESM, and the country's growing energy needs have attracted many competitors, including multinational development groups and equipment suppliers, to explore opportunities in electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

In particular, AboitizPower is expected to face competition from leading multinationals such as AES Corporation, TeaM Energy, The Electricity Generating Public Company Limited (EGCO), and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power Corporation, AC Energy, First Gen Corporation, DMCI Holdings, Inc., Meralco PowerGen Corporation, and SMC Global Power.

With the commencement of retail competition and Open Access, these foreign and local generation companies have already set up their own RES business, which include Direct Power RES, and Ecozone Power Management Inc. RES. Of these, the largest player in terms of number of registered Contestable Customers is MPower RES.[4] The main strength of this largest player is its association with the country's largest distribution utility, MERALCO, and the goodwill that comes from its size and dominance.

POWER DISTRIBUTION BUSINESS

[4]Based on ERC's Competitive Retail Electricity Market Report released in July 2020.

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

RETAIL ELECTRICITY SUPPLY BUSINESS

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of June 2020, there are 40 RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share at 33.62%. The Aboitiz Group, through its RES companies, has the second-largest market share at 20.56%,[5] with contracted capacity of 829.24 MW[6] as of June 2020.

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

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.

f) Sources of Raw Materials and Supplies

POWER GENERATION BUSINESS

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

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

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

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

TLI has long-term coal supply contracts for the Pagbilao Plant annual coal requirements. Nevertheless, it is continuously looking for and evaluating other coal sources to diversify sources and ensure security of supply.

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[5]Excluding SFELAPCO which is 20.284% owned by AboitizPower.

[6] Excluding SFELAPCO which is 20.284% owned by AboitizPower.

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

POWER DISTRIBUTION BUSINESS

The rates at which the Distribution Utilities purchase electricity from affiliated Generation Companies are established pursuant to bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with a Distribution Utility. These agreements are entered into on an arms'-length basis, on commercially reasonable terms, and are approved by ERC. ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from affiliated Generation Companies.

To address long-term power supply requirements, Davao Light and Cotabato Light entered into 25-year PSCs with TSI for 100 MW and 5 MW, respectively, and started drawing their contracted capacity in September 2015. In June 2016, Davao Light and TSI filed a Joint Manifestation with ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a 10-year PSC with San Miguel Consolidated Power Corporation (SMCPC) for a supply of 60MW in 2016. SMCPC began supplying the 60-MW contracted capacity in February 2018. Davao Light also renewed its Contract to Supply Electric Energy (CSEE) with PSALM for a period of three years from 2018, 2019, and 2020 for 133 MW, 140 MW and 140 MW, respectively. To cover its peak demand requirement for 2018 to 2021, Davao Light has Non-Firm ESAs with TMI and WMPC for up to 45MW and 60MW, respectively.

To address long-term power supply requirements, Visayan Electric entered into a 25-year Electric Power Purchase Agreement (EPPA) with CEDC in October 2009 for the supply of 105 MW. In December 2010, Visayan Electric signed a five-year PSA with GCGI for the supply of 60 MW at 100% load factor which was extended for another ten years in October 2014. Visayan Electric also has a PPA with CPPC which expired in 2013. A new PSA has since been signed is pending for ERC approval. ERC has allowed Visayan Electric to continue drawing power from CPPC under the same terms and conditions of the expired PPA until ERC approves the 2013 PSA. Visayan Electric also has a 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Malvar Enerzone has a power supply contract with Batangas II Electric Cooperative, Inc. to meet the ecozone's power requirements until its electricity demand is stable.

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

Transmission Charges

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

Distribution Utility	Valid until

Davao Light	January 25, 2024
Lima Enerzone	July 25, 2022
Mactan Enerzone	January 25, 2020*
Balamban Enerzone	January 25, 2020*
SFELAPCO	December 25, 2023
Cotabato Light	August 25, 2023
Visayan Electric	January 25, 2024
Subic Enerzone	August 25, 2023

** Ongoing applications with NGCP for renewal of their TSAs*

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

g) Major Customers

POWER GENERATION BUSINESS

As of June 30, 2020, 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.

POWER DISTRIBUTION BUSINESS

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

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

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government accounts, or special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

RETAIL ELECTRICITY SUPPLY BUSINESS

As of June 30, 2020, AboitizPower's RES business has approximately 339 Contestable Customers with active contracts, from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

h) Patents, Copyrights, and Franchises

POWER GENERATION BUSINESS

Power generation is not considered a public utility operation under RA No. 9136 or the Electric Power Industry Act of 2001 (EPIRA). Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a COC from 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.

Cotabato Light has their own generation facilities and are required under the EPIRA to obtain a COC. Davao Light's generation facility was decommissioned last November 26, 2018. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of ERC.

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

AboitizPower, its Subsidiaries, and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by DOE.

The Generation Companies and Cotabato Light, a Distribution Utility, 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 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 1 – Unit 2			500 kW			
COC No. 16-05-M-00062M*	Hedcor, Inc.	Talomo 2 – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 2 – Unit 2			200 kW			
		Talomo 2 – Unit 3			200 kW			
COC No. 16-05-M-00063M*	Hedcor, Inc.	Talomo 2A – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 2A – Unit 2			200 kW			
COC No. 16-05-M-00064M*	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
COC No. 16-05-M-00065M*	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 3 – Unit 2			960 kW			
COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25 years	May 18, 2015
		Sibulan A – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25 years	May 18, 2015
		Sibulan B – Unit 2			13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	March 10, 2019- March 9, 2024	March 5, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No. 19-03-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro	April 11, 2019-April	March 5, 2019

		Tudaya 2 – Unit 2			2.775 MW	Hydro	10, 2024	
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25 years	September 29, 2015
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ 1,Lapu-Lapu City, Cebu	49.60 MW	Bunker C	June 11, 2018 – June 10, 2023	March 27, 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/ Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
		N/A	Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	November 11, 2015
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018

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

		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23 years	May 4, 2015
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25 years	November 26, 2015
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25 years	November 26, 2015
		Plant C, Unit 6			57 MW			
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	September 1, 2015 - August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	January 19, 2016 - August 31, 2020
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	Septembe r 20, 2019 - Septembe	September 20, 2019

							r 19, 2024	
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		

**Awaiting issuance of renewal of COC from ERC.*

POWER DISTRIBUTION BUSINESS

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

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

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

Distribution Utility	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. (RA No. 9339 was approved on Sept. 1, 2005.)	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years, or from September 24, 2005 to September 24, 2030	
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960 (Lapsed into law September 7, 2000.)	Valid until September 7, 2025
	ERC CPCN Decision dated February 26, 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	

Cotabato Light	RA No. 10637	25 years from effectivity of RA No. 10637, as amended (RA No. 10637 was approved on June 16, 2014.)	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 years, or from June 17, 2014 or until June 16, 2039	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	25 years, or from March 24, 2010 to March 23, 2035	
Subic Enerzone	Distribution Management Service Agreement (DMSA) between Subic Enerzone and joint venture of AEV-Davao Light	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028.

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone which operate the power distribution utilities in MEPZ II, WCIP, LTC, and LISP4 respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

RETAIL ELECTRICITY SUPPLY BUSINESS

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

Trademarks

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

Philippine IPO

Trademarks	Owner	Registration No./Date Issued	Status
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ November 11,2010	Registered.
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ November 11,2010	Registered.
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ November 11, 2010	Registered.
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ February 10, 2011	Registered.
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ January 13, 2006	Registered.
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019	Registered.
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010	Registered.
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11,2010	Registered.

AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011	Registered.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ August 20, 2007	Registered.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ August 20, 2007	Registered.
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007	Registered.
Cotabato Light Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ May 29, 2019	Registered.
Davao Light Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ May 29, 2019	Registered.
Balamban Enerzone Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ May 29, 2019	Registered.
Mactan Enerzone Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ May 29, 2019	Registered.
Lima Enerzone Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ May 29, 2019	Registered.
Malvar Enerzone Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ May 29, 2019	Registered.
Subic Enerzone Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ May 29, 2019	Registered.
Visayan Electric Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ August 29, 2019	Registered.
MORE Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4/2018/00018077 February 21, 2019	Registered.
SN ABOITIZ POWER GROUP Logo (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc.	4/2018/00018076	Registered.
SN ABOITIZ POWER-BENGUET, INC. Logo	SN Aboitiz Power-Benguet, Inc.	4/2014/00005209/ December 29, 2016	Registered.
NURTURE NATURE, NURTURE LIFE Logo	SN Aboitiz Power-Benguet, Inc.	4/2011/00001049/ May 19, 2011	Registered.
SNAP ABOITIZ POWER-MAGAT, INC. Logo	SN Aboitiz Power-Magat, Inc.	4/2014/00005208/ March 9, 2017	Registered.
THE POWER TO MAKE A DIFFERENCE Logo	SN Aboitiz Power-Magat, Inc.	4/2011/001048/ May 26, 2011	Registered.
Logo	SN Aboitiz Power-Magat, Inc.	June 7, 2018/ 4/2017/00018969	Registered.

International Trademarks Application (Madrid Protocol)

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office (WIPO)
AboitizPower Word Mark (Class Nos. 30, 40, 42)	Vietnam
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Indonesia
AboitizPower A Better Future (Class Nos. 39, 40, 42)	World Intellectual Property Office (WIPO)
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Vietnam
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Word Mark	Indonesia

(Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40, 42)	
Cleanergy (Class Nos. 39, 40, 42)	WIPO
Cleanergy (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Got It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Indonesia
AboitizPower	Myanmar
AboitizPower A Better Future	Myanmar
Cleanergy	Myanmar
Cleanergy Get It	Myanmar
Cleanergy Got It	Myanmar

AboitizPower and its Subsidiaries have other pending trademark applications under the Madrid Protocol for the following countries: Brunei, China, Indonesia, Cambodia, Laos, Singapore, Thailand, and Vietnam.

i) Government Approval

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.

j) Effect of Existing or Probable Governmental Regulations

WESM in Mindanao

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

(a) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;
(b) Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by ERC, and trial operations of the WESM, among others;
(c) Conduct of the Trial Operation Program for the WESM;
(d) Automatic termination of IMEM; and
(e) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

WESM in Mindanao was originally targeted to start in October 2018, but was deferred because some conditions precedent for full commercial operations were not yet complied. Trial operations were conducted in 2018 to ensure the readiness of eventual WESM participants in Mindanao. In September 2019, the DOE and the IEMOP announced that commercial operations of the WESM in Mindanao was targeted on January 26, 2020. However, ERC is yet to promulgate the new Price Determination Methodology which is one of the conditions precedent to commence full commercial operations.

Independent Market Operator (IMO)

On February 4, 2018, DOE issued Circular No. DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the WESM. The policy on IMO outlines the mandates of DOE and ERC over the IMO, its guiding principles, composition, including a board composed of at least five members, its functions, WESM's new governing and governance structure, and the conditions for transition.

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

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

Currently, the IEMOP is under legislative review by the House Committee on Energy specifically on its roles and functions as well as the legal basis for its establishment. This is in response to several House Resolutions calling for the review of the IEMOP in aid of legislation.

The DOE conducted a Virtual Public Consultation last 04 September 2020 on the draft Department Circular entitled Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules (Provisions for the Implementation of Independent Market Operator).

Proposed Amendments to the EPIRA

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

(a) Classification of power projects as one of national significance and imbued with public interest;
(b) Exemption from VAT on the sale of electricity by generation companies;
(c) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
(d) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
(e) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
(f) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
(g) Regulation of generation, transmission, distribution, and supply rates to allow Return-on-Rate-Base (RORB) up to 12%;

(h) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
(i) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
(j) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
(k) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the Grid and/or nationally installed generating capacity;
(l) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
(m) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
(n) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
(o) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
(p) Grant of authority for NPC to generate and sell electricity from remaining assets;
(q) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity; and
(r) Creation of a consumer advocacy office under the organizational structure of ERC.
(s) Extension of lifeline rates.

Proposed amendments are still pending in Congress.

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

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

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

The second regulatory period of Cotabato Light ended on March 31, 2013, while that of Visayan Electric and Davao Light ended on June 30, 2014. In addition, the second regulatory period of Subic Enerzone and SFELAPCO ended on September 30, 2015. The reset process for the subsequent regulatory period, however, has been delayed due to the issuance by ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RDWR. Said paper aims to revisit various matters relating to the reset process. ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

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

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

(a) Cotabato Light: April 1, 2017 to March 31, 2021
(b) Davao Light and Visayan Electric: July 1, 2018 to June 30, 2022
(c) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, ERC posted for comments the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on said document.

The reset process for the fourth regulatory period has not yet started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity.

In June 2019, ERC posted for comments its draft Rules for Setting Distribution Wheeling Rates and Issues Paper for the Regulatory Reset of the First Entry Group (MERALCO, Cagayan de Oro Electric and Dagupan Electric). Various public consultations were held in the month of July 2019. However, during the July 29, 2019 PBR public consultation, MSK called the attention of ERC to act first on its 2015 petition on rate methodology before proceeding with the reset process. Thus, ERC put resolving the MSK petition in its priority list and resumed public hearings in September 2019. ERC also conducted Power 101 and PBR briefing sessions to various other consumer groups who said that they cannot intelligently comment on the PBR rules without understanding the concepts.

Due to the rules change on PBR, all AboitizPower Distribution Utilities have not undergone the third regulatory period.

ERC Regulation on Systems Loss Cap Reduction

In April 2018, ERC issued Resolution No. 10, Series of 2018 entitled "A Resolution Clarifying the System Loss Calculation Cap and Providing the Effectivity of the Rules for Setting the Distribution Loss Cap". This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period.

Under the ERC resolution, the DSL cap for private utilities was set at 6.5% for 2018, which shall be reduced gradually on an annual basis until a DSL cap level of 5.50% is achieved by the year 2021. As of 2019, the DSL cap is already set at 6.25%. The aforementioned caps are exclusive of sub-transmission and substation losses. The aforementioned rules also provide for a performance incentive scheme

(PIS), which is a price-linked reward for distribution utilities, with the goal of reducing the DSL passed on to customers and to promote efficiency in distribution systems in the long term.

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

On June 4, 2018, Cotabato Light filed an Application (dated May 18, 2018) for the Individualized Distribution System Loss Cap, requesting, among others, that it be exempted from the 6.5% cap pending the filing and approval of its application for Individualized DSL cap of 7.48% in Technical Loss and 1.77% in Non-Technical Loss and sought approval to use the previous 8.5% DSL cap instead. The case is still pending with ERC to date.

Competitive Selection Process

On June 11, 2015, DOE promulgate Department Circular No. DC2015-06-0008 ("2015 DOE Circular") which mandated all distribution utilities to undergo competitive selection process ("CSP") in securing PSAs after the effectivity of the said circular. The 2015 DOE Circular also authorized ERC to adopt a set of guidelines for the implementation of the CSP. The 2015 DOE Circular took immediate effect following its publication on June 30, 2015.

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, "*A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market*" ("ERC CSP Rules"). This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed CSPs. For PSAs which were already executed but were not yet filed with the ERC and those that were still in the process of negotiation during the time of the effectivity of the ERC CSP Rules, the relevant distribution utility already had to comply with the CSP requirement before its PSA application would be accepted by the ERC. The ERC CSP Rules took immediate effect following its publication on November 7, 2015.

ERC Resolution 13, Series of 2015, was restated in ERC Resolution No. 1, Series of 2016, entitled, "*A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015.*" ERC Resolution No. 1, Series of 2016, extended the date of the effectivity of the CSP requirement from November 7, 2015 to April 30, 2016. It further stated that all PSAs executed on or after the said date would be required, without exception, to comply with the provisions of the ERC CSP Rules.

On February 1, 2018, DOE promulgated DC No. DC2018-02-0003 ("2018 DOE Circular") entitled "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market." Through this Circular, DOE issued its own set of guidelines ("DOE CSP Rules") for the procurement by distribution utilities of PSAs for the Captive Market.

Under the DOE CSP Rules, all PSAs shall be procured through CSP, except for the following instances: (1) generation project owned by the distribution utility funded by grants or donations; (2) negotiated procurement of emergency power supply; (3) provision of power supply by any mandated Government-Owned and Controlled Corporation (GOCC) for off-grid areas prior to, and until the entry of New Power Providers (NPP); and (4) provision of power supply by the PSALM through bilateral contracts. A PSA may also be entered into by direct negotiation if the CSP fails twice. The DOE CSP Rules took effect upon its publication on February 9, 2018.

The validity of ERC CSP Rules and ERC Resolution No. 1, Series of 2016, was challenged before the SC on the ground that ERC, in issuing the said resolutions, amended the 2015 DOE Circular and effectively postponed the date of effectivity of the CSP requirement. Consequently, on May 3, 2019, the SC in the case of *Alyansa Para sa Bagong Pilipinas, Inc. v. ERC (G.R. No. 227670)*, declared the first paragraph of Section 4 of the ERC CSP Rules and ERC Resolution No. 1, Series of 2016, as void *ab initio*. The SC further ruled that all PSAs submitted to ERC on or after June 30, 2015 shall comply with the CSP and that upon compliance with the CSP, the power purchase cost resulting from such compliance shall retroact to the date of the effectivity of the complying PSA, but in no case earlier than June 30, 2015, for purposes of passing on the power purchase cost to the consumers.

Review on Policies relating to Ancillary Services

On December 4, 2019, DOE issued Department Circular No. DC2019-12-0018 entitled "Adopting a General Framework governing the utilization of Ancillary Services (AS) in the Grid" ("AS Circular"). The policy seeks to ensure the reliability, quality and security of the supply of electricity by adhering to principles that will provide the safe and reliable operation of the grid by taking into account the entry of emerging technologies and the intermittency of variable renewable energy generating resources.

Included in the policy is the creation of an Ancillary Services Technical Working Group (AS-TWG) that will render technical assistance and advice to DOE in developing further policies on AS. Among the main functions of the AS-TWG is to review the Philippine Grid Code (PGC) (2016 edition) to address issues on the implementation of new AS categories and Primary Response requirement, and the cost recovery mechanism for the provision of AS. The circular orders the System Operator to ensure optimal procurement of the required Ancillary Services.

Pending the harmonization of AS-related issuances and review of the relevant provisions of PGC 2016, the classification and required levels of AS shall be in accordance with the AS categories prior to PGC 2016.

According to the AS Circular, prior to the commercial operation of the Reserve Market, the SO shall ensure compliance with its obligation to procure the required level and specifications of AS in line with the following:

(a) Regulating, Contingency, and Dispatchable Reserves shall be procured through firm contracts only;
(b) Reactive Power Support AS and Black Start AS shall be procured through firm contracts only; and
(c) The protocol for the central scheduling of energy and contracted reserves in the WESM shall still apply, in accordance with the WESM Rules and relevant Market Manuals.

Energy Efficiency and Conservation Act

RA No. 11285 or the Energy Efficiency and Conservation Act ("ECC") was signed into law on April 12, 2019. This act established a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation, including the promotion of efficient utilization of energy, increase in the utilization of energy efficiency and renewable energy technologies, and delineation of responsibilities among various government agencies and private entities.

Under the law, all government agencies, including government-owned corporations, are directed to ensure the efficient use of energy in their respective offices, facilities, transportation units, and in the discharge of their functions. DOE will also be authorized to develop a Minimum Energy Performance (MEP) standard for the commercial, industrial, and transport sectors, and energy-consuming products including appliances, lighting, electrical equipment, and machinery, among others. DOE is also tasked to prescribe labeling rules for all energy-consuming products, devices, and equipment.

DOE will develop and enforce a mandatory energy efficiency rating and labeling system for energy-consuming products, such as air conditioners, refrigeration units, and television sets, to promote energy-efficient appliances and raise public awareness on energy saving. The law also calls for fuel economy performance labeling requirements for vehicle manufacturers, importers, and dealers. LGUs are tasked to implement the Guidelines on Energy Conserving Design on Buildings for the construction of new buildings.

Under the ECC's IRR dated November 22, 2019, DOE can visit designated establishments to inspect energy-consuming facilities, evaluate energy-management systems and procedures, identify areas for efficiency improvement, and verify energy monitoring records and reports and other documents related to the compliance requirements within office hours and with an authorized representative of the establishment present. The IRR also calls for the commissioning of a certified conservation officer and energy manager to ensure compliance and be responsible for managing energy consumption, administering programs, and other responsibilities under the law.

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

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

Energy Virtual One-Stop Shop Act

RA No. 11234 or the Energy Virtual One-Stop Shop Act (EVOSS Law) was signed into law by President Duterte on March 8, 2019 and became effective on March 29, 2019. DOE issued the IRR for the EVOSS Law on June 24, 2019. Under the EVOSS Law, prospective power generation, transmission or distribution companies can apply, monitor and receive all the necessary permits, and even pay for charges and fees, through the online platform called Energy Virtual One-Stop Shop (EVOSS) once it takes effect, cutting down the lengthy permitting process for the development of power projects. The EVOSS online system will be managed and maintained by DOE, while its operations will be monitored by the EVOSS Steering Committee.

EVOSS applies to all new generation, transmission, and distribution projects throughout the country as well as government agencies and other relevant entities involved in the permitting process. The system provides a secure and accessible online processing system; recognizes the legal effect, validity, and enforceability of submitted electronic documents; and develop an online payment system for all fees for securing permits or certifications. The system enables government agencies involved in pending power projects to operate under a streamlined permitting process utilizing a uniform application template and in compliance with mandated processing timelines as identified in the law. The entire process will be using a system that utilizes electronic documents and monitors permit status via an online system.

The promulgation of the EVOSS law, along with the implementation of the online system it mandates, is expected to substantially hasten the development of power projects. It has the potential to address delays brought about by lengthy government permitting processes and ultimately encourages the private sector to invest more in the power sector.

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

Net Metering

The DOE released a draft department circular entitled "*Prescribing the Policies to Enhance and Facilitate Demand Side Participation to Augment Energy Supply Security Using Renewable Energy*". The policy aims to provide complementary enhancements to the Net-Metering Program arrangements, and introduce new voluntary mechanisms to facilitate participation of Electricity End-Users with RE systems for own use with capacity of above 100 kW to export all or portion of its energy generation during power supply shortages and emergency situations similar to the Interruptible Load Program (ILP) currently employed by the DUs with their consumers during supply shortages. The DOE is still in the process of finalizing the draft department circular.

Reliability Performance Indices

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

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

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

Prescribing Revised Guidelines for Qualified Third Party

On November 22, 2019, DOE promulgated Department Circular No. DC 2019-11-0015 also known as the "Revised Guidelines for Qualified Third Party". The Qualified Third Party (QTP) Guideline Policy is an initiative that was prescribed in the EPIRA, which shall assist the distribution utilities in ensuring and accelerating the total electrification of the country.

The policy provides revisions to the existing guidelines covering the qualifications and participation of QTPs in the provision of electric services to “Unviable Areas” within the respective franchise areas of distribution utilities and electric cooperatives. As part of the Scope of the Revised QTP Guidelines, the policy shall apply to the provision of electricity services in defined as unviable areas, which include unserved and underserved electricity customers, within the franchise areas of distribution utilities.

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

On September 18, 2019, DOE promulgated Department Circular No. DC2019-08-0012 also known as “Providing a Framework for Energy Storage System in the Electric Power Industry”, which governs the regulation and operation of energy storage systems (ESS). The increasing penetration of Variable Renewable Energy (VRE) in the country has prompted the need for the recognition of ESS as one of the technologies to manage intermittent operations of the VRE-generating plants' output thereby ensuring system stability. The issuance of the circular further hastens the entry of Energy Storage Systems as part of the modernization of the Philippine power sector. It finally answers questions relating to who should own and operate energy storage systems in the Philippines. The circular addresses policy gaps by providing a framework for the implementation and roll out of ESS in the country.

The circular applies to power industry participants, including power generation companies owning and/or operating ESS. The covered technologies include battery energy storage system; compressed air energy storage; flywheel energy storage; pumped-storage hydropower; and other emerging technologies that may be identified, qualified, and approved by DOE as ESS. The rules are also applicable to customers and end-users owning and/or operating ESS, which include distribution utilities; and directly connected customers. The circular also applies to qualified third parties; transmission network providers; system operators; market operators; and PEMC.

Guidelines Governing the Green Energy Option Program

On July 18, 2018, DOE issued Department Circular No. DC2018-07-0019 also known as the “Rules Governing the Establishment of the Green Energy Option Program (GEOP) in the Philippines.” This sets the guidelines for consumers or end-users, renewable energy suppliers, and network service providers, among other stakeholders, in facilitating and implementing such energy source under the EPIRA.

GEOP is a renewable energy policy mechanism issued pursuant to the RE Law that provides end-users the option to choose renewable resources as their sources of energy.

Under this issuance, all end-users with a monthly average peak demand of 100kW and above for the past 12 months may opt to voluntarily participate in the GEOP.Those with an average peak demand below 100 kW may also participate in the GEOP, but only after DOE, in consultation with NREB and industry stakeholders, is able to determine that the technical requirements and standards are met by the end-user. End-users with new connections can also opt to participate in the Program and choose renewable energy resources for their energy/electricity needs, provided their average peak demand meets the threshold provided in the GEOP Rules.

The participation of the end-users in the GEOP will be governed by a supply contract between the end-user and the renewable energy supplier, and conform with the ERC rules on distributed energy resources and generation facilities.

GEOP is presently available to end-users in Luzon and Visayas only, until such time that DOE, in consultation with the NREB and industry stakeholders, determines the readiness of the Mindanao market.

Other provisions of the GEOP include the establishment of the GEOP Oversight committee, as well as the ERC issuing regulatory framework particularly in setting the technical and interconnection standards and wheeling fees, to affect and achieve the objectives of GEOP. With regard to the billing mechanism, the GEOP Rules provide that a "dual billing system" may be adopted by the end-user availing of the program.

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

Green Energy Auction Policy

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

Promulgating the Renewable Energy Market Rules

On December 4, 2019, DOE issued Department Circular No. DC2019-12-0016, entitled "*Promulgating the Renewable Energy Market (REM) Rules"*, thereby officially starting the Renewable Portfolio Standards (RPS) compliance process.

The REM Rules establishes the basic rules, requirements and procedures that govern the operation of the Renewable Energy Market, which seeks to:

(a) Facilitate the efficient operation of the REM;
(b) Specify the terms and conditions entities may be authorized to participate in the REM;
(c) Specify the authority and governance framework for the REM;
(d) Provide for adequate sanctions in cases of breaches of the REM Rules; and
(e) Provide timely and cost-effective framework for resolution of disputes among REM Members and the Renewable Energy Registrar ("Registrar").

The REM is a market for the trading of Renewable Energy Certificates (RECs) in the Philippines, intended as a venue for Mandated Participants obligated by RPS to comply with their RPS requirements. REM's objective is to accelerate the development of the country's renewable energy resources.

The RPS Transition Period defines Year 0 as 2018 and the RPS Compliance Year 1 shall be the year 2020, and the intervening period shall be the Transition Period.

The REM Rules will be administered and operated by the Renewable Energy Registrar. Moving forward, operational issues may still arise on who will be the RE Registrar.

Feed-in-Tariff System

Pursuant to the RE Law, the FIT system is an energy supply policy aimed to accelerate the development of emerging renewable energy sources by providing incentives, such as a fixed tariff to be paid for electricity produced from each type of renewable energy resource over a fixed period not less than 12 years.

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

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

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. In Resolution No. 1, Series of 2017, ERC set the degressed FIT rates for hydro and biomass plants at ₱5.8705/kWh and ₱6.5969/kWh, respectively. Through a letter dated February 23, 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until December 31, 2019.

As the fund administrator of the FIT Allowance (FIT-All), TransCo filed the application before the ERC asking for provisional authority to implement a FIT-All rate of ₱0.2278/kWh for CY2020. On January 28, 2020, ERC released a decision authorizing TransCo to collect a FIT-All rate of ₱0.0495/kWh, lower than the applied ₱0.2471/kWh rate for Calendar Year (CY) 2019. Prior to this decision, the last approved FIT-All rate is ₱0.2226/kWh for CY2018.

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

On 4 August 2020, TransCo filed its *Application* for the FIT-All rate of CY2021 of PhP 0.1881/kwh, effective the January 2021 billing period. In the alternative, it asked for a FIT-All rate of PhP 0.2008/kWh based on a lower Forecast National Sales to account for the impact of COVID-19 to electricity consumption.

Proposed Revisions to the Guidelines for the Financial Standards of Generation Companies

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

k) Cost and Effects of Compliance with Environmental Laws

The Safety Health Environment and Security (SHES) group of AboitizPower oversees the SHES programs and activities within its operational control from the corporate center, business units, to facility teams. This includes the accounting of all environmental impacts. For the Generation Group, the facilities include: (1) APRI's Tiwi-MakBan plants, (2) SacaSun San Carlos plant, (3) the Benguet, Bakun, Sabangan, Sibulan A, B, and Tudaya A), Tudaya B, Manolo Fortich, and Talomo HEPPs, (4) SN AboitizPower Group's Ambuklao, Magat, and Maris plants, (5) Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (6) Coal Group's Davao and Toledo plants. In 2019, the reporting boundary of the SHES group expanded to include AboitizPower's Distribution Utilities, namely, Cotabato Light, Davao Light, Visayan Electric, Balamban Enerzone, Mactan Enerzone, Lima Enerzone, and Subic Enerzone.

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

The alignment to international best practices in all power plants and distribution utilities are exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety.

In 2019, the total environmental management expenses increased to ₱51 million, which is a 132% increase compared with previous year (₱22 million). This consists of ₱4.6 million for APRI, ₱10 million for Hedcor, ₱15.4 million for the Coal Group, ₱1.8 million for the SN AboitizPower Group; ₱12.4 million for the Oil Group, and a total of ₱7 million for the Distribution Utilities.

Of the ₱51 million total environmental management expenses, ₱12.5 million was allocated for capital expenditure (capex) aimed at improving pollution prevention and control. The following projects were implemented: (1) improvement of SN AboitizPower-Magat HEPP's Sewage Treatment Plant (STP), (2) improvement and total rehabilitation of SN AboitizPower-Benguet HEPP's STP, (3) installation of STP for domestic waste at CPPC, (4) Coal Group's installation of flowmeter at Toledo plant's seal pit to comply with NWRB requirements, (5) APRI Makban's automation of one unit of Continuous Ambient Monitoring System, (6) upgrade of Visayan Electric's hazardous waste storage (7) multiple installation of Davao Light's power transformer oil catch basin as oil spill containment and (8) installation of material recovery facility at Cotabato Light.

Operation expenditure (opex) projects were also implemented to improve environmental management practices on site, such as: (1) APRI's energy conservation program which resulted to 5% reduction of electricity consumption for its offices; (2) Hedcor's enhanced waste management program resulting to 65% reduction on the volume of residual wastes in 2019 as compared to the previous year; (3) SN AboitizPower-Benguet's waste minimization through construction of Eco Composting Receptacles which lead diversion of compostable waste into organic fertilizers instead of disposal to landfills; and (4) the Enerzone's Race-to-Reduce program which resulted in reduction of paper, water, electricity, and fuel consumption as compared to previous years.

AboitizPower also supports environmental initiatives that go beyond its compliance requirements. The Company takes part in AEV's A-Park program, various coastal and river clean-up activities, and biodiversity initiatives. In the year 2019, the Company has planted a total of 460,000 trees at an expanse of 960 hectares with the help of almost 3,000 volunteers. AboitizPower organized and conducted 49 coastal and river clean-up activities, wherein over 13,000 kilograms of wastes were collected. Furthermore, AboitizPower supports a number of biodiversity initiatives, such as the Mt. Malinao Biodiversity Assessment supported by APRI, Adopt-a-River supported by Cotabato Light, and Adopt-an-Estero Project at San Isidro Buhangin supported by Davao Light.

AboitizPower and its Subsidiaries received a total of 107 awards, certifications and citations in 2019. SN AboitizPower-Benguet and SN AboitizPower-Magat received the National Silver Award and National Bronze Award, respectively, during the 11th DOLE Gawad Kaligtasan at Kalusugan (GKK) Awarding Ceremony on December 11, 2019. DOE's Safety & Health Association of the Philippines Energy Sector (SHAPES) Inc. recognized SN AboitizPower as Hall of Famer in the 2019 SHAPES Corporate Outstanding Safety & Health Excellence Award.

AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and law in 2019. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

FOOD MANUFACTURING

Overview of the Business

AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico Foods Corporation and its subsidiaries, and its international feeds business through Pilmico International and its various subsidiaries and associates. The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition.

a) Products and Services

Feeds and Flour

PFC is primarily engaged in the manufacture and sale of flour, feeds, and their by-products. These by-products are largely wheat by-products, particularly wheat bran sold under the Pilmico Brand. It has a wide network of distributors and dealers located in major cities of Metro Manila, Cebu, Davao, Iloilo, Bacolod, and Cagayan and has established representative offices in Jakarta, Indonesia and Ho Chi Minh City, Vietnam, allowing the export and distribution of flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. As of January 31, 2020, it is one of the largest flour manufacturers in the country and is ranked among the top three domestic flour producers based on internal market data.

Flour Products

PFC produces premium quality hard wheat flour for breads and soft wheat flour for cookies and crackers. Hard wheat flour brands include: Sun Moon Star, Sunshine, Glowing Sun and Kutitap. Meanwhile, soft wheat flour brands include: Gold Star and Mega Star. The Food Group also produces a leading brand of specialty flours under the Wooden Spoon Brand. Some notable brands under the Food Group's specialty flour include: Wooden Spoon Cake Flour, Wooden Spoon All-purpose flour, Wooden Spoon Siopao Flour, and Wooden Spoon Whole Wheat Flour.

The Food Group has taken the opportunity to expand its flour business internationally. Currently, PFC has a representative office in Ho Chi Minh City, Vietnam. Through these representative offices, PFC was able to establish its flour export business, successfully distributing its flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. The Food Group expects to take further efforts to strengthen the presence of its flour business in the ASEAN region.

Feeds Products

Feeds products offered by the Food Group include aqua feeds for different stages of growing pangasius, tilapia and other species, and animal feeds for different stages of growing swine, poultry, cow, and rabbit. The Food Group also offers animal healthcare products in the Philippines as part of its objective of becoming a total solutions provider for its feeds' customers. PFC and PANC also sell feeds raw materials through their commodity trading business.

Hog and Layer Farms

The Food Group's hog and layer farms operations are conducted through its subsidiary, PANC. As of June 30, 2020, PFC, together with another wholly-owned subsidiary, Filagri Holdings, Inc. ("Filagri"), owns 100% equity interest of PANC. PANC operates farms and feed mill plants in Capas, Tarlac.

In January 1999, PANC began commercial operations of its feed mill plant located in Capas, Tarlac to cater to the growing demand of feeds in Luzon. Since commencing its swine operations with 4,750 sow level in the second half of 1999, PANC has grown to 8,000 sow level as of 30 June 2020. PANC plans to increase its sow level to 20,000 by 2023 which is expected to translate to a monthly sales volume of 32,000 heads of market hogs.

In December 2015, PANC started its layer farms operations. The layer farm facility was completed and became fully-operational by December 2016. This layer farm facility can hold up to 173,000 egg-laying chickens that translates to 4 million eggs per month.

To support the growing Luzon commercial feeds volume as well as increased feeds requirements from its growing layer and swine operations, PANC completed the construction of a second feed mill ("Tarlac Feed Mill 2") and a third feed mill ("Tarlac Feed Mill 3"), resulting in an additional 124,800 MT each in feed mill capacity. Tarlac Feed Mill 3 was completed in August 2016.

International Animal Nutrition

Pilmico International, a company organized under the laws of Singapore, is the project vehicle of AEV's first international investment in the feeds business. It was established in June 2014 as a wholly-owned subsidiary of the Company.

Pilmico International holds a 100% equity interest in Pilmico Vietnam Company Limited ("PVN"), a 100% equity interest of Pilmico Viet Nam Trading Company Ltd. ("Pilmico Vietnam Trading") and a 100% equity interest in GCMH, which controls the Gold Coin Group.

Pilmico Vietnam Company (PVN)

In 2014, AEV began its expansion into the Vietnamese market via the aqua feeds segment through Pilmico International. Pilmico International acquired 70% of the total outstanding shares in PVN (formerly, Pilmico VHF Joint Stock Company and originally, Vin Hoan 1 Feed JSC), one of the largest aqua feeds producers in Vietnam. This acquisition allowed the Food Group to expand its feeds business in Vietnam and build its market base internationally. To date, Pilmico International owns 100% equity interest of PVN.

PVN's operations are in Dong Thap Province in Vietnam, approximately 165 kilometres from Ho Chi Minh City. It has a current capacity of 270,000 MT per year. This capacity has supported efforts to build a commercial market in Vietnam and export market, in addition to the long-term supply agreement with Vinh Hoan Corporation.

The investment in PVN allowed the Food Group to gain a foothold in the Vietnamese aqua feeds business, and at the same time, build its reach to other aqua farm customers. This strategic move was also intended to establish a gateway to investments in other ASEAN countries like Thailand, Laos, and Cambodia, allowing the Food Group to expand its core feeds business internationally, and to diversify and gain competence in the aqua feeds product segment currently not produced in the Philippines.

Gold Coin Feedmill (Binh Duong)

In 2019, Pilmico Animal Nutrition Joint Stock Company ("**PAN-JSC**") was folded into the Gold Coin Group as part of the ongoing integration between the businesses of Pilmico International and the Gold Coin Group and was renamed Gold Coin Feedmill (Binh Duong). Pilmico International initially acquired a 70% equity stake in PAN-JSC from Europe Nutrition Joint Stock Company (Eurofeed), a feed mill operator, in 2017. This acquisition was part of Pilmico International's expansion of its feeds business in Vietnam. Following this acquisition, the Food Group began offering animal feeds products for the different stages of growing swine, poultry, cow and rabbit. See "*GCMH and the Gold Coin Group*."

Pilmico VN Trading

Pilmico VN Trading was incorporated in July 2015 as a limited liability company operating in Vietnam and engaged in the wholesale of food products, beverages, agricultural and forestry raw materials, among others. In October 2016, Pilmico International purchased a 100% equity interest in Pilmico VN Trading. It is currently the vehicle used for the importation and distribution of the Food Group's products within the Vietnam market.

Gold Coin Management Holdings Limited (GMCH) and the Gold Coin Group

In July 2018, to further expand the Food Group's animal feeds business within the Asian region, AEV, through Pilmico International, acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group. In May 2019, Pilmico International completed its acquisition of the remaining 25% equity interest in GCMH. GCMH is an investment holding company incorporated under the laws of the British Virgin Islands in January 2000. GCMH is the parent holding entity, through which all investments in the Gold Coin Group are held and has subsidiaries in Singapore, China, Hong Kong, Indonesia, Malaysia, Vietnam, Thailand, Sri Lanka, Myanmar, Brunei, and the Philippines.

Headquartered in Singapore, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feeds and is a leading brand in animal nutrition with more than 21 livestock and aqua feed mills across seven countries in the Asia-Pacific, with an installed milling capacity of three million MT per year as of June 30, 2020. As of June 30, 2020, it has two research facilities located in China and Malaysia. In particular, the Gold Coin Group manufactures and sells animal feed and specialty nutrition products, including compound feed, pre-mix and additives for the livestock and aqua sectors in the Asia-Pacific region. Products and services include: (i) livestock feed such as feed for poultry broiler/layer, swine, duck, other birds and fish; (ii) aqua feed or feeds for aquaculture produce such as shrimp; and (iii) specialty nutrition or the premix and specialty concentrate complete feed. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio.

The Company believes the Gold Coin Group enjoys lead market positions in key Asian markets with an established and loyal client base. Combined with the Gold Coin Group, Pilmico International expects to become a comprehensive animal nutrition platform across the Asia-Pacific region, with competitive advantages in terms of developing a stronger and multi-branded platform of animal nutrition and delivering scientifically balanced livestock and aqua feeds, and specialty nutrition products addressing the demands of a wide range of customers.

b) Distribution

PFC and PANC sell their feeds and flour products through a nationwide distribution network of dealers. PFC likewise exports its flour products to Hong Kong, Myanmar and Vietnam. PANC's hog and meat products are sold to "*viajeros*" or small-scale distributors and institutional customers (such as hotels, restaurant, and caterers).

In addition to its existing presence through its representative offices, through its acquisition of the Gold Coin Group, the Food Group gained access to a comprehensive platform with an extensive distribution and sales network spread across 11 countries in the Asia-Pacific region.

The Gold Coin Group has established relationships with customers, offering a number of brands of livestock and aqua feeds products with quality feed formulation across various key markets. Moreover, in 2018, the Gold Coin Group launched a sales optimization program to introduce a centrally designed sales program with an aim to integrate livestock operation, distribution, and sales channels to expand its specialty nutrition and aqua feeds. Taking advantage of this program, the Food Group is developing a stronger and multi-branded one-stop shop animal nutrition platform to address the demands of its wide range of customers across the Asia-Pacific region.

The Food Group's businesses are not dependent upon a single customer or a few customers such that a loss of any one would have a material adverse effect on the performance of its sales and distribution. The Food Group has no single customer that, based on existing orders, accounts for 20% or more of its total sale of goods and services.

c) New Products

International Animal Nutrition

The Gold Coin Group provides nutritional solutions and onsite technical support to customers to optimize aquaculture and farm production across the Asia-Pacific Region. As of 2020, the group has an existing 17 livestock feed mills in six countries (China, Indonesia, Malaysia, Vietnam, Sri Lanka, and Brunei); four aqua feed mills in three countries (Indonesia, Malaysia, and Thailand); and offers specialty nutrition across six countries (Malaysia, Sri Lanka, Philippines, China, Pakistan, and Myanmar). Meanwhile, research and development activities are supported by five research farms located in Malaysia, Indonesia & China, covering both Livestock and Aqua products. Its production facilities are ISO 22000/HACCP certified.

The Gold Coin Group intends to introduce innovative new products, product variants, and line extensions in the livestock and aquaculture feeds segments. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio. The group also relies on technological innovation and feed re-formulation in order to maximize profits. The capabilities of the Gold Coin Group will allow the Food Group to develop a stronger and multi-branded platform of animal nutrition products to address the demands of a wide range of customers across the Asia-Pacific Region.

d) Competition

As an integrated food and agri-business company primarily engaged in the manufacture and sale of animal feeds, flour, flour by-products as well as the production of swine and table eggs, the Food Group operates in a competitive industry driven by global raw material prices with an increasing trend on process improvement and digitization. Moreover, with global food demand on the rise brought by rising income from a growing middle class in developing countries, industry growth has been supported by global and domestic expansions by a growing number of agri-business players.

The Food Group's business model is well positioned at the beginning of the food value chain with facilities in the Philippines located in Tarlac (feedmill and farms) and Iligan (flourmill and feedmill). The Food Group products are distributed through external distributors and dealers located in major cities all throughout the Philippines.

The Food Group believes that it competes through cost leadership and providing a better customer experience.

PFC believes that it is among the top three domestic flour, swine, and animal feed producers in the Philippines, which include San Miguel Food and Beverage, Inc. and Universal Robina Corporation for flour, B-MEG, and Unahco for feeds, and Monterey and Robina for farms, all of which leverage on strategic logistic hubs, competitive pricing and dedicated sales support teams to drive growth. The Gold Coin Group's competitors in international feeds include Charoen Pokphand Group, Japfa Comfeed, Cargill and Proconco.

e) Sources of Raw Materials

The Food Group, through PFC and PANC, imports wheat, soybean meal and other grains mostly from various suppliers in the United States, Canada, and Australia. This exposes the Food Group to risks arising from currency fluctuations and volatile price movements of raw materials.

PVN imports soybean meal from Argentina and the United States, and cassava from Cambodia. Rice bran and other grains are sourced from various suppliers in Vietnam.

A wide variety of raw materials are required by the Gold Coin Group to manufacture its livestock and aqua feeds products, including, but not limited to, corn grains, soya beans and meals, and wheat products. Costs of raw materials account for 80% to 85% of sales value. Corn grains and soybean, sourced from China, Malaysia, Singapore, Indonesia, and Vietnam, account for 65% to 70% raw material usage and can be subject to volatile price movements.

Efficient sourcing of these materials requires a combination of local and import strategies. In order to optimize its position as one of the largest animal nutrition providers in the Asia-Pacific Region and take advantage of the synergies between related parties and affiliates, the Gold Coin Group instituted a centralized commodity trading team for the Food Group that determines procurement and strategic sourcing activities.

f) Major Customers

The Food Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. The Gold Coin Group has no single customer that, based on existing orders, will account for 20% or more of its total sale of goods and services.

g) Transactions with and/or Dependence on Related Parties

Transactions with and/or dependence on related parties are discussed at the holding company level.

Additionally, to unlock cost synergies and efficient sourcing of raw materials within the Food Group, the Gold Coin Group instituted a centralized commodity trading team that is tasked to identify and secure procurement and strategic sourcing activities. Transactions are made at arms-length, fair, and compliant with transfer pricing rules.

h) Patents, Copyrights, and Franchises

The Food Group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed or pending at local and international jurisdictions.

Philippine IPO

	Trademark	Registration Date	Expiration Date
1	PILMICO FOODS CORPORATION	November 28, 2005	November 28, 2025
2	SUN-MOON-STAR	October 2, 2006	October 2, 2026
3	GOLD STAR AND DEVICE	August 17, 2006	August 17, 2026
4	SUNSHINE	October 15, 2007	October 15, 2027
5	GLOWING SUN	October 2, 2006	October 2, 2026
6	KUTITAP AND DEVICE	January 17, 2005	January 17, 2025
7	KUTITAP with color claim	December 5, 2004	December 5, 2024
8	MEGA STAR AND DEVICE with color claim	November 28, 2005	November 28, 2025
9	SUNFLOUR AND DESIGN	May 5, 2008	May 5, 2028
10	PILMICO 'M' handshake	August 12, 2010	August 12, 2030
11	Silver Star	February 24, 2012	February 24, 2022
12	Silver Star Logo with color claim	January 13, 2012	January 13, 2022
13	SUN RAYS HARD WHEAT FLOUR	February 20, 2014	February 20, 2024
14	STAR BEAM SOFT WHEAT FLOUR	December 26, 2013	December 26, 2023
15	STAR BLAZE SOFT WHEAT FLOUR	February 20, 2014	February 20, 2024
16	LUNA CAKE FLOUR	February 20, 2014	February 20, 2024
17	SUN STREAM HARD WHEAT FLOUR	February 20, 2014	February 20, 2024
18	PILMICO Device	December 26, 2013	December 26, 2023
19	PILMICO FLOUR	February 20, 2014	February 20, 2024
20	Mahalin Pagkaing Atin with color claim	July 2, 2015	July 2, 2025
21	SUNLIGHT	September 1, 2016	September 1, 2022
22	The Care Package	March 23, 2018	March 23, 2028
23	The Care Package Logo	March 24, 2017	March 24, 2022
24	WOODEN SPOON	May 4, 1993	May 4, 2023

25	WOODEN SPOON word mark for additional classes Nos. 35 and 43	December 17, 2017	December 17, 2027
26	WOODEN SPOON AND DEVICE for additional classes Nos. 35 and 43	December 17, 2017	December 17, 2027
27	PILMICO word mark	March 24, 2017	March 24, 2027
28	Silver 168	February 22, 2018	October 24, 2028
29	Yummii	December 28, 2017	August 25, 2027
30	Silver Star with Chinese Slogan Device.	February 22, 2018	October 24, 2028
31	SOLA ALL PURPOSE FLOUR	February 20, 2014	February 20, 2024
32	PILMICO logo	June 2, 2017	February 21, 2027
33	“M” handshake mark	August 17, 2017	February 20, 2027
34	Tinapay Natin	November 1, 2018	January 22, 2028
35	My Wooden Spoon	September 23, 2018	June 22, 2028
36	Flour Solutions	October 31, 2019	April 24, 2029
37	Special Purpose Flour	May 30, 2019	May 30, 2029
38	PIGROW with color claim	September 28, 2012	September 28, 2022
39	PIGROW MATERNA	May 24, 2012	May 24, 2022
40	CHICKGROW	October 18, 2019	October 18, 2029
41	PORK SOLUTIONS	August 20, 2007	August 20, 2027
42	POULTRY SOLUTIONS	August 20, 2007	August 20, 2023
43	AQUAMAX	June 6, 2013	June 6, 2023
44	POULTRY EXPRESS	April 14, 2013	April 14, 2023
45	ALAS NG SALTO	February 28, 2013	February 28, 2023
46	AEV MAX	February 8, 2013	February 8, 2023
47	SALTO	February 8, 2013	February 8, 2023
48	ANGAT SARADO	February 8, 2013	February 8, 2023
49	BASIC	February 8, 2013	February 8, 2023
50	LAKAS GATAS	February 8, 2013	February 8, 2023
51	GALLIMAX	February 8, 2013	February 8, 2023
52	SUPREMECON	July 22, 2011	July 22, 2021
53	POWERMIX	January 13, 2012	January 13, 2022
54	PILMICO FEEDS	March 8, 2012	March 8, 2022
55	GROW YOUR PROFIT	December 26, 2013	December 26, 2023
56	PARTNERS FOR GROWTH	July 16, 2010	July 16, 2020
57	PILMICO FARMS LOGO	April 17, 2014	April 17, 2024
58	PILMICO FEEDS	April 17, 2014	April 17, 2024
59	GROWING PIG LOGO	April 17, 2014	April 17, 2024
60	GROWING CHICKEN LOGO	April 17, 2014	April 17, 2024
61	GROWING QUAIL LOGO	April 17, 2014	April 17, 2024
62	GROWING PIGEON LOGO	April 17, 2014	April 17, 2024
63	GROWING DUCK LOGO	December 26, 2013	December 26, 2023
64	POWERHEAL	April 17, 2017	April 17, 2027

65	POWERBOOST	December 8, 2016	December 8, 2026
66	Immunodigest	December 8, 2016	December 8, 2026
67	AVEMAX	September 29, 2016	September 29, 2026
68	CIVIC	June 22, 2017	June 22, 2027
69	ELITE	June 22, 2017	June 22, 2027
70	SALTO	July 29, 2017	July 29, 2027
71	ULTIMAX	September 7, 2017	September 7, 2027
72	EGG2GO	September 13, 2018	September 13, 2028
73	Bagwis	September 13, 2018	September 13, 2028
74	Gut Protech	January 23, 2018	January 23, 2028
75	With Gut ProTech	July 19, 2018	July 19, 2028
76	Worm Buster word mark	November 1, 2018	November 1, 2028
77	Worm Buster device mark	November 1, 2018	November 1, 2028
78	YOLO! Chicha, atbp.	September 23, 2018	September 23, 2028
79	Dok Tilaok	March 31, 2019	March 31, 2029
80	Beat the Day	November 1, 2018	November 1, 2028
81	Taste Adventure	November 1, 2018	November 1, 2028
82	Arya	June 6, 2019	June 6, 2029
83	The Good Meat	December 12, 2018	December 12, 2028
84	Woofy	May 9, 2019	May 9, 2029
85	Prime Kennel	August 25, 2019	August 25, 2029
86	Primum	May 9, 2019	May 9, 2029
87	Power Armor	July 14, 2019	July 14, 2029
88	Powerguard	July 14, 2019	July 14, 2029
89	Powershield	July 14, 2019	July 14, 2029
90	Maxime	July 4, 2019	July 4, 2029
91	Powercharge	August 4, 2019	August 4, 2029
92	Powersurge	November 7, 2019	November 7, 2029
93	Powercure	August 4, 2019	August 4, 2029
94	Powerboost	September 23, 2019	September 23, 2029
95	Classic	September 23, 2019	September 23, 2029
96	Maxime Smiley	October 14, 2019	February 17, 2030
97	Woofy Smiley	October 14, 2019	February 17, 2030
98	M3TimE	October 14, 2019	February 27, 2030
99	BETTER NOURISHMENT, BETTER CARE	October 14, 2019	February 27, 2030
100	FORK THE PORK	October 14, 2019	October 14, 2029

International Trademarks Application (Madrid Protocol)

Trademarks	Owner	Country of Application

Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	Singapore, Turkey, Vietnam, South Korea
Luna Cake Flour (#1173339) (Class No. 30)	Pilmico Foods Corporation	WIPO, South Korea, China
Sola All Purpose Flour (#1341959) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, South Korea
PILMICO word mark (#1392327) (Class Nos. 5, 29, 30, 31, 35, 43, and 45)	Pilmico Foods Corporation	WIPO, USA (Guam)
Aquamax (#1372599) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Singapore, Ghana
Civic (#1377276) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, USA, Singapore
Elite (#1377277) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Singapore
Gallimax (#1372097) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, USA, Singapore
Powermix (#1372598) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, USA
Ultimax (#1404587) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, USA, Singapore
Salto (Word Mark) (#1407635) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Cambodia, Singapore, USA

Pilmico and its Subsidiaries have other pending trademark applications under the Madrid Protocol for the following countries: China and Ghana.

International Trademarks Application (Non-Madrid Protocol)

Trademarks	Owner	Country of Application
PILMICO (#304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Hong Kong
PILMICO (#493122018)	Pilmico Foods Corporation	Myanmar

(Class Nos. 5, 29, 30, 31, 35, 43, and 44)		
Gallimax -313090 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Avemax -312261 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Pilmico (#2017060367) (Class No. 5)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060366) (Class No. 29)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060365) (Class No. 30)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060362) (Class No. 31)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060361) (Class No. 35)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060360) (Class No. 43)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060357) (Class No. 44)	Pilmico Foods Corporation	Malaysia
Gold Coin, WANG EMAS & Chinese Characters Device (42094) (Class No. 5)	Gold Coin Management Holdings Limited	Bangladesh
GOLD COIN & Device -8212 (Class No. 21)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device -8210 (Class No. 1)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device -8211 (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device -8214 (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device -8213 (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
Gold Coin, Chinese characters & Device (19385/03) (Class No. 31)	Gold Coin Management Holdings Limited	Cambodia
GOLD COIN (3505731) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
GOLD COIN FEED & Chinese characters & device (3021536) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Gold Coin, Chinese Characters and device (300776) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN BAO in Chinese Character (3011619) (Class No.31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN HUANG in Chinese Characters (8080015) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China

JIN QIAN in Chinese Character (3505730) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN LE in Chinese Character (8080016) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Yu Li in Chinese Characters (532462) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Figurative Mark (9338648) (Class No. 31)	Gold Coin (Zhangzhou) Company Limited	China
Gold Coin, Chinese characters & Device -199601055 (Class No. 31)	Gold Coin Management Holdings Limited	Hong Kong
Gold Coin, WANG EMAS & Chinese characters device -644125 (Class No. 31)	Gold Coin Management Holdings, Ltd.	India
GOLD COIN UANG MAS & Device (IDM000023251) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia
GOLD COIN UANG MAS LOGO (IDM000051919) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia
TELOR MAS (IDM000235454) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd	Indonesia
AYAMAS (IDM000212187) (Class No. 29)	Gold Coin Management Holdings, Ltd.	Indonesia
GOLD COIN & UANG MAS and Device (IDM000248677) (Class No. 31)	Gold Coin Management Holdings, Ltd.	Indonesia
Gold Coin, Chinese characters & Device (N/012262) (Class No. 31)	Gold Coin Management Holdings Limited	Macao
GOLD COIN & Device (M/066884) (Class No. 1)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066886) (Class No. 21)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066885) (Class No. 5)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066887) (Class No. 29)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066888) (Class No. 31)	Gold Coin Management Holdings, Ltd.	Malaya
ENCAP & Device (91005005) (Class No. 30)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005003) (Class No. 3)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005006) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005004) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Malaysia
Gold Coin, WANG EMAS & Chinese characters Device (87002355) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & Device & Chinese Characters (Colour) (4/20760/2019)	Gold Coin Management Holdings Limited	Myanmar

(Class Nos. 5 and 31)		
GOLD COIN FEED & Device (Color) (4/20760/2019) (Class Nos. 5 and 31)	Gold Coin Management Holdings Limited	Myanmar
Gold Coin & Device (4/3780/2017) (Class No. 31)	Gold Coin Management Holdings Limited	Myanmar
Gold Coin, WANG EMAS & Chinese characters Device (A52255) (Class No. 31)	Gold Coin Management Holdings Limited	Papua New Guinea
GOLD COIN & Device (S/018303) (Class No, 31)	Gold Coin Management Holdings Limited	Sabah
GOLD COIN & Device (S/018302) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018300) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018301) (Class No. 21)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018299) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (R/017137) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/017136) (Class No. 21)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/017135) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/013574) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN BRAND WANG EMAS with Chinese Characters device (R/013576) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sarawak
ENCAP & Device (T9107668I) (Class No. 5)	Gold Coin Management Holdings Limited	Singapore
ENCAP & Device (T9107670J) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	Singapore
ENCAP & Device (T9107667J) (Class No. 3)	Gold Coin Management Holdings Limited	Singapore
ENCAP & Device (T9107669G) (Class No. 30)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462342A) (Class No. 1)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462346D) (Class No. 31)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462345F) (Class No. 29)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (T7462344H) (Class No. 21)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (T7462343Z) (Class No. 5)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN BRAND ZUELLIG WANG EMAS with Chinese Characters & device (T9105225I) (Class No. 1)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (39635) (Class No. 31)	Gold Coin (Ci) Limited	Sri Lanka

GOLD COIN SPECIALITIES & Thai Characters and Device (Kor87762) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	Thailand
Gold Coin, WANG EMAS & Chinese characters Device (TM135370) (Class No. 42)	Gold Coin Management Holdings Company, Ltd.	Thailand
Gold Coin Feed & Device -123293 (Class No. 31)	Gold Coin Management Holdings Limited	Vietnam
Gold Coin Feed & Device -123294 (Class No. 31)	Gold Coin Management Holdings Limited	Vietnam
Gold Coin, Chinese characters and Device (5263) (Class Nos. 29, 30, 31)	Gold Coin Management Holdings Company, Ltd.	Vietnam
Gold Coin, Kim Tien & Device (66493) (Class Nos. 29, 31)	Gold Coin Management Holdings Company, Ltd.	Vietnam
AMERICAN FEEDS COMPANY (25581) (Class Nos. 5, 31)	American Feeds Company	Vietnam
MAXFEED (55052) (Class No. 31)	American Feeds Company	Vietnam
ViDan (52296) (Class No. 31)	American Feeds Company	Vietnam
AF (71663) (Class No. 31)	American Feeds Company	Vietnam
AF-Plus (71664) (Class No. 31)	American Feeds Company	Vietnam
AF Sự Lựa Chọn Thông Minh Của Nhà Nông INTELLIGENT FARMERS' CHOICE (84729) (Class No. 31)	American Feeds Company	Vietnam

Pilmico and its Subsidiaries have other pending trademark applications to individual countries such as Indonesia, Thailand, Bangladesh, Brunei Darussalam, China, Macao, Malaysia, Singapore, Sri Lanka, and Vietnam.

i) Effect of Existing or Probable Governmental Regulations

The laws and regulations that govern the Food Group's business operations in the Philippines include the: (i) Food Safety Act of 2013 (RA No. 10611); (ii) Food and Drug Administration Act of 2009 (RA no. 9711) and the established standards and quality measures by the Food and Drug Administration in relation to the manufacturing and branding of food products to ensure its safe supply; (iii) the Livestock and Poultry Feeds Act and its implementing rules and regulations on the manufacture, importation, labelling, advertising and sale of livestock and poultry feeds; (iv) the Meat Inspection Code of the Philippines (RA No. 9296) establishing measures on quality and safety standards for the slaughter of food animals and the processing, inspection, labelling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products; (v) Consumer Act of the Philippines (RA No. 7394) and the as enforced by the Department of Trade and Industry, and the quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of food products and prohibits the manufacture for sale, offer for sale, distribution, or importation of food products which are not in conformity with applicable consumer product quality or safety standards; (vi) Price Act (RA No. 7581) on matters concerning price controls for basic and prime commodities on select circumstances of calamities and state of public emergency.

The Gold Coin Group, with companies and plant operations across several countries in the Asia-Pacific region, has secured the necessary registrations, permits, and licenses to allow it to do business in the following countries: China, Indonesia, Malaysia, Thailand, Sri Lanka, and Vietnam, among others.

j) Major Risk/s Involved in the Business

Risks particular to the Food Group are as follows:

Outbreak of diseases, food safety and foodborne illness concerns could adversely affect the Food Group's financial condition and results of operations

There can be no assurance that the Food Group's internal controls and policies will be fully effective in preventing all food safety issues concerning the products it sells, including any occurrences of foodborne illnesses such as Salmonella, E. coli and Hepatitis A. New illnesses resistant to current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. Moreover, the poultry and livestock industry are subject to the risk of an outbreak of diseases which can impact demand for certain products of the Food Group. For example, the outbreak of African swine fever may affect market demand for pork and protein products generally even if the Food Group's farms are not affected by the outbreak of diseases. One or more instances of food safety or a foodborne illness or illnesses related to livestock, whether or not related to the Food Group's products, could negatively affect its sales. This risk exists even if it were later determined that the illness was wrongly attributed to its products. The occurrence of food safety or a foodborne illness incident, or negative publicity or public speculation about an incident, could have a material adverse effect on the Food Group's business, financial condition and results of operations.

The Food Group's financial performance may be materially and adversely affected by disruptions in the supply of, or price fluctuations in, major raw materials

Many of the Food Group's products depend on raw materials, most of which are procured from third parties, including purchases of some critical raw materials from both within and outside of the Philippines. These raw materials are subject to price volatility caused by a number of factors including changes in global supply and demand, foreign exchange rate fluctuations, shipping and other transport-related factors, weather conditions, quality of crop and yield and trade and tariff policies, and government regulations and controls.

There is no assurance that raw materials will be supplied in adequate quantities or at the required quality to meet the needs of the Food Group, or that these raw materials will not be subject to significant price fluctuations in the future. Shortages in raw materials may also cause delay in the supply of products to customers. Moreover, the market prices of raw materials may increase significantly if there are material shortages due to, among others, competing usage or drastic changes in weather or natural disasters or shifts in demand from other countries such as China and India. The ability to pass along higher costs through price increases is also influenced by competitive conditions and pricing methodologies used in the various markets in which we compete. As such, there is no assurance that any increases in product costs will be passed on to consumers and any price increases that are passed along to consumers will not have a material adverse effect on price competitiveness. As a result, any significant changes or disruption in supply or material increase in the market price of raw materials could have a material adverse effect on the Food Group's business, financial condition and results of operations.

The business and sales of the Food Group are affected by seasonality

The business and sales of the Food Group are affected by seasonality of customer purchase patterns. The Food Group's products generally experience increased sales during months leading to major holiday seasons, such as Christmas and Lunar New Year. Moreover, other inputs such as grains may be affected by planting and harvest seasons as well as other weather conditions. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and its financial condition and results of operations may fluctuate significantly from quarter to quarter.

The business and prospects of the Food Group may be materially and adversely affected by increased imports of lower-priced products as import duties are decreased or eliminated

The Food Group may face increased competition from less expensive products imported to the Philippines as import duties on those products are decreased or eliminated. In particular, the Philippines is a signatory to several free trade agreements, including the ASEAN Trade in Goods Agreement ("ATIGA") and the ASEAN Free Trade Agreement. With the implementation of ATIGA, the Philippines eliminated intra-ASEAN import duties on 99.56% of its tariff lines including poultry, meat of bovine animals, flour, sausage, prepared or preserved meat, cereals, bread, pastry, cakes, biscuits, fruit juices, coffee, tea or maté, sauces and preparations, ice cream, beer, certain spirits, liqueurs, and spirituous beverages.

The Food Group has already experienced the effects of increased competition as a result of the elimination of these import duties, and expects that competition from imported products will continue to increase. In addition, any reduction in tariffs on imports from other ASEAN countries and from other countries party to a free trade agreement with the Philippines, such as China and Japan, could give rise to increased competition for the Food Group's products.

The Food Group also faces competition from other countries. If the Food Group is unable to compete effectively with lower-priced imports, its market share and sales may decrease, and its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Food Group engages in derivative and hedging transactions

From time to time, the Food Group enters into various commodity derivative instruments, such as forward purchases, caps and collars for wheat and soybean meal, to manage price risks on strategic commodities. For hedging transactions, if prices decrease, hedging positions may result in mark-to-market losses, which are, in turn, expected to be offset by lower raw material costs. As its hedging transactions are mark-to-market, to the extent that the market price of the raw materials subject to such hedging transactions falls below the fixed price under futures contracts, the Food Group's net income will be lower than it would have been had it not engaged in such transactions. Consequently, its financial performance could be adversely affected during periods in which prices of raw materials are volatile.

Sales of certain products may be adversely affected if the Food Group's relationship with dealers and distributors deteriorate

The products of the Food Group are primarily sold through dealers and distributors. There is no assurance that these dealers and distributors will continue to purchase and distribute the Food Group's products, or that these dealers and distributors can continue to effectively distribute its products without delays or interruptions. In addition, the financial instability of, contractual disputes with, or labor disruptions at its dealers and distributors could disrupt the distribution of its products and adversely affect its business.

FINANCIAL SERVICES

Overview of the Business

UnionBank, originally known as Union Savings and Mortgage Bank, was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. UnionBank's common shares were listed on the PSE in June 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. As of June 30, 2020, UnionBank's principal shareholders are AEV, the Social Security System of the Philippines (a government-owned and-controlled corporation that provides social security to workers in the private sector), and The Insular Life Assurance Company, Ltd. (one of the leading and largest Filipino-owned life insurance companies in the Philippines).

UnionBank's core businesses are retail banking, consumer finance (comprising credit card services, mortgage and auto loans, and salary loans), corporate banking, commercial banking (comprising middle-market banking), SME banking, cash management, trust banking, treasury products distribution, funding and trading (involving management of UnionBank's liquidity and funding requirements and handling of transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives). In addition, UnionBank has a private banking unit which offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier & Co. (a Swiss global wealth asset manager), and various life insurance products through its bancassurance partnership with Insular Life. As of June 30, 2020, UnionBank and its subsidiaries had 403 branches across the Philippines and a network of 491 ATMs.

For the six months ended June 30, 2020:

- UnionBank's consolidated net profit was ₱4,504 million;
- UnionBank's total consolidated resources was ₱751,486 million;
- UnionBank's total loan portfolio was ₱351,648 million; and
- UnionBank's total deposits was ₱510,439 million.

For the six months ended June 30, 2020, Tier 1 capital adequacy ratio was 13.8% while total capital adequacy ratio was 16.0%. Tier 1 capital adequacy ratio is determined by dividing total qualifying Tier 1 capital by total risk-weighted assets. Total capital adequacy ratio is determined by dividing total qualifying Tier 1 and Tier 2 capital by total risk-weighted assets. Both Tier 1 and total capital adequacy ratios are computed using Basel 3 standards adopted by the BSP.

a) Principal Products and Services

UnionBank and its subsidiaries, which includes CitySavings, a thrift bank; UBP Investments Corporation ("UBPIC"); a holding company, and UBX Philippines Corporation ("UBX PH"), an innovation and technology company.

In 2013, UnionBank acquired CitySavings, a premier thrift bank that, among other services, grants teacher's loans under the Department of Education's automatic payroll deduction system ("APDS"). In May 2018, the Department of Education approved the "Terms and Conditions of the APDS Accreditation (TCAA)" of CitySavings valid until December 2020, subject to renewal.CitySavings has since expanded its microfinance and SME banking business through the acquisition of First Agro-Industrial Rural Bank (FAIRBank), Progressive Bank, Inc. (PBI), and Bangko Kabayan Private Development Bank (Bangko

Kabayan); and entered the motorcycle lending business through its merger with Philippine Resource Savings Bank ("PR Savings Bank").

In 2018, CitySavings and UBP Investments Corporation (formerly "Union Properties, Inc."), acquired AEV's 51% interest in PETNET. PETNET is one of the country's largest remittance networks, with over 3,000 branches composed of company-owned and sub-agent locations nationwide. PETNET is a BSP-licensed remittance agent, money changer and foreign exchange dealer. Apart from the Western Union money transfer service, PETNET offers money changing, bills payment, airline ticketing, personal accident insurance, and e-loading in its company-owned locations. In addition, PETNET, an outsourced service provider of CitySavings, facilitates and accepts applications for the Department of Education's salary loans and GSIS pension loans. PETNET, more widely known by its retail brand, Pera Hub, continues its initiatives to provide complementary products, cash, and payment-related solutions to its growing market.

UnionBank is currently strengthening its business model by repositioning itself into a digital bank to compete in the evolving banking landscape. After transforming its back-end IT infrastructure to be digital to the core and equipping its people to imbibe a digital and agile culture, UnionBank launched its transformed customer touchpoints. In August 2017, it launched UnionBank Online, its mobile app that offers a wide range of banking services; and the Ark, the first fully digital bank branch in the Philippines. In May 2019, UnionBank introduced its new business banking platform for corporates called The Portal. UnionBank also launched a digital platform for SMEs called GlobalLinker which aims to connect suppliers and customers, with services aimed at helping SMEs expand their businesses. These were part of UnionBank's digital transformation plan that focuses on delivering superior customer experience while at the same time achieving cost efficiencies.

UnionBank is concurrently expanding its core business model to the underbanked or underserved segment of the population (i.e., the portion of the adult population that is not necessarily unbanked, but actually serviced by the information and fragmented institutions relying on traditional brick-and-mortar and face-to-face delivery segments). UnionBank's approach is to deliver products using innovative technologies to service these segments in a more cost-efficient manner. Leading UnionBank in this area is CitySavings together with its other rural bank subsidiaries.

b) Distribution Methods

UnionBank services its clientele through its well-trained relationship managers, strategically-located branch networks, and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service Group. This is complemented by UnionBank's strong digital footprint, exhibited by its website (www.unionbankph.com); online banking and mobile application ("UnionBank Online"), cash management platform for corporates ("The Portal), customer service chatbot, Rafa, EON digital bank website and mobile app, and various financial services digital platforms/channels.

Relationship Managers	Unionbank's sales force are trained to have expertise regarding UnionBank's solutions-based financial services, and equipped with tools that allow them to service clients remotely through digital channels. They are also licensed by the Insurance Commission to provide customers with bancassurance products.
Branch Network	Unionbank has 209 branches strategically located within and outside Metro Manila to maximize visibility and expand customer reach. This includes UnionBank's digital and paperless branches which allow for straight-through processing of transactions over-the-counter or via self-service machines, and at the same time, houses branch ambassadors for product

	discovery and advisory services. UnionBank also has an increased presence nationwide through the physical network of its subsidiaries which include CitySavings (149 branches), FAIRBank (21 branches mainly in Visayas), Bangko Kabayan (24 branches mainly in Luzon) and PETNET (over 3,000 locations nationwide).
ATM Networks	UnionBank and its subsidiaries' network of 491 ATMs as of June 30, 2020, supplements its branch network in providing 24-hour banking services to its customers. In addition, UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders to access almost 13,000 ATMs nationwide.
Call Center	UnionBank's 24-hour ISO-certified call center handles retail customer relationship and care, catering to deposit and card product queries, among others.
Customer Service Chatbot	UnionBank's "Rafa" is the country's first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It is capable of answering customer queries on ATM and branch locations, provides latest foreign exchange data, card activations, and assists customers on exploring UnionBank's various products and services.
Mobile and E-Banking	UnionBank Online is designed with an omni-channel user experience across various touchpoints (website and mobile app), operating systems (Android or IOS), and device types. UnionBank Online enables customers to perform banking transactions such as digital account opening, mobile check deposit, fund transfer, pay bills, and many more without visiting the branch. UnionBank also introduced the upgraded version of its cash management platform for corporates called The Portal. Unique features include single sign-on for customers with multi-org access, a fully-featured mobile app, real-time fund transfers, and many more.
EON	Specially designed for digital commerce, EON was the first electronic money product in the Philippines with a "selfie banking" feature which employs facial recognition in authorizing transactions through a smartphone. EON is UnionBank's primary product for carding the unbanked and underbanked segments through its partnerships with cooperatives and local government units for loans and aid disbursement (i.e. Social Amelioration Program, etc.).
Platforms and Other Digital Channels	UnionBank's thrust for digital transformation prompted it to launch digital platforms and channels intended to deliver products/services to various customer segments. Some of them include: Financial Supply Chain (FSC) platform for corporate clients and their ecosystem of suppliers and dealers; GlobalLinker which creates a network of SME suppliers and customers; and other platforms launched by UBX PH to include i2i, which connects rural banks to the country's main financial network; Sentro, an online business-to-business marketplace for the SME ecosystem, with business solutions to include BUX, a payment and logistics fulfillment platform for online merchants; and SeekCap, an SME lending marketplace that offers affordable financing options. UBX also invested in Shiptek Solutions, Inc. to embed financial solutions into its shipping and logistics platform, XLog.

c) New Products and Services

UnionBank offers a broad range of products and services, which include deposits and related services, corporate lending, middle market and SME lending, consumer finance loans such as mortgage, auto loans, credit cards, and salary loans, investments, treasury and capital market, private banking, trust and fund management, cash management and electronic banking, as well as bancassurance. UnionBank continues to reinvent itself from a traditional two-product bank (deposit-taking and lending) to a multi-product financial services company that leverages on technology.

Technology is at the core of UnionBank's strategy. To further drive its digital shift, UnionBank launched UBX PH, its innovation and technology company. This wholly-owned subsidiary will focus on innovation projects such as fintech investments and providing technological services to its clients, in addition to building ecosystems and platforms.

Since its inception, UBX has launched several of its digital platforms such as: Project i2i, which aims to connect rural banks to the country's main financial network; Sentro, an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants; and SeekCap, an SME lending marketplace. UBX also invested in select financial technology firms that are aligned with its strategy of embedding financial services in platforms under an open banking regime. At the same time, it provided technology support to several of UnionBank's pioneering digital initiatives in the financial services space such unveiling the world's first bank-operated cryptocurrency ATM, conducting the first blockchain-based cross-border remittance transaction, and launching the country's first stablecoin, PHX.

d) Competition

UnionBank primarily competes against domestic and foreign banks in the Philippines that offer similar products and services. As of June 30, 2020, based on data from the BSP, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines with total assets of ₱17.23 trillion, total loan portfolio (inclusive of Interbank Loans and RRPs) of ₱9.62 trillion, and total deposits of ₱13.19 trillion. The industry is currently dominated by the three largest universal banks with over ₱2 trillion in assets. These banks, in particular, have greater financial and other capital resources, and a greater market share than UnionBank. As a publicly-listed bank, UnionBank also monitors its performance against the ten largest publicly-listed universal banks, which comprise 75% of total assets, 82% of total loans, and 73% of total deposits of all universal and commercial banks, based on published balance sheets as of June 30, 2020.

e) Major Customers

The Financial Services Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

f) Patents, Copyrights, and Franchises

	Trademark	Registration Date	Expiration Date
1	DIGITAL ME	June 29, 2017	June 29, 2027

2	EON	July 30, 2017	July 30, 2027
3	EON CYBER	November 2, 2017	November 2, 2027
4	EON DUO	November 2, 2017	November 2, 2027
5	EON FOR THE DIGITAL ME	July 30, 2017	July 30, 2027
6	EON ZERO	November 2, 2017	November 2, 2027
7	EON ZOOM	November 2, 2017	November 2, 2027
8	SELFIE CASH	July 30, 2017	July 30, 2027
9	SELFIE CREDIT	June 29, 2017	June 29, 2027
10	SELFIE DEBIT	June 29, 2017	June 29, 2027
11	SELFIE LOG-IN	June 29, 2017	June 29, 2027
12	SELFIE PAY	November 2, 2017	November 2, 2027
13	SELFIE PAYMENT	June 29, 2017	June 29, 2027
14	UBP	August 7, 2014	August 7, 2024
15	UMOBILE	July 30, 2017	July 30, 2027
16	UNIONBANK OF THE PHILIPPINES & Logo	August 7, 2014	August 7, 2024
17	UNIONBANK / Class 36: Banking Services	December 19, 2005	December 19, 2025
18	UNIONBANK Logo Color: Orange, Blue	October 21, 2010	October 21, 2020
19	Union eon Cyber Account	December 5, 2013	December 6, 2023
20	UREKA	November 10, 2016	November 10, 2029
21	POW! PAY ONLINE WHEREVER	June 21, 2018	June 21, 2028
22	OWN THE FUTURE	October 25, 2018	October 25, 2028
23	THRIVE IN AN AGILE TEAM ENVIRONMENT DRIVEN BY SUCCESS.	November 11, 2018	November 11, 2028
24	SEIZE THE BOLD OPPORTUNITIES FOR GROWTH.	November 11, 2018	November 11, 2028
25	DISRUPT THE WORLD WITH SMART CHANGEMAKERS	November 11, 2018	November 11, 2028

g) Government Approvals

The Bangko Sentral ng Pilipinas (BSP), SEC, Philippine Deposit Insurance Corporation (PDIC), PSE, and the BIR are the major regulatory agencies that provide rules, regulations and guidelines to UnionBank's activities.

UnionBank ensures that its products, services and systems have the necessary regulatory approvals and are in compliance with existing rules prior to launch.

h) Effect of Existing or Probable Governmental Regulations

As a banking institution, UnionBank adheres to the provisions of the General Banking Law of 2000 (Republic Act No. 8791), as amended, and the regular issuances by the BSP as embodied in its Manual of Regulations for Banks (MORB). The regulatory issuances of the SEC, PDIC, PSE, BIR and other regulatory bodies are likewise monitored constantly for new developments. In addition, the following are the business regulatory framework for the Financial Services Group:

Anti-Money Laundering Laws and Know Your Customer Procedures

UnionBank complies with the Anti-Money Laundering Act of 2001 (Republic Act No. 9160) as amended by Republic Act 9194, its Implementing Rules and Regulations and regulatory issuances of the BSP and the Anti- Money Laundering Council (AMLC). UnionBank adheres to the Know Your Customer (KYC) rules and customer due diligence requirements of both the law and regulation at the inception of the bank-client relationship until its termination.

Since June 2015, UnionBank has put in place a new AML System equipped with monitoring tools and reporting capabilities. Beginning last September 2016, UnionBank has likewise implemented a real-time sanctions screening system to screen transactions that pass through the SWIFT network. Since last year, UnionBank has also implemented monitoring processes for transactions based on pre-approved alert parameters, comprising of a combination of threshold amounts and specific customer/transaction attributes. KYC and customer due diligence process remains robust through documentation of client information, review of customer risk rating and identification of ultimate beneficial owners and obtaining senior management approval, where warranted.

AML topics are part of the new employee orientation two-day course. On an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides formal AML training to the members of the Board of Directors and Senior Management. All personnel branches and other units are also required to take the AML e-learning refresher module regularly in coordination with the HR Group and the Compliance and Corporate Governance Office.

Capital Adequacy

Per existing BSP regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to 10% of its risk assets. Risk assets consist of total resources after exclusion of cash on hand, due from BSP, loans covered by holdout on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items as determined by the Monetary Board of the BSP.

Pursuant to BSP Circular No. 538, Series of August 4, 2006, UnionBank's capital adequacy ratio (CAR) as of December 31, 2019 and June 30, 2020 is at 15.3% and 16.0%, respectively.

i) Major Risk/s Involved in the Business

Risks particular to the Financial Services Group are as follows:

UnionBank's ability to identify, assess, monitor and manage risks inherent in its business is anchored on the quality and timeliness of available industry and internal risk data

UnionBank, through its Enterprise Risk Management (ERM) Group, monitors all risk exposures which include, among the others, credit risk, market, operational risk, operational risk, liquidity risk, and IT risks. The effectiveness of UnionBank's risk management, particularly on management of credit risk which is inherent in its core businesses, is bounded by the quality and timeliness of available data in the Philippines as well as internal risk data in relation to different factors such as, but not limited to, the proposed borrowers' credit history, loan exposures with other financial institutions and other external and market factors affecting overall credit. Insufficient or inaccurate risk and financial data and limitations of UnionBank's risk management systems, if any, may result to UnionBank granting loans that may expose UnionBank to significant credit risk, take positions that may expose UnionBank to market and liquidity risks, or undertake business activities that may result in operational, IT and other material risks.

UnionBank may face increasing levels of non-performing loans ("NPLs"), provisions for impairment losses and delinquencies in its credit card portfolio, which may adversely affect UnionBank's business, financial condition, results of operations, and capital adequacy

UnionBank plans to continue to expand its small and medium-sized enterprises ("SMEs") and consumer loan operations, such as credit card services, mortgage loans, and salary loans. Such expansion plans will increase UnionBank's exposure to SMEs and consumer debt, and volatile economic conditions in the Philippines may adversely affect the future ability of UnionBank's borrowers, including SMEs and individual borrowers, to meet their obligations under their indebtedness and, as a result, UnionBank may experience an increase in the levels of NPLs and provisions for impairment losses in the future.

Volatile economic conditions in the Philippines, including volatile exchange and interest rates, may adversely affect many of UnionBank's customers, causing uncertainty regarding their ability to fulfil obligations under UnionBank's loans and significantly increasing UnionBank's exposure to credit risk. These and other factors could result in an increased number of NPLs and delinquencies in UnionBank's loan portfolio in the future. Any significant increase in UnionBank's NPLs or delinquencies in UnionBank's loan portfolio would have a material adverse effect on its business, financial condition, results of operations and capital adequacy.

UnionBank may be unable to recover the assessed value of its collateral when its borrowers' default on their obligations, which may expose UnionBank to significant losses

UnionBank's secured loans have, historically, represented a significant portion of UnionBank's total loans. There can be no assurance that the collateral securing any particular loan will protect UnionBank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of UnionBank's collateral may not accurately reflect its liquidation value, which is the maximum amount UnionBank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover UnionBank's loans.

In addition, some of the valuations in respect of UnionBank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing UnionBank's loans, including with respect to any future collateral taken by UnionBank, would mean that its provisions for credit losses may be inadequate and UnionBank may need to increase such provisions. Any increase in UnionBank's provisions for credit losses could adversely affect its business, its financial condition, results of operations and capital adequacy.

Furthermore, UnionBank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, UnionBank to legal liability while in possession of the collateral. These difficulties may significantly reduce UnionBank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. UnionBank initially carries the value of the foreclosed properties at the lower of loan exposure or fair value of the properties at the time of foreclosure. Subsequently, the foreclosed properties are carried at the lower of the amount initially recognized or the fair value less cost to sell. While UnionBank, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and to prevent their deterioration. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans.

UnionBank's provisioning policies, which are based on Philippine Financial Reporting Standards expected credit loss standards and on other relevant Philippine regulations, may be more or less stringent than those in other countries

The level of loan loss provisions which UnionBank recognizes are aligned with the PFRS 9 accounting standard. Subjective determinations of significant change in credit risk may increase the variation of application of such policies and affect UnionBank's results of operations. Moreover, regulations of the BSP require that Philippine banks classify loans into several categories corresponding to various levels of credit risk as follows: pass, loans especially mentioned, substandard, doubtful and loss. These are considered in PFRS 9 expected credit loss ("ECL") stage determination, in addition to BSP Circular No. 941. Generally, the classification of loans depends on a combination of qualitative and quantitative factors, such as the number of months that payment is in arrears. Periodic examination by the BSP of these classifications in the future may also result in changes being made by UnionBank to such classifications and to the factors relevant thereto.

The BSP requirements in certain circumstances may be less or more stringent than those applicable to banks in other countries and may result in particular loans being classified as non-performing later or earlier than would be required in such countries or being classified in a category reflecting a lower or higher degree of risk. As a result, the amount of UnionBank's NPLs as well as reserves may be lower or higher than what would be required if UnionBank was located in such countries. Further, if UnionBank changes its provisioning policies to become more in line with international standards or practices or otherwise, UnionBank's results of operations may be adversely affected.

UnionBank is subject to credit, market and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds

To the extent any of the instruments and strategies UnionBank uses to manage its exposure to market or credit risk is not effective, UnionBank may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. UnionBank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. UnionBank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. UnionBank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, UnionBank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by UnionBank to effectively manage its credit, market and liquidity risk could have a negative effect on its business, financial condition and results of operations.

A downgrade of UnionBank's credit rating could have a negative effect on its business, financial condition and results of operations

In the event of a downgrade of UnionBank by one or more credit rating agencies, UnionBank may have to accept terms that are not as favorable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on UnionBank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in UnionBank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce UnionBank's liquidity and negatively impact its operating results and financial condition.

REAL ESTATE

Overview of the Business

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. The first attempt of Aboitiz in real estate development was in 1975. Today, through AboitizLand, it is mainly engaged in the development of real estate projects with a primary focus on residential communities, integrated industrial townships and commercial hubs.

AboitizLand currently has 13 residential projects selling three different product types: lot only, house and lot, and condominiums. It developed three economic zones: (a) MEZ II in Lapu-Lapu City, Mactan, Cebu; (b) WCIP in Balamban, Cebu, through its Subsidiary, CIPDI; and (c) the Lima Technology Center in Malvar, Batangas. It also has six commercial projects in operations, namely: (a) The Outlets at Lipa and (b) Lima Exchange, both in Lipa, Batangas; (c) The Persimmon Plus in Mabolo, Cebu City; (d) the iMez Building; (e) Pueblo Verde; and (f) The Outlets at Pueblo Verde. The latter three commercial projects are all located in Lapu-Lapu City, Mactan, Cebu.

AboitizLand's strategy has been to step up mid-market residential launches to capitalize on the growing provincial house and lot mid-market. It expects to grow its well-performing industrial business through the continued acquisition of land in key geographic corridors and the development of complementary recurring revenue businesses and residential communities within these areas. Through this approach, AboitizLand not only looks to expand its industrial footprint but also create thriving townships in the future.

AboitizLand is also capitalizing on the new and upcoming segment of vertical developments in urban zones through its partnership with Point Blue, Inc. which created the microstudio category in the Philippines. This joint venture looks to build microstudio buildings strategically located near Metro Manila's central business districts. In addition, AboitizLand recently signed a joint venture agreement with Cebu Landmasters Inc. to develop a mixed-use vertical project in Mandaue City, Cebu. Pre-selling of the first condominium tower is expected to begin by November 2020.

In conjunction with these developments, AboitizLand expects to actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the Lima Technology Center.

a) Products and Services

Residential Business

During the early 1990s, AboitizLand developed upper-mid to high-end residential subdivisions, focusing mainly on horizontal (lot-only and house-and-lot) developments. Having expanded its portfolio to include mid-market residential products, AboitizLand has also introduced a number of products to the Cebu real estate market, including: (a) the New Urbanism concept of live-work-play in the large master-planned community of Pristina North; (b) Zen living, which takes off from the spa lifestyle trend, in Kishanta; (c) the commercial and residential "urban village", such as The Persimmon; (d) shophouses as a residential product in Ajoya; (e) fully-furnished affordable studio units, such as The Persimmon Studios; (f) Asian Contemporary designed units in Almiya; and (g) inspired by traditional Filipino residences in Amoa.

Cebu District Property Enterprise Inc. ("CDPEI") is a joint venture between AboitizLand and Ayala Land which was incorporated on February 20, 2014. The partnership is focused on the development of Gatewalk Central – a 17-hectare mixed-use project in Mandaue City, Cebu. The partnership leverages the strengths of both companies, as it brings together AboitizLand's deep-rooted real estate experience in Cebu and Ayala Land's proven track record in developing master-planned and sustainable communities. AboitizLand owns a 50% equity interest in CDPEI with Ayala Land holding the remaining 50% equity interest.

In the first half of 2017, AboitizLand launched Seafront Residences, a 43-hectare beachside community located in San Juan, Batangas, and Foressa Mountain Town, a 250-hectare mountain town community located in Balamban, Cebu.

In 2018, AboitizLand launched two new residential projects in Luzon – Ajoya Capas (13 hectares) and Ajoya Cabanatuan (20 hectares). The Ajoya brand represents AboitizLand's flagship mid-market residential product, featuring modern housing units inspired by contemporary Filipino architecture, and amenities such as a town plaza, a clubhouse, and pocket parks, among others.

Subsequently in the July and August of 2019, AboitizLand further strengthened its position in the Luzon region through the launch of two new residential projects – The Villages at Lipa (50 hectares) and Ajoya Pampanga (21 hectares) respectively.

Industrial Business

A critical component to AboitizLand's overall success is the industrial business unit, which comprised ~60% of AboitizLand's total revenues in 2019 a substantial portion of which was contributed by Lima Land, Inc. ("LimaLand"). Additionally, AboitizLand is a registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a BOT agreement with MCIAA. The 63-hectare zone is home to 52 light-to-medium manufacturing locators and has a 100% occupancy rate.

Lima Land, Inc.

Incorporated in October 1995, LimaLand is the developer and operator of the Lima Technology Center, a PEZA-registered economic zone located in Malvar, Batangas, at the heart of the CALABARZON region, the administrative region composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. Lima Technology Center is a 590-hectare industrial park catering to export-oriented locators engaged in manufacturing and warehousing operations.

Each year, LimaLand has continuously expanded Lima Technology Center to cater to new investors. The first expansion of 50 hectares in 2015 is already fully occupied by new locators. The second and third expansions totaling approximately 70 hectares were completed in 2017 to accommodate new investors and the expansion requirements of existing locators. LimaLand's ongoing construction of its fourth expansion, an additional 50 hectares, will be made available to new and existing locators by the first quarter of 2020. Simultaneously, it is currently in the design phase of its fifth expansion that is expected to add another 47 hectares of inventory in 2022.

AboitizLand envisions Lima Technology Center to be a future thriving township, combining the concepts of an integrated city and an environment for wholesome living. In line with building the township, AboitizLand launched The Outlets at Lipa with its first phase opened to the public in December 2018. The Outlets at Lipa is a 9.3-hectare commercial development located inside Lima Technology Center aimed at complementing the industrial estate by offering outlet shops, restaurants and leisure places for the ecozone employees and neighboring communities. To further build on the commercial and retail aspects available in the estate, AboitizLand started operations in Lima Exchange by launching Robinsons Supermarket together with the transport terminal in December 2019. Lima Exchange is a retail hub which broke ground in December 2018.

In terms of the residential component of the estate, AboitizLand launched its first residential project, The Villages at Lipa, in July 2019. This project is envisioned to be a 50-hectare community that is expected to develop and cultivate 2,500 housing units across three villages targeting the upper-middle- and middle-income markets.

The Company believes Lima Technology Center continues to be one of Asia's new-generation industrial parks that combine smart economics, strategic location, and a synergy of strengths, focused on ensuring the growth and profitability of its investors' enterprises.

LimaLand was formerly managed by the Alsons and Marubeni groups. AboitizLand acquired Alsons' 60% interest in October 2013 with the remaining 40% interest of Marubeni subsequently acquired in February 2014. As of January 31, 2020, LimaLand is a wholly-owned subsidiary of AboitizLand.

Commercial Business

The commercial business unit focuses on neighbourhood retail and commercial hubs that complement AboitizLand's existing industrial and residential developments. With the growth of the business process outsourcing ("BPO") sector, AboitizLand launched iMEZ in 2009, its first BPO office building, thereby expanding its product line. In 2013, AboitizLand launched its first outlet development in Visayas and Mindanao region, The Outlets at Pueblo Verde, which offers 20%-75% discounts on global brand merchandise year-round.

Additionally, AboitizLand offers property management services to support not only its own business units, but also those of the other companies within the Aboitiz Group. These services cover community security, site and infrastructure maintenance, village activities and policy administration.

Cebu Praedia Development Corporation

Incorporated on October 13, 1997, Cebu Praedia Development Corporation ("CPDC") is engaged in the leasing of properties located in the cities of Makati and Cebu. To date, CPDC's major property holdings include the commercial and office building block located at 110 Legazpi Street, Legaspi Village, Makati City and AEV's Cebu offices located at Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City.

CPDC is a wholly-owned subsidiary of AEV.

Propriedad del Norte, Inc.

Incorporated on March 1, 2007, Propriedad del Norte, Inc. ("PDNI") is engaged in the purchase and development of real estate. PDNI's current land bank stands at 62 hectares, all of which is located in Liloan, Cebu.

PDNI is a wholly-owned subsidiary of AboitizLand.

Cebu Industrial Park Developers, Inc.

CIPDI is a company owned by AboitizLand and the Kambara Group from Japan, through its wholly-owned subsidiary, Tsuneishi Holdings (Cebu), Inc. Incorporated on June 15, 1992, CIPDI began operations in 1993 with the development and operation of the West Cebu Industrial Park (WCIP) in Balamban, Cebu. WCIP is a 283-hectare industrial zone, catering to medium to heavy industries such as shipbuilding and allied activities. WCIP currently has 11 industrial locators as well as five commercial locators in the area. In April 2017, CIPDI brought to market the first phase of its 250-hectare sustainable mountain town community, Foressa, also located in Balamban, Cebu. This first phase is expected to be 55% sold while the site development is expected to be 83% complete by the end of 2020.

As of January 31, 2020, AboitizLand owns a 60% equity interest in CIPDI.

A2 Airports Partners, Inc. (AllRise Development Corp.)

A2 Airports is a joint venture company between AboitizLand and E360, Inc., and is engaged in carrying out the business of build-to-rent microstudio developments catering to young urban professionals. Currently, A2 Airports wholly owns 78 Point Blue, Inc., Triplecrown Properties Inc. and Firmwall Systems Inc. and collectively has 4 buildings in operations located in the prime areas of Taguig and Makati City.

AboitizLand has a 50% equity interest in A2 Airports as of January 31, 2020.

b) Distribution Methods

AboitizLand's residential projects currently target a diverse base of customers, ranging from the middle to upper income brackets. AboitizLand now also caters to young urban professionals working in and around central business districts given its recent partnership with E360, Inc. to co-develop microstudio developments.

AboitizLand's industrial division aims to serve various locators from different industries and countries with significant interests in the Philippines.

c) New Products and Services

In September 2019, AboitizLand and Point Blue partnered to co-develop microstudio rental apartments, an innovative new category in the real estate residential sector. These microstudio apartments are leased ready for move-in and all units are equipped with a bed, ample storage space, a desk and chair, roller blinds, air-conditioner, microwave, free high-speed internet, and within walking distance of Metro Manila's Central Business Districts. In addition, AboitizLand entered into a joint venture agreement with Cebu Landmasters Inc. to develop a mixed-use vertical project in Mandaue City, Cebu. Pre-selling of the first condominium tower is expected to begin by the middle of 2020.

d) Competition

AboitizLand considers Ayala Land and Vista Land as its main competitors in the residential business. They currently enjoy market dominance in the locations where they compete and are considered as brand leaders in the market because of their presence in both primary and secondary cities nationwide. Both competitors target the same market that falls within their sub-brands that cater from the high-end A market to the broad C market. AboitizLand also caters to the same markets depending on the location and type of product that it offers. According to an industry report of Colliers International dated February 6, 2019, the full year 2018 market was able to pre-sell 54,000 residential units. By way of comparison, AboitizLand sold around 600 residential units in 2019, generating a substantial amount in sales revenue.

In terms of the commercial business, AboitizLand looks to strategically develop commercial spaces that will enhance its current communities. By doing so, AboitizLand aims to maximize the value footprint in these areas while servicing the needs of the community. Furthermore, the continued relevance of AboitizLand's successful track record in traditional retail formats provide a positive outlook for its largest commercial project to date, The Outlets at Lipa. Although relatively new in this segment, it was able to successfully implement new retail formats in locations it already serves. However, traditional big-box retail such as SM and Vista Land remain market leaders in the commercial business and are considered as our main competitors in this segment. While SM caters to all market classes, AboitizLand caters to the broad C to the upper B market currently focusing on the latter for its offerings at the Outlets.

Lastly, the industrial parks continue to serve as key hubs for economic activity. With its expertise, AboitizLand looks to further capitalize on these hubs not only by expanding its industrial footprint, but also through the development of recurring revenue businesses and residential communities adjacent to its industrial areas. Through this approach, AboitizLand looks to transform these industrial spaces into thriving townships. Among the national developers in the country, Ayala Land, Vista Land, and Megaworld are the main proponents of township developments. With their years of experience and land banks around the country, they remain AboitizLand's competitors in this segment. Similar to the residential and commercial business, AboitizLand caters to several markets that encompass its township developments. For example, The Villages at Lipa caters to mid – to upper-mid-market residents, *The Outlets* at Lipa serves retail customers, while Lima Technology Center is home to industrial locators and soon, BPO offices.

e) Sources of Raw Materials

AboitizLand and its Subsidiaries have a broad base of suppliers, both local and foreign. They are not dependent on one or a limited number of suppliers.

f) Major Customers

AboitizLand's residential projects currently targets a diverse base of customers, ranging from the middle to upper income bracket. The Group's industrial division serves various locators, with the slight exception of its industrial segment operated through CIPDI, which has commitments to Tsuneishi Holdings Corporation (THC) of Japan.

The Real Estate Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

g) Patents, Copyrights, and Franchises

The Real Estate Group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed or pending at local jurisdictions.

Trademark	Registration Date	Expiration Date
ABOITIZLAND AND DEVICE, with color claim	March 11, 2020	March 11, 2030
ABOITIZLAND	April 15, 2010	April 15, 2030
THE OUTLETS	December 4, 2014	December 4, 2024
THE OUTLETS AND DEVICE, with color claim	February 26, 2015	February 26, 2025
Ajoya word mark	March 9, 2017	March 24, 2027
Ajoya device mark	March 24, 2017	March 24, 2027
Foressa word mark	March 24, 2017	March 24, 2022
Foressa device mark	June 15, 2017	March 24, 2027
Lekeitio word mark	April 20, 2017	April 20, 2027
Seafront Residences word mark	July 14, 2017	July 14, 2027
Seafront Residences device mark	August 10, 2017	August 10, 2027
The Outlets Logo	July 14, 2017	July 14, 2027
Seafront Villas word mark	July 14, 2017	July 14, 2027
Seafront Villas device mark	August 17, 2017	August 17, 2077
Lima Exchange word mark	December 7, 2017	December 7, 2027
Lima Exchange device mark	October 26, 2017	October 26, 2027
Lima Land word mark	April 12, 2018	April 12, 2028
Lima Land device mark	March 22, 2018	March 22, 2028
Lima Technology Center word mark	June 15, 2018	June 15, 2028
Lima Technology Center device mark	April 12, 2018	April 12, 2028
The Villages at Lipa word mark	October 16, 2018	October 16, 2028
The Villages at Lipa device mark	October 16, 2018	October 16, 2028
ASIERA	October 22, 2019	October 22, 2029
ASIERA LOGO (FULL COLOR)	October 22, 2019	October 22, 2029
ASIERA LOGO (REVERSED WHITE)	October 22, 2019	October 22, 2029
ASIERA LOGO (ONE COLOR BLACK)	October 22, 2019	October 22, 2029
ASIERA HOMES LOGO (FULL COLOR)	October 22, 2019	October 22, 2029
ASIERA HOMES LOGO (REVERSED WHITE)	October 22, 2019	October 22, 2029
ASIERA HOMES LOGO (ONE COLOR BLACK)	October 22, 2019	October 22, 2029

h) Effect of Existing or Probable Governmental Regulations

The laws and regulations that govern the Real Estate Group's business operations include the: (i) Subdivision and Condominium Buyer's Protective Decree (P.D. 957) which outlines the necessary approvals and permits required for subdivision and condominium development projects. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the government which, together with local government units ("LGUs"), enforces these decrees and has jurisdiction to regulate the real estate trade and business. (ii) Urban Development and Housing Act of 1992 (RA No. 7279), as amended recently by Republic Act No. 10884, requiring developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least fifteen percent (15%) of the total subdivision area or total subdivision project cost, and at least five percent (5%) of condominium area or project cost, at the option of the developer, within the same city or municipality whenever feasible, and in accordance with the standards set by HLURB and other existing laws. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development; and (iii) the Condominium Act (RA No. 4726), as amended, providing additional regulation on the development and sale of condominium projects. The Condominium Act requires the annotation of the master deed or the declaration of restrictions on the title of the land on which the condominium project shall be located. The declaration of restrictions shall constitute a lien upon each condominium unit in the project, and shall bind all condominium owners in the project.

i) Major Risk/s Involved in the Business

Risks particular to the Real Estate Group are as follows:

AboitizLand may not be able to acquire land for new projects

AboitizLand's future growth and development are heavily dependent on its ability to acquire or enter into agreements to develop additional tracts of land suitable for its planned real estate projects. AboitizLand competes with its competitors to secure suitable sites for development. Given this competition and the limited availability of land, particularly in areas in and near Metro Manila and other urban areas in the Philippines, AboitizLand may have difficulty acquiring tracts of land that are suitable in size, location and price. In the event AboitizLand is unable to acquire suitable land or to enter into agreements to develop suitable land at acceptable prices, with reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

AboitizLand may not be able to lease its properties in a timely manner or collect rent at profitable rates or at all

AboitizLand's ability to lease sites in its development projects, including its industrial projects, could be affected by a number of factors including competition for tenants, changes in market rates, the inability to renew leases, bankruptcy of tenants, the increase in operating expenditures, and efficiency in collection, property management and tenant relations. In addition, adverse trends in the industries that are located inAboitiz Land's commercial and industrial projects could result in lower demand for leases or the inability of existing tenants to honor their lease commitments. The inability of AboitizLand to lease spaces could materially affect its business, financial condition and results of operations.

AboitizLand may not be able to complete its development projects within budgeted project costs or on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take a year or longer before generating positive net cash flow through sales or pre-sales. As a result, AboitizLand's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. The schedules of AboitizLand's projects depend on a number of factors, including the performance and efficiency of its third-party contractors and its ability to finance construction. Other factors that could adversely affect AboitizLand's project development schedules include:

(a) natural catastrophes and adverse weather conditions;
(b) changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
(c) delays in obtaining government approvals and permits;
(d) changes in relevant regulations and government policies;
(e) relocation of existing residents and/or demolition of existing constructions;
(f) shortages of materials, equipment, contractors and skilled labor;
(g) labor disputes;
(h) construction accidents;
(i) errors in judgment on the selection and acquisition criteria for potential sites; and
(j) other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm AboitizLand's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. If a property project is not completed on time, the purchasers of pre-sold units within the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and claim damages. There is no assurance that AboitizLand will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

INFRASTRUCTURE

Overview of the Business

The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital, Inc. and AEV CRH, the holding company of Republic Cement & Building Materials, Inc.

a) Products and Services

Aboitiz InfraCapital

Aboitiz InfraCapital (formerly AEV Infracapital, Inc.), incorporated on January 13, 2015, is the investment vehicle of the Aboitiz Group in all infrastructure related investments.

Aboitiz InfraCapital established itself as a provider of water supply, water distribution, wastewater treatment, and water-related infrastructure through its acquisition of equity interests in Apo Agua in 2015, Lima Water in 2017, and Balibago Waterworks Systems, Inc. (BWSI) in 2017. In addition, Aboitiz InfraCapital has been actively submitting unsolicited proposals to the government for various airport projects and is participating in the independent mobile tower sector.

Aside from its current portfolio of water infrastructure projects, Aboitiz InfraCapital submitted unsolicited proposals to the government in 2018 involving the rehabilitation and expansion of three regional airports: New Bohol International Airport in Panglao, Laguindingan Airport, and Bicol

International Airport. Original Proponent Status has been granted to Aboitiz InfraCapital in respect of the New Bohol International Airport and the Laguindingan Airport. The National Economic and Development Authority ("NEDA") Board has also approved the proposal for the New Bohol International Airport.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology ("DICT") allowing Aboitiz InfraCapital to potentially build, operate, and maintain a network of cellular towers throughout the Philippines that it can lease to the telecommunication companies. Aboitiz InfraCapital is currently in commercial discussions with the mobile network operators.

Lima Water Corporation

Lima Water was incorporated on May 28, 1999. Lima Water provides industrial and potable water to over 80 industrial locators at the Lipa, Batangas based Lima Technology Center. Lima Water has a daily water capacity of 8,700 cubic meters. Lima Water also operates its own centralized wastewater treatment plant to ensure the proper treatment of wastewater generated within the Lima Technology Center. On August 1, 2017, Aboitiz InfraCapital acquired and took full operational control of Lima Water from its affiliate AboitizLand. Aboitiz InfraCapital owns a 100% equity interest in Lima Water.

Apo Agua Infrastructura, Inc.

Incorporated on August 8, 2014, Apo Agua is a joint venture between AEV and J.V. Angeles Construction Corporation. The overall objective of Apo Agua is to provide a sustainable, reliable, and safe supply of bulk water to the Davao City Water District ("DCWD").

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with DCWD for the Davao City Bulk Water Supply Project (DCBWSP). Today, Apo Agua is progressing with the construction of the bulk water treatment facility, while DCWD is currently constructing and upgrading the facilities necessary to receive the treated water. The bulk water treatment facility is expected to supply over 300 million liters of water per day, equivalent to an annual supply volume of 109.5 million cubic meters.

A unique component of the project is a pioneering innovation which utilizes the "water-energy nexus" concept. The bulk water treatment facility will be powered by its own run-of-river hydroelectric power plant.

Once the DCBWSP completes construction in 2021, the water availability in all service connections that will be served by the project will improve with 24/7 water supply availability and adequate pressure. The project will also prevent irreversible and damaging environment effects such as salt-water intrusion, drying-up of wells, and land subsidence brought about by over extraction of groundwater.

On January 18, 2020, Apo Agua clocked in 1,717,222 safe man-hours without lost-time incident. A total of 517 residents from its host and impact barangays have been provided jobs.

AEV and its wholly-owned subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

Regional Airports

Aboitiz InfraCapital was granted original proponent status by the DOTr for its unsolicited proposal to expand, operate and maintain the new Bohol-Panglao International Airport on September 3, 2018. The

Company believes this international airport located on the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. The new Bohol-Panglao International Airport replaced the old Tagbilaran Airport and was inaugurated on November 28, 2018 with an estimated capacity of two million passengers per annum.

On August 10, 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the upgrade, expansion, operations and maintenance of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor. On February 26, 2019, Aboitiz InfraCapital was granted original proponent status by the Civil Aviation Authority of the Philippines ("CAAP") for its unsolicited proposal on Laguindingan Airport. The proposal involves the operations and maintenance, including the much-needed upgrade works, of the Laguindingan Airport. The airport has been operational since 2013 with a design capacity of 1.6 million passengers per annum. According to CAAP, in 2018 the Laguindingan Airport served more than two million passengers.

On September 18, 2019, Aboitiz InfraCapital submitted to the DOTr an unsolicited proposal to operate and maintain the new Bicol International Airport. The airport is envisioned to become the new gateway to the Bicol region, helping bolster economic development of the region and contributing significantly to unlocking the large tourism potential of the region. The airport is currently being constructed by the government and is expected to be operational in 2021.

Towers

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding ("MOU") with the DICT. The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. Aboitiz InfraCapital currently has signed MOUs with Globe Telecom, Inc. on July 2, 2019 and with Smart Communications, Inc. on August 19, 2019, setting the stage to commence negotiations for the first batch of towers that Aboitiz InfraCapital intends to deliver to each mobile network operator.

Cement

AEV CRH Holdings, Inc. (AEV CRH) and CRH Aboitiz Holdings, Inc. (CRH Aboitiz)

AEV, in partnership with CRH plc, formed two investment vehicles for their infrastructure projects, AEV CRH and CRH Aboitiz, incorporated in July 2015. On September 15, 2015, CRH Aboitiz acquired equity interests in Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services Philippines, Inc.).

AEV CRH was initially granted the option to acquire 5,174,720,568 shares of RCBM (formerly Lafarge Republic, Inc.), representing 88.85% of RCBM's outstanding capital stock in a private sale from its major shareholder. In compliance with the requirements of the Securities Regulation Code, AEV CRH conducted a mandatory tender offer to acquire the remaining shares from the minority shareholders of RCBM. On September 9, 2015, AEV CRH accepted from the public a total of 596,494,186 shares representing 10.24% of the outstanding shares of RCBM. The tendered shares brought up AEV CRH's total shares in RCBM to 99.09% as of February 29, 2016. As of date, AEV CRH owns 99.40% of RCBM's outstanding capital stock.

AEV owns 60% and 45% equity interests in AEV CRH and CRH Aboitiz, respectively.

Republic Cement & Building Materials, Inc. (RCBM)

Incorporated on May 3, 1955, RCBM is primarily engaged in the manufacture, development, exploitation, and sale of cement, marble and a number of other building materials, and the processing or manufacture of materials for a range of industrial or commercial purposes.

In September 2015, AEV CRH acquired a total of 99.09% equity interest in RCBM partly through private sale and partly through a mandatory tender offer. AEV CRH was required to conduct a mandatory tender offer subsequent to its acquisition of approximately 88.85% of the issued and outstanding shares of RCBM through a private sale. On January 14, 2016, RCBM filed a Petition for Voluntary Delisting with the PSE, which was approved by the PSE Board of Directors, effective on April 25, 2016.

On 26 September 2016, AEV CRH's equity interest in RCBM increased to 99.37% following the increase in the par value and decrease in its authorised capital stock. RCBM's number of shareholders also fell below 200, as a result of which it ceased to be a public company. In its Order of Revocation dated January 4, 2017, the Philippine SEC granted RCBM's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities. As of 30 September 2019, AEV CRH's equity interest in RCBM has since increased to 99.40% through the purchase of three shares of minority shareholders.

RCBM's operating cement manufacturing plants are located in the following sites: (a) Barangay Minuyan, Norzagaray, Bulacan (Bulacan Plant); (b) Bo. Bigte, Norzagaray, Bulacan (Norzagaray Plant); (c) Bo. Mapulo, Taysan, Batangas (Batangas Plant); and (d) Barangay Dulumbayan, Teresa, Rizal (Teresa Plant). RCBM also has a cement grinding facility located in Bo. Dungo-an, Danao, Cebu (Danao Plant). RCBM serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers. The amount of products supplied to the Aboitiz Group is insignificant.

RCBM owns 100% equity interest of Republic Cement Iligan, Inc. (formerly Lafarge Iligan, Inc.) and 99.75% of Republic Cement Mindanao, Inc. (formerly Lafarge Mindanao, Inc.).

Republic Cement Mindanao, Inc. (RCMI)

RCMI was incorporated on May 25, 1957 to engage and deal in the production, purchase and sale of cement, concrete and allied products; quarrying, crushing and dealing in limestone in all its forms; and mixing, processing and sale of limestone with binder of any description. To facilitate the transition of RCMI from a Lafarge-associated entity to a CRH-Aboitiz company following the completion of the purchase of the Lafarge Philippine assets, in 2015 it changed its corporate name from "Lafarge Mindanao, Inc." to "Republic Cement Mindanao, Inc."

In its Order dated April 6, 2018, the Philippine SEC granted RCMI's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities.

Since 1999, RCMI's business operations have been concentrated mainly on cement distribution and the contracting for the manufacture of cement by an affiliate, RCII. RCMI serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers. The amount of products supplied to the Aboitiz Group is not material.

RCBM has a 99.75% equity interest in RCMI.

Republic Cement Iligan, Inc. (RCII)

Incorporated on June 1, 1967, RCII's primary purpose is to acquire, own, construct, manage and operate a cement plant for the manufacture and production of a range of cement and cement products or by-products, including any derivatives thereof.

RCII manufactures cement for RCMI. RCII's operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City.

On December 27, 2019, RCBM's equity interest in RCII increased to 100% following the increase in the par value and decrease in the authorized capital stock of RCII.

Republic Cement Land & Resources, Inc. (RCLR) (formerly: Luzon Continental Land Corporation)

RCLR was incorporated on October 26, 1998 primarily to acquire, develop and operate land, quarries, mining rights, buildings and other real or personal property used for mining, and process a range of ore and cement materials. It currently leases land and supplies limestone and other raw materials to its affiliate, RCBM. -No updates.

AEV CRH acquired RCLR from Calumboyan Holdings, Inc. on September 15, 2015. AEV CRH owned a 100% equity interest in RCLR.

Republic Cement Services, Inc. (RCSI)

RCSI was incorporated on August 21, 2001 and is the managing company of RCBM, RCMI, and RCII. CRH Aboitiz owns a 100% equity interest in RCSI.

b) Distribution Methods

In 2019, the cement sales of the Republic Cement Group were primarily made through distributors and dealers, with other sales made directly to contractors, developers, pre-cast manufacturers and ready-mix concrete companies. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

Meanwhile, Lima Water, with a daily water capacity of 8,700 cubic meters, provides industrial and potable water to over 80 industrial locators at the Lipa, Batangas based Lima Technology Center.

c) New Products and Services

Aboitiz InfraCapital is currently undertaking project development activities in relation to its various infrastructure projects. Meanwhile, the Republic Cement Group continues to develop high quality cement products for the builder's ease, efficiency, and flexibility.

d) Competition

The main competitors of the Republic Cement Group for its cement products consist of the cement manufacturers in the Philippines, as well as traders who import cement into the Philippines.

The Republic Cement Group's brand names and product lines have long been respected in the local construction industry, enabling it to effectively compete in the market. The Republic Cement Group continuously innovates and improves its product lines and production efficiency, to respond to the growing needs of the quality-conscious Filipino builder.

e) Sources of Raw Materials

The principal raw materials for the manufacture of cement consist of minerals such as limestone, silica sand and shale, which are quarried from the Republic Cement Group's or RCLR's sites, mining claims, or purchased from local suppliers or affiliates. Cement manufacture is the result of a definite process – the crushing of minerals, grinding, mixing, calcining/sintering, cooling and adding of retarder or gypsum. Other raw materials, slag, coal, other fuel and spare parts are obtained locally and abroad.

The Republic Cement Group is not dependent upon one or a limited number of suppliers for essential raw materials.

Energy Requirements

Cement manufacture is an energy-intensive process requiring reliable and affordable power supply for uninterrupted production. The operating plants source their power requirements from the following power providers:

Company	Location	Power Provider
RCBM	Bulacan, Norzagaray, Teresa and Batangas Plants	Aboitiz Energy Solutions, Inc. and Masinloc Power Partners Co. Ltd.
	Danao Plant	Aboitiz Energy Solutions, Inc.
RCII	Barangay Kiwalan, City of Iligan, Province of Lanao del Norte	Power Sector Assets and Liabilities Management Corporation and PowerSource Philippines Energy, Inc.

The Republic Cement Group has its own generator sets in most of its operating plants to provide back-up power in case of power shortage or interruptions or poor power quality. In November 2014, RCII entered into a PSA with PowerSource Philippines Energy, Incorporated (PSPEI), wherein RCII invested in PSPEI as a minority shareholder. This PSA is effective upon financial close of the PSPEI's financing for the development, construction and operation of the power plant which will supply power to RCII, with a term of fifteen years commencing from the date of commercial operations.

f) Major Customers

The Infrastructure Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

g) Patents, Copyrights, and Franchises

The Infrastructure group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed Philippine Intellectual Property Office.

	Trademarks	Registration Date	Expiration Date
1	Aboitiz InfraCapital word mark (Class Nos. 35, 36 and 37)	December 29, 2019	December 29, 2029

h) Major Risk/s Involved in the Business

Risks that are particular to Aboitiz InfraCapital and its Subsidiaries are:

Aboitiz InfraCapital may not be able to fully realize the benefits of implementing its infrastructure business

Aboitiz InfraCapital's ability to successfully grow and operate its infrastructure business is subject to various risks, uncertainties and limitations, including:

(a) the need to procure materials, equipment and services at reasonable costs and in a timely manner;
(b) reliance on the performance of third-party providers and consultants which have an impact on the overall operating performance of Aboitiz InfraCapital's business units;
(c) the possible need to raise additional financing to fund infrastructure projects, which Aboitiz InfraCapital may be unable to obtain on satisfactory commercial terms or at all;
(d) deficiencies or delays in the design, engineering, construction, installation, inspection, commissioning, management or operation of projects where applicable;
(e) penalties if concession requirements are not satisfied;
(f) the timely delivery by the Government of any rights of way for its projects;
(g) its ability to complete projects according to budgeted costs and schedules;
(h) market risks;
(i) non-implementation of toll or fare adjustments provided under its concession;
(j) regulatory risks; and
(k) delays or denials of required approvals, including required concessional and environmental approvals.

Occurrence of any of the foregoing or a failure by Aboitiz InfraCapital to successfully operate its infrastructure business could have a material adverse effect on its business, financial condition and results of operations.

Aboitiz InfraCapital may not be successful in securing new concessions or projects

Aboitiz InfraCapital's future plans in relation to the infrastructure business contemplate the continued acquisition of new concessions and projects, successful participation in bids for projects as well as exploring opportunities in other sectors. Aboitiz InfraCapital's ability to expand its business and increase operating profits is dependent on many external factors and events that are outside of Aboitiz InfraCapital's control, including changes in governmental laws and policies, such as the current "Build Build Build" initiative of the President Duterte administration.

AMOUNT SPENT ON RESEARCH AND DEVELOPMENT ACTIVITIES

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

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

AEV and its subsidiaries, associates and joint ventures are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These standard laws and regulations that govern AEV's business operations include the Philippine Clean Air Act (RA No. 8749), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. Power plant operations are considered environmentally critical projects for which an EIS and an ECC are mandatory.

AEV has incurred, and is expected to continuously incur, operating costs to comply with these laws and regulations. However, these costs cannot be segregated or itemized as these are embedded in, and are part and parcel of, each SBU's overall system in compliance with both industry standards and regulatory requirements. Each SBU has appointed and designated a Pollution Control Officer to closely monitor compliance with the requirements of these regulations.

As of the date hereof, neither AEV nor any of its subsidiaries, associates or joint ventures has been subject to any material fines or legal action involving non-compliance with any applicable environmental laws and regulations.

EMPLOYEES

On the parent company level, AEV has a total of 276 employees as of June 30, 2020, composed of executives, managers, supervisors, and rank and file employees. There is no existing collective bargaining agreement (CBA) covering AEV's employees.

The following table provides a breakdown of total employee headcount per SBU, divided by function, as of June 30, 2020:

Employees								
Number of Employees	AEV Corporate	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	Gold Coin and Subsidiaries	Aboitiz InfraCapital and Subsidiaries	RCBM and Subsidiaries	AboitizPower and Subsidiaries
Executives	55	286	34	20	36	18	6	165
Managers	72	1,790	80	50	145	14	130	344
Supervisors	61	1702	376	176	332	12	318	936
Rank & File	88	2,109	290	147	2,151	25	410	2,689
TOTAL	**276**	**5,887**	**805**	**393**	**3,263**	**69**	**864**	**4,134**
Unionized Employees	N/A	729*	25	N/A	223	N/A	658	534
Expiry of CBA	N/A	UBP: 2020 CBS: 2025	May 31, 2020	N/A	GCSI: Aug 2021 GCSI: Aug 2021 GCFM: Dec 2019 GCSSB: Feb 2021	N/A	N/A	LHC: Sept 2022 APRI: Feb 2022 Visayan Electric: Dec 2016 Davao Light: July 2024 Cotabato Light: June 2021 SFELAPCO: May 2024

* UBP Parent Bank only

In addition to mandated statutory benefits (such as holiday pay, service incentive leave, maternity leave, paternity leave, and 13th-month pay), the Company provides benefits to its employees in the following areas: healthcare, annual leave, loans and financial assistance applicable to a variety of uses, retirement benefits to qualified employees, and productivity bonuses. Salaries and benefits are reviewed regularly and adjusted to retain current employees and attract new talent. The Company currently has no stock option plans available to its employees. As of the date hereof, the Company does not anticipate any increase in manpower within the next 12 months unless new development projects and acquisitions materially require an increase.

INSURANCE

Insurance is part of AEV's enterprise-wide risk management program. AEV has diversified its insurance programs in order to create an optimized portfolio where it balances risk retention and transfer strategies. Over the years, the total cost of insurable risks has remained at a consistent level despite the expansion of its businesses. This is a direct result of the organization's continuous improvement of its risk profile and exploration of non-traditional risk transfer programs. Insurable risks of AEV and its affiliates are covered by policies, some of which have been tested through claims settlement.

PROPERTIES

The office space occupied by AEV is leased from a third party.

As of the date of this Prospectus, there are no definite plans of acquiring of properties in the next 12 months. Nonetheless, the Company plans to continually participate in future projects that become available to it and will disclose the same in accordance with the applicable disclosure rules under the SRC.

There are no mortgages, liens, or encumbrances over the properties of the Company.

On a consolidated basis, the property, plant and equipment of the AEV Group were valued at ₱225.56 billion and ₱221.69 billion as of December 31, 2019 and 2018, respectively. Breakdown of these assets is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2019	2018
Power, Plant & Equipment	₱141,461,981	₱167,957,079
Construction in progress	5,449,824	36,548,046
Buildings, Warehouses and Improvements	45,258,069	28,738,498
Transmission & Distribution Equipment	21,295,812	19,458,140
Machinery & Equipment	9,630,900	9,354,817
Office Furniture, Fixtures and Equipment	12,658,212	9,830,361
Leasehold Improvements	3,055,627	3,033,091
Land	3,754,564	3,489,652
Transportation Equipment	2,794,242	2,700,468
Others	2,344,094	2,440,081
Less: Accumulated Depreciation and Amortization	59,728,438	61,860,288
TOTAL PPE	**187,974,887**	**221,689,945**
Right-Of-Use Assets	37,583,878	-

TOTALS	**225,558,765**	**221,689,945**

Note: *Values for the above table are in thousand Philippine Pesos.*
**2018 Property, Plant and Equipment account has been restated to effect the adjustments arising from the finalization in 2019 of the purchase price allocation on the acquisition of GCMH in 2018.*
**2018 Total Assets and other Balance Sheet accounts have been restated to effect the adjustments arising from the finalization in 2019 of the purchase price allocation on the acquisition of GCMH in 2018.*

Property, plant and equipment with carrying amount of ₱124.0 billion and ₱126.9 billion as of December 31, 2019 and 2018, respectively, are used to secure the Group's long-term debts. For further details refer to Note 18 (disclosure on Long-term Debts) of the attached AEV 2019 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
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: 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
Pilmico	Industrial land, buildings/plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor 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	Buncker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	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
PANC	Industrial land, buildings/plants, eqpt. & machineries	Barangay Sto. Domingo ll, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations

GNPower - Mariveles	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
LEZ	Industrial land, buildings/plants, equipment and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Buildings/plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use
Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for future use
Aseagas	Raw land and improvements	Lian, Batangas	Undergoing development
PETNET	Raw land and improvements	Better Living Subdivision, Paranaque City	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor. Matco Road Lagao General Santos City	In use for operations
RCBM	Cement manufacturing plants	Barangay Minuyan, Norzagaray, Bulacan; Bo. Bigte, Norzagaray, Bulacan; Bo. Mapulo, Taysan, Batangas; Baranagay Dulumbayan, Teresa, Rizal	In use for operations
RCBM	Cement grinding stations	Bo. Dungo-an, Danao, Cebu	In use for operations
RCII	Cement grinding plant	Baranagay Kiwalan, Iligan City, Iligan	In use for operations

International Animal Nutrition

Locations of Principal Properties and Equipment of Gold Coin Group are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
GCKM	Livestock mill (broiler, swine and fish feeds)	Kunming, Yunnan Province, China	In use for operations
GCZZ	Livestock mill (swine, broiler, pigeon feeds and SN products)	Zhangzhou, Fujian Province, China	In use for operations
GCZH	Livestock mill (poultry, swine, floating fish feeds and SN products)	Zhuhai, Guangdong Province, China	In use for operations
GCDG	Livestock mill (poultry, swine, floating fish and pigeon feeds)	Dongguan, Guangdong Province, China	In use for operations
GCFM-BW	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations

GCFM-PK	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCSSB	Aqua mill (shrimp feed)	Selangor, Malaysia	In use for operations
GCS	Production mill (poultry broiler and layer feed; conducts commodities trading for the region)	Sarawak, East Malaysia	In use for operations
BFF	Production mill (fish meal)	Sarawak, East Malaysia	In use for operations
GCFS	Livestock mill (poultry broiler feed)	Sabah, East Malaysia	In use for operations
GCIBKS	Livestock mill (poultry layer and broiler feed)	Bekasi, Indonesia	In use for operations
GCIMDN	Livestock mill (poultry layer and broiler feed)	Medan, Indonesia	In use for operations
GCISBY	Livestock mill (poultry layer and broiler feed)	Surabaya, Indonesia	In use for operations
GCSILPG	Aqua mill (shrimp feeds)	Lampung, Indonesia	In use for operations
GCSIBKS	Aqua mill (shrimp feeds)	Bekasi, Indonesia	In use for operations
Ayam Unggul	Breeder farm (hatchery)	Bekasi, Indonesia	In use for operations
AFC	Livestock mill (swine feed and some poultry feed; has fish production lines)	Hai Duong, North Vietnam	In use for operations
GCFHN	Livestock mill (swine feed and some poultry feed; has fish production lines)	Ha Nam, North Vietnam	In use for operations
GCFD	Livestock mill (swine feed)	Dong Nai, South Vietnam	In use for operations
GCFL	Livestock mill (poultry feed)	Colombo, Sri Lanka	In use for operations
GCST	Aqua mill (shrimp feed)	Songkhla, Thailand	In use for operations

MATERIAL CONTRACTS

The following summary should not be considered to be a full statement of the terms and provisions of such contract. Accordingly, the following summary is subject to the full text of the contract.

AEV PHP 8 Billion Fixed Rate Bonds Due 2020 and 2023

On November 21, 2013, AEV issued fixed-rate bonds (the “2013 Bonds”) in two series: (a) Series A 2013 Bonds, with a term of seven (7) years from issue date, and (b) Series B Bonds, with a term of ten (10) years from issue date. The Series A 2013 Bonds has a fixed interest rate of 4.4125% per annum and an optional redemption on the fifth (5th) year and one (1) quarter from issue date, and on the sixth (6th) year from issue date. On the other hand, the Series B 2013 Bonds has a fixed interest rate of 4.6188% per annum and an optional redemption on the seventh (7th) year form issue date, the eighth (8th) year from issue date, and ninth (9th) year from issue date. First Metro Investment Corporation (“First Metro”) acted as the Issue Manager and Lead Underwriter while Metropolitan Bank and Trust Company – Trust Banking Group was appointed as Trustee.

The 2013 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law,

(ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2013 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

    i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
    ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
    iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;
    iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
    v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
    vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and

viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2013 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

AEV PHP 24 Billion Fixed Rate Bonds Due 2021, 2022, and 2027

On August 5, 2015, AEV issued fixed-rate bonds (the "2015 Bonds") in three series: (a) Series A 2015 Bonds, with a term of five (5) years and three (3) months; (b) Series B 2015 Bonds, with a term of seven (7) years; and (c) Series C 2015 Bonds, with a term of twelve (12) years from issue date. The Series A 2015 Bonds has a fixed interest rate of 4.4722% per annum. The Series B 2015 Bonds has a fixed interest rate of 5.0056% and an optional redemption on the fifth (5th) year and one (1) quarter from issue date, and on the sixth (6th) year from issue date. The Series C 2015 Bonds has a fixed interest rate of 6.0169% and an optional redemption on the seventh (7th), eighth (8th), ninth (9th), and tenth (10th) year from issue date. BPI Capital Corporation ("BPI Capital") acted as the Issue Manager. BPI Capital and First Metro Investment Corporation acted as Joint Lead Underwriters while BPI Asset Management and Trust Corporation was appointed as Trustee.

The 2015 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2015 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

i. any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
vii. any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness
viii. any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

xi. other Liens: (i) created solely by operation of law; and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the Trust Agreement; and
xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2015 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2015 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

<u>AEV PHP 5 Billion Fixed Rate Bonds Due 2024 and 2029</u>

On June 18, 2019, AEV issued fixed-rate bonds (the "2019 Bonds") in two series: (a) Series A 2019 Bonds, with a term of five (5) years from issue date, and (b) Series B Bonds, with a term of ten (10) years from issue date. The Series A Bonds has a fixed interest rate of 6.0157 % per annum and an optional redemption on the 4^{th}anniversary of the Issue Date of the Series A Bonds or the immediately succeeding Banking Day if such date is not a Banking Day. On the other hand, the Series B Bonds has a fixed interest rate of 6.3210 % per annum and an optional redemption on the 7^{th},8^{th}, and 9^{th} anniversary of the Issue Date of the Series B Bonds, or in each case, the immediately succeeding Banking Day if such date is not a Banking Day. BDO Capital & Investment Corporation and First Metro Investment Corporation were appointed as joint issue managers, joint lead underwriters, and joint bookrunners (collectively, the "Joint Lead Underwriters") while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2019 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2019 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;
iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
vi. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and
vii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2013 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

CERTAIN LEGAL PROCEEDINGS

AEV 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 effect on the Company's financial position and results of operations.

Visayan Electric, for example, received several assessments of real property taxes (RPT) on its electric posts, transformers, wires, machineries, air-conditioning units, and water pumps. Visayan Electric consistently maintains that the electric posts, transformers, wires, machineries, air-conditioning units, water pumps and their appurtenances are not considered real properties under the Civil Code and therefore, are not lawful objects of RPT. Further, Section 270 of the Local Government Code of 1991 (LGC) provides that the collection of RPT is mandatory within five years from the date they become due, and that failure to collect the RPT within the said period will bar collection thereof.

To date, Visayan Electric has one remaining RPT case with Cebu City with assessments amounting to ₱208 million covering the period from 1989 to 2019, pending before the Cebu City Assessor's Office. In the event that the case is decided against Visayan Electric, the company can file an appeal with the Local Board of Assessment Appeals (LBAA), without prejudice to subsequent appeals allowed under existing rules governing the appeals process.

The other material pending legal proceedings involving the Company and its Subsidiaries are as follows:

GR No. 244450 and GR No. 244659 (formerly CTA En Banc Case No. 1020; CBAA Case No. L-57 and L-59) entitled "National Power Corporation vs. Luzon Hydro Corporation (LHC), Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet", 24 May 2013

The Municipality of Bakun, Province of Benguet issued an assessment against LHC for deficiency RPT for the year 2002 on its machineries in the amount of approximately ₱11 million, inclusive of interests and penalties. LHC appealed the assessment to the LBAA. NPC intervened in the proceedings before the LBAA arguing that: (i) the liability for the payment of RPT over the machineries is assumed by NPC under Section 8.6(b) of the Bakun PPA dated 24 November 1996; and (ii) NPC is exempted from the payment of RPT under Section 234 of the LGC, which provides that machineries which are actually, directly and exclusively used by government-owned and controlled corporations engaged in the generation and transmission of electric power are not subject to RPT. The LBAA ruled in favor of the Municipality of Bakun on the ground that NPC could not invoke the exception under Section 234 of the LGC because the machineries covered by the assessment are not yet owned by NPC.

NPC appealed the ruling of the LBAA to the Central Board of Assessment Appeals (CBAA), which appeal was docketed as CBAA Case No. L-57/59. The Province of Benguet, through the Office of the Governor, and LHC negotiated to arrive at a possible settlement. In December 2009, NPC moved for the issuance of a decision based on a compromise agreement. The Province of Benguet opposed NPC's motion and prayed that the CBAA continue hearing the case and resolve the same on the merits. LHC filed its reply to the Province of Benguet's opposition.

On 03 July 2012, CBAA dismissed the appeals of LHC and NPC for lack of merit. LHC then filed its Motion for Reconsideration. The CBAA noted both LHC and NPC's motions, and gave the Province of Benguet ten days to file its comment/opposition.

On 11 October 2013, LHC, NPC, and the Province of Benguet filed a Joint Motion for Judgment based on a Compromise Agreement with the Court of Tax Appeals (CTA). The CTA En Banc (CTA EB) ordered the parties to submit additional documents in support of the Joint Motion for Judgment, and held in abeyance the resolution of the Joint Motion for Judgment based on Compromise pending the submission of certain documents.

On 02 September 2015, LHC received a Manifestation from the Province of Benguet stating that the: (i) Sangguniang Panlalawigan of Benguet's Resolution authorizing their Provincial Governor to enter into the 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 29 December 2015, attesting that the Province of Benguet and the Municipality of Bakun made representations that they were authorized to execute the Compromise Agreement and that they accepted the Compromise Payments made by LHC pursuant thereto. As a consequence, the Province of Benguet and the Municipality of Bakun are estopped from assailing the Compromise Agreement.

In March 2016, the CTA EB denied LHC's Motion to Resolve the Joint Motion for Judgment based on Compromise. The CTA EB also denied LHC's subsequent Motion for Reconsideration.

On 12 December 2016, LHC filed with the SC a Petition for Certiorari assailing the above resolutions of the CTA. On 07 June 2017, the SC dismissed LHC's Petition for Certiorari and in December 2019, issued the Entry of Judgment.

On 16 January 2020, the Municipal Treasurer of Bakun issued RPT Bills for the period covering 2002 to 2019 amounting to ₱284,448,073.24.

On 03 February 2020, LHC wrote to the Provincial Governor requesting for the amendment of the RPT Bills to align with the MOA dated 20 December 2012 by and between LHC and the Province of Benguet. In the same letter, LHC also cited EO No. 88, Series of 2019, which reduced the liability for RPT of IPPs such as LHC with BOT Agreements with Government Owned and Controlled Corporations (GOCCs) to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2018.

On 14 September 2020, LHC filed a Petition with the RTC of La Trinidad, Benguet, praying for the issuance of a writ of mandamus to compel the Province of Benguet to comply with the provisions of the EO and recompute the RPT liabilities of LHC.

Supreme Court GR No. 223403 and 223460-61 (formerly CTA En Banc Case Nos. 1024 and 1096; CBAA Case Nos. L-96 and L-99) "Luzon Hydro Corporation and the National Power Corporation vs. The Local Board of Assessment Appeals of the Province of Ilocos Sur, Fatima Tenorio, in her official capacity as the Provincial Assessor of the Province of Ilocos Sur, Antonio A. Gundran, in his capacity as the Provincial Treasurer of the Province of Ilocos Sur", 02 July 2003

LHC has an RPT dispute with the Province of Ilocos Sur and the Municipality of Alilem since 2003 when the Municipality assessed LHC for RPT over the portions of the Bakun Hydro Electric Plant located within the territorial jurisdiction of the Municipality. LHC protested the assessment, with NPC intervening in the proceedings since it had contractually assumed the obligation to pay RPT in the PPA. LHC escalated the protest to the CTA EB on the issue of which between NPC and LHC is obligated to pay the RPT. The CTA EB ruled that LHC, being the actual, direct and exclusive user of the subject properties, is the one obligated to pay RPT. This ruling was sustained by the SC with finality in a resolution dated 24 September 2018.

Meanwhile in 2014, while the case was pending before the CTA EB, then President Aquino issued EO No. 173, which reduced the liability for RPT of IPPs such as LHC to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2014. More EOs of the same nature were subsequently issued, the latest being, EO No. 88 Series of 2019, dated 13 August 2019 ("EO 88") issued by President Duterte.

With the finality of the SC's determination that it is liable to pay RPT, LHC wrote to Gov. Singson on 18 December 2018 signifying its willingness to settle the outstanding RPT obligation, but at the reduced amount pursuant to the EOs. There was no response until 13 August 2019, when LHC received a Notice of Tax Delinquency from the Municipality with respect to four properties, computed based on an 80% assessment level. LHC received a second Tax Delinquency Notice on 18 September 2019 for seven other properties. The second tax delinquency notice covered the lodging house, admin buildings, warehouses, tunnel steel lining and industrial switchyard. Thereafter, the Municipality of Alilem issued warrants of levy for the properties covered by the notices, and scheduled them for auction sale.

LHC filed two separate “Petitions for Prohibition and Mandamus with prayer for TRO and Preliminary Injunction” to cover the two notices of auction sale, challenging the correctness of the amount assessed as RPT and to prevent the auction sale of the assets. The actions also sought the enforcement of the EOs directing the reduction of RPT on property, machinery and equipment actually and directly used by IPPs under BOT contracts (however denominated), and condoning related RPT interest and penalties.

The RTC of Tagudin, Ilocos Sur acting on both Petitions, issued two TROs enjoining the Municipality of Alilem from selling at public auction LHC’s real properties for a period of 20 days. LHC, on its part, filed its Position Paper on 12 December 2019 and Supplemental Position Paper 19 December 2019, in compliance with the aforesaid court orders. On 11 February 2020, LHC filed its Memorandum. On 14 February 2020, the case was deemed submitted for resolution.

On 17 April 2020, LHC filed a Manifestation to inform the RTC of Tagudin, Ilocos Sur about the parties’ renewed attempt to forge a settlement.

On 22 July 2020, LHC and the Province of Ilocos Sur entered into a Compromise Agreement (“CA”). On 23 July 2020, the Parties filed a Joint Motion to Render Judgment Based on Compromise. The RTC of Tagudin, Ilocos Sur approved the CA and promulgated the Judgment Based on Compromise Agreement on 27 July 2020.

On 4 August 2020, LHC complied with its obligation under the CA by paying the amounts stipulated therein.

On 17 August 2020, LHC filed with the RTC of Tagudin, Ilocos Sur a Manifestation (Re Payment of Amounts Stated in the Compromise Agreement) With Motion To Release TRO Bond. In the Manifestation with Motion, LHC asked the RTC of Tagudin, Ilocos Sur to: (a) note the payments made on 4 August 2020 by LHC to Ilocos Sur of the four amounts mentioned in the CA; (b) declare that LHC has fully complied with its obligation under the CA to pay the said amounts; and (c) release the TRO bond of ₱200,000.00 posted by LHC on 16 December 2019.

As of 7 September 2020, the RTC of Tagudin, Ilocos Sur has yet to issue a resolution on LHC’s Manifestation with Motion.

G.R. No. 210245 entitled “Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.”, Supreme Court; 19 December 2013

G.R. No. 210255 entitled “National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.”, Supreme Court; 20 December 2013

G.R. No. 210502 entitled “Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.”, Supreme Court; 8 January 2014

On 19 December 2013, Bayan Muna representatives filed a Petition for Certiorari against 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: (a) the legality of Section 6, 29 and 45 of the EPIRA; (b) the failure of ERC to protect consumers from high prices of electricity; and (c) the 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 22 April 2014. On 22 April 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. The

Supreme Court ordered all 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 21 January 2014 and 4 and 11 February 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, 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 June 30, 2020, these cases before the Supreme Court are still pending resolution and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs Therma Mobile, Inc., Supreme Court

(CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila

SP Proc. No. 12790 entitled "Therma Mobile Inc. v. 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 4 August 2014")

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation ("PEMC-ECO") conducted an investigation on TMO for possible non-compliance with the Must-Offer- Rule for the period 26 October 2013 to 25 December 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 million.

TMO filed its letter request for reconsideration on 5 September 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) 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 30 January 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 million 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. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on 21 November 2013. At this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five years.

On 13 February 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 16 February 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 Regional Trial Court (RTC). In its Order dated 24 February 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 million as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMCECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 million to answer for any damage that PEMC may suffer as a result of the Order. On 1 April 2015, the RTC rendered a Decision in favour of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals ("**CA**") which sought to reverse and set aside the Decision of the RTC.

On 14 December 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the 1 April 2015 Decision of the RTC in favour of TMO.

On 6 June 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the 14 December 2015 CA Decision. On 14 November 2016, TMO filed its Comment to PEMC's Petition for Review. In its Motion for Leave to File Reply to Comment dated 9 December 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On 1 June 2017, TMO received the Supreme Court Notice dated 29 March 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.

As of June 30, 2020, PEMC's Petition is still pending before the Supreme Court.

Regulated Price Case (Energy Regulatory Commission vs. San Miguel Energy Corporation, et al, G.R. Nos. 246621-30, and Manila Electric Company vs. San Miguel Energy Corporation, et al, G.R. Nos. 247352-61) Petition for Review on Certiorari, Supreme Court;

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants" 28 March 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 3 March 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.

Pursuant to the ERC Order, on 18 March 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.

The ERC, in its Order dated 15 October 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 19 and 24 November and 1 and 4 December 2014, respectively. The CA ordered the consolidation of the Petitions on 9 October 2015.

On 7 November 2017, the CA granted the Petitions. The CA declared null and void ERC's Orders dated 3 March 2014, 27 March 2014, 9 May 2014 and 15 October 2014 (the "**ERC Orders**"), and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and MERALCO filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated 29 March 2019, the CA denied the motions for reconsideration filed by the ERC and MERALCO, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, ERC, MERALCO and several entities filed their Petitions for Review on Certiorari with the Supreme Court, asking the latter to reverse and set aside the CA Decision dated 7 November 2017 and the CA Omnibus Resolution dated 29 March 2019. They also prayed that the Supreme Court reinstate the ERC Orders.

In September to October 2019, the SC issued Resolutions denying the Petitions for Review on Certiorari filed by several entities, including Calco Industries Inc., Paperland, Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan (AGHAM), Ateneo De Manila University, Citizenwatch, Riverbanks Dev't. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated 7 November 2017 and Omnibus Resolution dated 29 March 2019 with respect to their motions.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to ERC's Petition for Review on Certiorari. On January 28, 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on Certiorari dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated June 13, 2019) on February 11, 2020.

In a Resolution dated February 10, 2020, the SC required respondents to file their Comments on MERALCO's Petition for Review on Certiorari dated June 13, 2019. On July 9, 2020, APRI filed its Comment. On even date, TLI and TMO also filed their Consolidated Comment on MERALCO's Petition.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

AEV's common shares are traded in the Philippine Stock Exchange, Inc.

The high and low stock prices of AEV's common shares for each quarter for the past two years were as follows:

	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	54.00	29.00	67.90	53.20	79.00	67.50
Second Quarter	52.20	38.25	60.95	46.70	69.85	53.95
Third Quarter	N/A	N/A	59.50	49.25	61.55	44.10
Fourth Quarter	N/A	N/A	56.60	48.95	56.90	44.85

The closing price of AEV common shares, as of June 30, 2020 is ₱45.50 per share.

HOLDERS

As of June 30, 2020, AEV has 8,384 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of the same date were 5,630,225,457 shares.

The top 20 stockholders of AEV as of June 30, 2020 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.59%
2	PCD Nominee Corporation (Filipino)	Filipino	929,786,891	16.51%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	389,218,746	6.91%
5	Sanfil Management Corporation	Filipino	120,790,211	2.15%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	43,136,359	0.77%
9	Morefund Management & Development Corporation	Filipino	40,000,000	0.71%
10	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%

14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%
15	Parraz Development Corporation	Filipino	14,483,067	0.26%
16	Annabelle O. Aboitiz	Filipino	13,977,278	0.25%
17	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
18	Arrayanes Corporation	Filipino	10,650,070	0.19%
19	UnionBank TISG For IMA#PH3Q201 692	Filipino	8,709,900	0.15%
20	Les Folatieres Holdings Inc.	Filipino	8,056,119	0.14%
	SUB-TOTAL		**4,991,932,750**	**88.67%**
	Other Stockholders		**638,292,707**	**11.33%**
	TOTAL SHARES		**5,630,225,457**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,630,225,457**	**100.00%**

DIVIDENDS

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2019 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2020 (regular)	₱1.30	03/06/2020	₱7.32 billion	03/20/2020	04/03/2020
2019 (regular)	₱1.32	03/07/2019	₱7.44 billion	03/21/2019	04/05/2019
2018 (regular)	₱1.28	03/08/2018	₱7.21 billion	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 billion	03/21/2017	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 billion	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 billion	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the Board approved the policy of distributing at least 1/3 of its previous year's earnings as cash dividends to its stockholders for subsequent years. There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 20, 2020.

Under the Trust Agreements covering the 2013 Bonds, the 2015 Bonds and the 2019 Bonds, the Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds, 2015 Bonds, and the 2019 Bonds are current and updated. As of the date of this Prospectus, all payments due under the 2013 Bonds, 2015 Bonds, and the 2019 Bonds are current and updated.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

AEV does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures Inc. (AEV, the "Company", or the "Parent Company") and its Subsidiaries (collectively, the "Group") should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto set forth elsewhere in this report.

TOP FIVE KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of the registrant and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the AEV Group's share in the undistributed earnings or losses of its associates and joint ventures for each reporting period subsequent to acquisition of said investment. This account reflects the result of the operating performance of an associate or a joint venture and indicates its contribution to the AEV Group's consolidated net income.

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

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & 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 AEV Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the AEV Group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the AEV 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 AEV 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 AEV Group's short-term debt paying ability. The higher the ratio, the more liquid the AEV Group.

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity ratio gives an indication of how leveraged the AEV Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

REVIEW OF JAN-JUN 2020 OPERATIONS COMPARED TO JAN-JUN 2019

KEY PERFORMANCE INDICATORS (KPI)
(Amounts in thousands except financial ratio data)

	JAN-JUN 2020	JAN-JUN 2019
EQUITY IN NET EARNINGS OF INVESTEES	**₱3,220,263**	**₱3,624,927**
EBITDA	22,989,013	26,494,406
CASH FLOW GENERATED:		
Net cash flows from operating activities	**18,615,453**	20,772,371
Net cash flows used in investing activities	**(4,391,500)**	(27,293,588)
Net cash flows used in financing activities	**12,339,599**	(9,083,606)
Net Increase (Decrease) in Cash & Cash Equivalents	**26,563,552**	(15,604,823)
Cash & Cash Equivalents, Beginning	**46,424,663**	59,033,029
Cash & Cash Equivalents, End	**73,186,787**	44,076,881
	JUN 30, 2020	**DEC 31, 2019**
CURRENT RATIO	**1.32**	1.27
DEBT-TO-EQUITY RATIO	**1.93**	1.71

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. This coupled with dividends received from associates and JVs are the main source of internally generated funds, which were then used to finance capital expenditures, additional investments into associates, dividends and debt service payments.

With the debt growing while equity slightly decreased during the first half of 2020, debt-to-equity ratio increased to 1.93x (compared to end-2019's 1.71x). Current ratio also increased to 1.32x (compared to end-2019's 1.27x) as the growth in current assets outpaced the growth in current liabilities.

RESULTS OF OPERATIONS

For the period ended 30 June 2020, AEV and its Subsidiaries posted a net income attributable to the equity holders of parent Company ("Net Income to Equity Holders of AEV") of ₱4.04 billion, a 55% decrease year-on-year (YoY). This translated to earnings per share of ₱0.72 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 49%, followed by the Banking and Financial Services, Food, Infrastructure and Real Estate Groups at 39%, 14%, -1%, and -1%, respectively

During the first half of 2020, the Group generated non-recurring losses of ₱20 million (compared to ₱78 million in non-recurring gains in for the corresponding period in 2019), representing net unrealized foreign exchange (forex) losses from the revaluation of dollar-denominated assets. Without these one-off losses, the Group's core net income for the first half of 2020 was ₱4.06 billion, 54% lower YoY. AEV recorded a 13% decrease in consolidated EBITDA for the first half of 2020 compared to the same period 2019, from ₱26.49 billion to ₱22.99 billion.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

The following discussion describes material changes in the line items of the Company's statement of income and of comprehensive income for the six months ended 30 June 2020 compared to the six months ended 30 June 2019.

Revenues

Sale of Power

The Group's revenue from sale of power decreased by 17%, or ₱10.89 billion, from ₱63.83 billion in the six months ended 30 June 2019 to ₱52.95 billion in the six months ended 30 June 2020. The decrease was primarily attributable to reduced demand resulting from the enforcement of COVID-related community quarantines, as well as forced outages in Therma South, Inc. (TSI), Therma Luzon, Inc. (TLI) and GNPower Mariveles Coal Plant Ltd. Co. (GMCP) during the period. These decreases were partly offset by higher revenues from Therma Visayas, Inc. (TVI) and Therma Mobile, Inc. (TMO) from higher contracting levels in 2020 compared to the same period last year. The Group's sale of power comprised 62% and 56% as a percentage of total revenues in the six months ended 30 June 2019 and 30 June 2020, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 10%, or ₱3.44 billion, from ₱35.65 billion in the six months ended 30 June 2019 to ₱39.09 billion in the six months ended 30 June 2020. The increase was primarily attributable to the increased revenue contribution of the Gold Coin Management Holdings Limited (Gold Coin) and its Subsidiaries (the "Gold Coin Group") due to both higher volume and higher selling prices. The Group's sale of goods comprised 35% and 41% as a percentage of total revenues in the six months ended 30 June 2019 and 30 June 2020, respectively.

Real Estate

The Group's revenue from real estate decreased by 20%, or ₱280.5 million, from ₱1.43 billion in the six months ended 30 June 2019 to ₱1.15 billion in the six months ended 30 June 2020. The decrease was primarily attributable to the impact on the residential business of AboitizLand, Inc. (AboitizLand) of the economic slowdown and restrictions in operations resulting from the government-imposed community quarantines in response to the COVID-19 pandemic. AboitizLand's project percentage of completion, driven by the construction progress, is a key factor in the recognition of revenue and AboitizLand's construction activities were brought to a standstill during the second quarter of 2020. As a percentage of total revenues, the Group's revenue from real estate comprised 1% in the six months ended 30 June 2019 and 30 June 2020.

Other Revenues

The Group's combined revenue from fair value of swine, service fees, and other sources decreased by 13%, or ₱220.8 million, from ₱1.64 billion in the six months ended 30 June 2019 to ₱1.42 billion in the six months ended 30 June 2020. The decrease was primarily attributable to lower swine sales resulting from the African Swine Fever (ASF) spread in Luzon and lower service fees. As a percentage of total revenues, the Group's other revenues comprised 2% in the six months ended 30 June 2019 and 30 June 2020.

Costs and Expenses

Cost of Generated and Purchased Power

The Group’s cost of generated and purchased power decreased by 24%, or ₱9.02 billion, from ₱37.69 billion in the six months ended 30 June 2019 to ₱28.67 billion in the six months ended 30 June 2020. The decrease was primarily attributable to lower fuel costs due to outages, and lower purchased power cost resulting from lower WESM rates. As a percentage of total costs and expenses, the Group’s cost of generated and purchased power comprised 43% and 35% in the six months ended 30 June 2019 and 30 June 2020, respectively.

Cost of Goods Sold

The Group’s cost of goods sold increased by 9%, or ₱2.77 billion, from ₱31.48 billion in the six months ended 30 June 2019 to ₱34.25 billion in the six months ended 30 June 2020. The increase was primarily attributable to the higher costs of Gold Coin Group from increased volume and higher feeds cost of the Farms segment. As a percentage of total costs and expenses, the Group’s cost of goods sold comprised 36% and 42% in the six months ended 30 June 2019 and 30 June 2020, respectively.

Operating Expenses

The Group’s operating expenses increased by 7%, or ₱1.18 billion, from ₱17.13 billion in the six months ended 30 June 2019 to ₱18.31 billion in the six months ended 30 June 2020. The increase was primarily attributable to the increase in operating expenses of the Aboitiz Power Corporation and Subsidiaries (the “AboitizPower Group”) due to the start of operations of TVI. As a percentage of total costs and expenses, the Group’s operating expenses comprised 20% and 22% in the six months ended 30 June 2019 and 30 June 2020, respectively.

Other Costs and Expenses

The Group’s other costs and expenses, comprising cost of real estate sales and overhead expenses, decreased by 22%, or ₱197.6 million, from ₱916.6 million in the six months ended 30 June 2019 to ₱719.0 million in the six months ended 30 June 2020. The decrease was primarily attributable to lower real estate sales cost and lower overhead costs incurred by AEV Aviation. As a percentage of total costs and expenses, the Group’s other costs and expenses comprised 1% in both the six months ended 30 June 2019 and 30 June 2020.

Operating Profit

As a result of the foregoing, the Group’s operating profit decreased by 17%, or ₱2.68 billion, from ₱15.33 billion in the six months ended 30 June 2019 to ₱12.65 billion in the six months ended 30 June 2020.

Income Before Income Tax

The Group’s income before income tax decreased by 40%, or ₱5.64 billion, from ₱14.18 billion in the six months ended 30 June 2019 to ₱8.54 billion in the six months ended 30 June 2020. The decrease was due to the decrease in operating profit coupled with higher net interest expense and lower equity earnings. Moreover, income before tax for the first half of 2019 also included income from the Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA), which was no longer recognized as income during the first half of 2020.

Net Income

As a result of the foregoing, the Group’s Net Income to Equity Holders of AEV decreased by 55% or ₱4.91 billion, from ₱8.95 billion in the six months ended 30 June 2019 to ₱4.04 billion in the six months ended 30 June 2020.

Net income attributable to non-controlling interests for the six months ended 30 June 2020 decreased to ₱1.97 billion, compared to ₱3.64 billion in the six months ended 30 June 2019. This was primarily due to the decrease in consolidated net income of AboitizPower during the first six months of 2020. In addition, the purchase of the remaining 25% stake of Gold Coin in the second quarter of 2019 meant that the net income attributable to non-controlling interests of Gold Coin was reduced to nil.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of the Group's SBUs for the six months ended 30 June 2020 compared to the six months ended 30 June 2019.

Power

For the six months ended 30 June 2020, the AboitizPower Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, for the six months ended 30 June 2020 was ₱2.88 billion, a 57% decrease from ₱6.66 billion in the six months ended 30 June 2019.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply businesses to Net Income to Equity Holders of AEV decreased by 56%, from ₱6.24 billion in the six months ended 30 June 2019 to ₱2.74 billion in the six months ended 30 June 2020. The variance was primarily due to income from the GRAM and ICERAthat was recognized in the first half of 2019 and which was no longer eligible for recognition during the first half of 2020.

AboitizPower's performance during the six months ended 30 June 2020 was also affected by outages in TSI, TLI and GMCP, and by lower demand. These declines offset the full-year contributions of TVI and TMO, as well as the decreased purchased power costs during the first half of 2020.

Capacity sold increased from 3,035 megawatts (MW) for the six months ended 30 June 2019 to 3,388 MW for the six months ended 30 June 2020 due to increased contracting levels driven by the new capacity of TVI and TMO. However, due to the lower demand brought about by the COVID-19 pandemic and forced outages, energy sold in the first half of 2020 declined by 6% to 10,764 gigawatt-hours (GWh), compared to 11,460 GWh during the same period in 2019.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group decreased by 7% from ₱1.41 billion for the six months ended 30 June 2019 to ₱1.31 billion for the six months ended 30 June 2020. This decrease was mainly driven by lower energy consumption from the Commercial and Industrial customer segments resulting from the enforcement of the COVID-related community quarantines. Energy sales decreased by 7% to 2,629 GWh during the six months ended 30 June 2020 from 2,842 GWh in the six months ended 30 June 2019.

Banking & Financial Services

Union Bank of the Philippines' (UnionBank) contribution to Net Income to Equity Holders of AEV decreased by 3% YoY, from ₱2.37 billion in the six months ended 30 June 2019 to ₱2.29 billion in the six months ended 30 June 2020.

On a stand-alone basis, UnionBank recorded a net income of ₱4.5 billion for the six months ended 30 June 2020, an decrease of 6% compared to the same period in 2019. The decrease was primarily due to increased provisions for loan losses in the first half of 2020 as UnionBank deemed it prudent to add reserves ahead of the potential impact of the COVID-19 crisis on its credit portfolio. This was partly offset by revenue growth from the increase in net interest income, which grew to ₱13.8 billion, 41% higher YoY, while other income was ₱8.3 billion, up 86% YoY, mainly due to trading gains.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group increased by 44% to ₱794.7 million in the six months ended 30 June 2020, compared to ₱551.6 million in the six months ended 30 June 2019.

For the six months ended 30 June 2020, the Food Group's Philippine Subsidiaries reported a net income of ₱293.1 million compared to ₱387.0 million net income for the six months ended 30 June 2019. This was mainly due to decreased selling prices and volume of the Farms business resulting from the ASF spread in Luzon, as well as a decline in margins following higher farms and meat processing costs. This was partly offset by reduced raw materials and financing costs of the Feeds business, and higher margins and volume of the Flour business.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. (Pilmico International) and its Subsidiaries, recorded net income of ₱501.7 million for the six months ended 30 June 2020, a 205% increase compared to the six months ended 30 June 2019. This was due to the increase in income contribution of Gold Coin resulting from an increased equity ownership, and increased volumes from Gold Coin's China, Vietnam, Malaysia, and Sri Lanka operations.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV for the six months ended 30 June 2020, before elimination of transactions within the Group, amounted to a loss of ₱38.9 million, from ₱60.1 million in income for the six months ended 30 June 2019. This decrease was due to lower construction progress for projects following the imposition of government-imposed community quarantines in response to the COVID-19 pandemic.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group decreased by ₱295.6 million to ₱77.6 million loss for the six months ended 30 June 2020, compared to ₱218.0 million income for the six months ended 30 June 2019. This mainly came from the contribution of Republic Cement and Building Materials Inc. and its Subsidiaries, which decreased from ₱249.2 million in the six months ended 30 June 2019 to a ₱10.0 million loss during the six months ended 30 June 2020. This was mainly due to the contraction in the demand for cement as construction activities dramatically slowed down, particularly during the enforcement of COVID-related community quarantines.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of 30 June 2020 compared to 31 December 2019) increased by 6% to ₱620.90 billion, due to the following:

- Cash & Cash Equivalents increased by 58% (₱73.19 billion as of 30 June 2020 compared to ₱46.42 billion as of 31 December 2019) mainly due to the receipt of proceeds from the issuance of US dollar bonds of AEV International Pte. Ltd. (AEV International) in January 2020.
- Trade and other receivables (current and noncurrent) increased by 11% to ₱41.86 billion as of 30 June 2020 from ₱37.62 billion as of 31 December 2019, mainly due to the AboitizPower Group providing an extension period for its customers' bill payments, and higher sales for the Food Group during the period.
- Land and improvements increased by 10% (₱2.83 billion as of 30 June 2020 compared to ₱2.57 billion as of 31 December 2019) mainly due to additional land acquisition by the Real Estate Group.
- Investments in and Advances to Associates and JVs increased by ₱2.11 billion (₱142.46 billion as of 30 June 2020 compared to ₱140.35 billion as of 31 December 2019) mainly due to AboitizPower's ₱1.53 billion additional infusion into GNPower Dinginin Ltd. Co., Aboitizland's ₱200.0 million infusion into Cebu Homegrown Developers, Inc., and the recording of ₱3.22 billion share in net earnings of associates and JVs. This increase was partially reduced by the ₱2.90 billion dividends from associates and JVs during the period.
- Deferred Income Tax Assets increased by 11% (₱3.47 billion as of 30 June 2020 compared to ₱3.13 billion as of 31 December 2019) mainly due to deferred tax benefits recognized by Subsidiaries on their net operating loss.
- Other Current Assets (OCA) increased by 12% (₱21.74 billion as of 30 June 2020 compared to ₱19.41 billion as of 31 December 2019) primarily due to the reclassification of VAT inputs previously classified as Other Non-Current Assets (ONCA) to OCA. With the AboitizPower Group's power plants in commercial operations, these inputs are expected to be used within the next 12 months.

The above increases were tempered by the following decreases:

- A ₱3.84 billion combined decrease in Property Plant and Equipment (PPE) and Investment Properties (IP) which was mainly due to ₱6.12 billion attributed to depreciation & amortization, partly offset by the following: (i) ₱1.36 billion additions to AboitizPower from generation and distribution assets (ii) ₱665.3 million additions to Food Group; and (iii) ₱229.4 million additions to Real Estate.
- Derivative Assets (current and noncurrent) decreased to nil as of 30 June 2020 compared to ₱133.4 million as of 31 December 2019 mainly due to mark-to-market losses recognized on derivative instruments.

Liabilities

Total Liabilities (as of 30 June 2020 compared to 31 December 2019) increased by ₱38.03 billion, or 10%, due to the following:

- Short-term bank loans increased by 56% (₱40.11 billion as of 30 June 2020 compared to ₱25.72 billion as of 31 December 2019) mainly due to short-term debt availed of by the Power and Food Groups, and by AEV Parent.
- Long-term debt, which includes both current and non-current portions, increased by 8% (₱258.29 billion as of 30 June 2020 compared to ₱239.78 billion as of 31 December 2019) due to the following: (i) the issuance of US dollar bonds by AEV International equivalent to ₱20.24 billion;, (ii) the additional ₱3.0 billion in debt availed of by Apo Agua Infrastructura, Inc.; (iii) the ₱600 million in debt availed of by Aboitiz Energy Solutions, Inc.;, and (iv) the ₱189 million o additional debt availed of by Therma Power Visayas, Inc. These increases were partly offset by the settlement of maturing loans.

- Trade and other payables, inclusive of noncurrent portion, increased by 10% (₱48.21 billion as of 30 June 2020 compared to ₱43.65 billion as of 31 December 2019) mainly due to increases in output VAT and non-trade payables of the Power Group and payables to suppliers of the Food Group.
- Income tax payable increased by 91%, from ₱776.6 million as of 31 December 2019 to ₱1.48 billion as of 30 June 2020, mainly due to increased tax provisions for the Power Group during the period.
- Derivative liabilities (current and noncurrent) increased from ₱2.47 billion as of 31 December 2019 to ₱3.89 billion as of 30 June 2020. This was mainly due to the Power Group's hedging losses during the period.

Equity

Equity attributable to equity holders of the parent (as of 30 June 2020 compared to 31 December 2019) decreased by 3%, from ₱176.48 billion to ₱171.65 billion, due to the following:

- ₱7.32 billion cash dividends paid during the first half of 2020;
- a negative ₱1.34 billion movement in cumulative translation adjustments, mainly due to hedging losses; and
- These were partly offset by the ₱4.04 billion in net income recorded during the period.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the six months ended 30 June 2020, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in the six months ended 30 June 2019, consolidated cash generated from operating activities in the six months ended 30 June 2020 decreased by ₱2.16 billion to ₱18.62 billion. This was mainly due to the decline in earnings before interest, depreciation and amortization despite lower working capital requirements.

As of 30 June 2020, ₱4.39 billion net cash was used in investing activities compared to ₱27.29 billion during the six months ended 30 June 2019. This was mainly due to lower cash used on additional investments in associates compared to the same period in 2019.

Net cash from financing activities was ₱12.34 billion for the six months ended 30 June 2020 compared to ₱9.08 billion used in the six months ended 30 June 2019. The increase was largely attributed to availment of short-term loans and the issuance of US dollar bonds of AEV International during the first quarter of 2020.

For the six months ended 30 June 2020, net cash inflows surpassed cash outflows, resulting in a 58% increase in cash and cash equivalents, from ₱46.42 billion as of year-end 2019 to ₱73.19 billion as of 30 June 2020.

FINANCIAL RATIOS

Current Ratio stood at 1.32x as of 30 June 2020, compared to year-end 2019's 1.27x, as current assets increased more than current liabilities. Debt-to-equity ratio increased from year-end 2019's 1.71:1, to 1.93:1 as of 30 June 2020, as total liabilities grew while equity decreased.

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

Based on information provided by Union Bank of the Philippines, Inc. ("UnionBank" or the "Bank") Economic Research Unit, Aboitiz Equity Ventures Inc. (the "Company" or "AEV") currently expects the Philippines' 2020 GDP to contract by 8%.

Power SBU

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

Despite increased competition in the power generation market, AboitizPower believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of new power generation projects (Naga Power Plant Complex project and GNPower Dinginin project).

For the Naga Power Plant Complex Project in Cebu, the six diesel engine units passed the grid compliance tests of the National Grid Corporation of the Philippines and were successfully rehabilitated in January 2020. The units have demonstrated a combined net capacity of 39 MW. This was almost twice the output of these units prior to Therma Power Visayas, Inc. (TPVI) taking over. A Provisional Authority to Operate (PAO) has been obtained from the Energy Regulatory Commission and will allow TPVI to proceed with commercial operations as soon as its intent to commence participation in the Wholesale Electricity Spot Market is accepted by the Philippine Electricity Market Corporation. The plant is expected to start commercial operations by end-August of this year.

The GNPower Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down due to the preventive measures taken to ensure the safety of workers on-site. A total of 172 Technical Field Assistants (TFA) have arrived in the country with 38 TFA's expected to arrive to complete testing and commissioning of Unit 1. Due to these circumstances, Unit 1 is now expected to synchronize and earn commissioning revenues by the end of 2020 and to commence commercial operations by the second quarter of 2021. Unit 2 is expected to synchronize and earn commissioning revenues by the second quarter of 2021 and to commence commercial operations by the third quarter of 2021.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of steam capacity by 2022. For Tiwi, the first well drilled and commissioned in December 2019, was tested at 12.11 MW in January 2020. For MakBan, the first well is targeted by January 2021 with a capacity of 5 to 7 MW. AboitizPower expects to complete the drilling for incremental steam capacity by 2022. The drilling project is significant as it will allow AboitizPower to optimize APRI's current net sellable capacity of 290 MW.

AboitizPower is on track to meet its 2020 target of 4,000 MW net attributable capacity. By year end, AboitizPower expects to own 4,432 MW of attributable capacity, with the entry of GNPower Dinginin Ltd. Co.'s Units 1 and 2, both units of which are under construction.

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

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

AboitizPower, together with its partners, had initially budgeted ₱41 billion in capital expenditures for 2020. In order to take into consideration the impact of COVID-19, AboitizPower has cut its initial budget for capital expenditures by about 20%.

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

Banking & Financial Services SBU

UnionBank is continuing with its 10-year business transformation roadmap - FOCUS 2020 - with the vision of becoming one of the top three universal banks in the Philippines in terms of ROE, ROA, and cost-efficiency. Rather than traditional metrics such as asset size or branch network, this transformation roadmap involves a shift in focus on providing financial value to stakeholders, operational excellence, customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and services.

Now that the Bank is close to concluding its FOCUS 2020 strategic plan, the primary goal has shifted to being considered one of the country's great retail banks. Concretely, the Bank plans to achieve this goal by increasing its core earning asset base, attaining balanced sources of revenues, and shifting towards a recurring income business model as it fortifies its balance sheet.

The Bank has shown progress in achieving its primary goal. A majority of the Bank's revenues are already recurring in nature as its loans continue to grow above-industry. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: Capital, Branch Transformation, Corporate Relationships, Processes, Partners, and its unique Unionbank DNA. It leverages Capital, which prompts the Bank to shift from trading to building recurring income to provide stable returns and predictability in the growth of shareholder value. It leverages on Transforming its Branches and establishing the competence of the sales force, rather than expanding the brick-and-mortar network, to cater to changing customer expectations. It leverages on Corporate Relationships, by providing superior cash management solutions to anchor clients and in the process, penetrate their entire ecosystem. The Bank leverages on Processes, which is about building the foundation of the Bank's automation and digital transformation initiatives. It leverages on Partners, to build synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities. Also, the Bank leverages on its subsidiaries, such as CitySavings, which is the Bank's avenue to expand reach towards the underserved segment for inclusive prosperity.

The Bank is also embarking on a Digital Transformation Strategy which aims to increase its competitive advantage at present and into the future. The Banks' Digital Transformation Strategy consists of two objectives:

1) To strengthen the current business by repositioning itself into a Digital Bank. It intends to apply higher technologies into its core banking systems to enable the Bank to quickly respond to changing customer behavior. At the same time, the Bank aims to use newly acquired skills to move into adjacent markets and become the Best Mass Market Bank. The goal is to widen scope and acquire new skills in key segments to improve operational efficiencies and ramp up scale towards inclusive prosperity, spearheaded by CitySavings and its other mass-market subsidiaries; and
2) To search for new business models where banking is integrated in people's day-to-day lives. The objective is to immerse the Bank in emerging technologies such as blockchain and token economy which may disrupt the banking industry. The Bank shall bank, enable, and invest in "fintech" to be the future direction of the country's financial landscape. Moreover, the Bank plans to make technology its core in order to deliver platforms. All these can enable the Bank to embed its financial services into ecosystems, thus making itself indispensable in a future where banking will no longer be a transaction choice but part of an integrated experience. These will be led by UBX, the Bank's technology and innovation company.

Coming from Phase 1 (i.e. building the foundational infrastructure to be "Digital to the Core") and Phase 2 (i.e. launch of critical customer channels), UnionBank is already in Phase 3 of its Digital Transformation - the monetization and commercialization of the Bank's initiatives - which involves the scaling up of digital customer touchpoints such as enhancing features in UnionBank Online mobile app (for retail customers) and The Portal (for corporate clients), roll out of Arks and self service branches, as well as the launch of the Bank's SME Business Banking app for SME customers.

UBX, is also ramping up operations with its flagship platforms, namely: (i) Project i2i (financial platform for rural banks); Sentro (an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants); and (ii) SeekCap (developed in partnership with OneConnect – Ping An's fintech arm – which is an SME lending marketplace that offers affordable financing options and faster approvals).

With the key channels and platforms now in place, the Bank is focused on accelerating its customer acquisition and deepen engagement across all digital channels in order to realize the benefits of its digital transformation. This is in order to achieve sustained growth of its lending and deposit business and, at the same time, reap operational efficiencies from its digital investments.

The extent of the impact of the COVID-19 pandemic remains uncertain. However, a slowdown in economic activity is expected and is likely to adversely affect the banking industry.

For 2020, the Bank has the following outlook:

- The banking industry is expected to experience relatively flat asset and loan growth due to the economic slowdown and dampened consumer confidence, as evidenced by the 1st half results of economic indicators.
- Interest rates are expected to remain low to stimulate the economy. As of end-June 2020, BSP's overnight reverse repurchase facility was at 2.25%. Depending on the economic performance in the 2nd half of the year, there might be further rate cuts before the end of the year.
- Lastly, digital banking initiatives in the industry are expected to ramp up as social distancing measures will remain in the immediate future, leading to higher take-up of digital customers.

In anticipation of the potential impact on the Bank's credit portfolio, the Bank deemed it prudent to set aside higher provisions for loan losses for the year. In the first half of 2020, the Bank increased its reserves to ₱7.0 billion compared to ₱364.3 million in the same period last year and versus ₱1.9 billion for full-year 2019.

Amid this, UnionBank believes it is positioned to withstand the effects of the current economic environment. The Bank continues to have a combination of strong capitalization and low nonperforming loans (NPL) ratio, which provides a cushion against potential economic headwinds.

Furthermore, there is currently strong support from the government and regulators in ensuring that there is adequate liquidity in the banking system. Various government initiatives (e.g. social amelioration program, subsidies, etc.) were also launched to mitigate the impact of the current economic environment. UnionBank is committed to supporting the economy and its customers by ensuring access to liquidity and other financial needs. And with the Bank's digital channels and capabilities, it is capable of delivering full banking services to its customers during the COVID-19 crisis.

UnionBank had initially budgeted around ₱2.0 billion for capital expenditures in 2020. In order to take into consideration the impact of COVID-19, UnionBank has increased its budget for business continuity related to capital expenditures by about 14%.

Food SBU

The Food Group, composed of AEV's non-listed multinational food subsidiaries, is an integrated regional agribusiness and food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming, and commodity trading. It remains one of the Philippines' top flour, feeds, and farm market participants and has a nationwide presence.

The Food Group operates in the ASEAN and across the Asia-Pacific regions through Pilmico International Pte. Ltd. and its subsidiaries - which includes Gold Coin Management Holdings Limited (Gold Coin) and is well-positioned in the Asia Pacific as a manufacturer and producer. Given the trend of rising protein consumption globally, it intends to build a comprehensive animal nutrition platform in Asia. This requires having a good base of products and services that facilitates the creation of a portfolio of offerings that will serve both existing and future customers and markets. Similar to the Company's other business segments, the Food Group utilizes a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

The acquisition of Gold Coin and its subsidiaries (the "Gold Coin Group") has allowed the Food Group to expand its customer base and geographic reach. The Food Group is currently the fourth largest animal feed manufacturer in Southeast Asia, and its presence in 11 countries across the Asia-Pacific region allows the Food Group to explore opportunities down the value chain in these markets. Geographic expansion also provides the Food Group and the rest of AEV's businesses access to local or regional information for potential expansion opportunities. The Food Group looks forward to harnessing synergies in distribution, localized operations, cross-selling, research and development, and raw materials and logistics costs.

The current year is also the Food Group's first full year under new leadership. Hubert de Roquefeuil, who was initially onboarded as the President & CEO of Gold Coin Management Holdings Limited, has assumed the role of President & CEO of the entire Food Group and will be supported by the President & CEO of Pilmico Foods Corporation (Pilmico), Tristan Roberto Aboitiz.

Starting 2020, Food Group will pursue a strategy of "Balance, Optimize, and Develop." Establishing a balanced portfolio will maximize opportunities and minimize associated risks. This will be optimized through execution excellence founded on harmonized processes and systems of the entire Food Group. Furthermore, the Food Group will continue to build and develop capabilities to innovate and expand the business. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the next ten years.

The Flour business will employ a two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon through continuous sales efforts. The Flour business likewise intends to move forward in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

Due to African Swine Fever (ASF) and COVID-19 challenges, the Farms business has recalibrated the planned expansions in the Northern Luzon and has started looking opportunities in the Visayas and Mindanao regions. Capacity is still expected to reach a sow-level of 50,000 heads by 2029. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain. In 2020, the Food Group will operationalize its meat fabrication and processing plant, this will provide more stability in profitability through selling high margin pork meats compared to live hog selling. Meanwhile, the planned expansions for the layers business in 2020 was pushed back to 2021. The increase in layers capacity (8x from today's level) is expected to result in a monthly production of 27 million eggs is still expected by 2025.

Feeds Philippines will continuously expand its market position through placing additional feedmill capacity in strategic locations in the Visayas & Mindanao region in the next 5 years. By the third quarter of 2020, Feeds Philippines will operate its additional feed mill in Iligan, which has been delayed by six months due to the disruptions caused by the COVID-19 crisis. This new mill will serve the growing requirements of its Visayas and Mindanao customers. Strategic geographical and product positioning will be key in securing new and existing customers in the competitive market. The Food Group is also exploring the inclusion of Pet Food and Specialty Nutrition products as part of its portfolio. Moreover, Feeds Philippines employs platform improvements in logistics to provide operational agility and improve customer experience.

Likewise, Aqua Feeds Vietnam is expected to take advantage of emerging opportunities for fingerling feeds in the Vietnam region.

The Gold Coin Group aims to boost capacity utilization by pursuing opportunities for cross-selling, maximize knowledge and expertise by sharing platforms across countries, particularly in China and Vietnam. In 2020, the Gold Coin Group will balance its portfolio by deploying multi-specie strategy, accelerate businesses in Fish and Shrimp feeds, and Specialty Nutrition throughout the countries

Furthermore, with increased opportunities in aquaculture production emerging, particularly Shrimp and Tilapia, the Gold Coin Group will explore diversifying into the Shrimp and Fish businesses in China, Vietnam, and Malaysia. Two additional fish feed lines located in Vietnam (Ha Nam, North Vietnam) and China (Dongguan, Southern China) will be operational in 2020. The planned expansion for Aqua Feeds in Vietnam has been deferred and this business will remain at a capacity of 234 TPH in 2020. Each plant will have an incremental 5 tons per hour (TPH). The plant in China has been completed in April 2020 while the plant in Vietnam is expected to be commissioned in September 2020 from the previous target commissioning date in April 2020.

Pet Food and Feed Additives are also seen to grow in the years to come and the Food Group intends to integrate this to China, Vietnam, Indonesia and Malaysia. Thailand on the other hand can be improved by utilizing its current capacity.

In terms of operations, the Food Group continues to find synergies between Pilmico and Gold Coin through intercountry trade, group purchasing, optimization of IT shared services, and mitigating foreign exchange risk to trim expenses. All these strategies mentioned are expected to increase profits and boost bottom line figures.

The spread of COVID-19 around the world has caused several challenges in the countries that Food Group operates in. However, the Food Group believes it has prepared for the crisis by ensuring that it has sufficient raw materials to cover its full operations at any given time by maintaining good relationships with its suppliers.

Customer demand remains high in the midst of the COVID-19 crisis due to food being a basic necessity. Governments of various countries where the Food Group operates allow the free movement of skeleton workforces as its businesses are deemed essential during COVID-19 disruption. On the logistics aspect, the Food Group has modified its supply chain to adapt to the changes in delivering and transporting its goods.

The Food Group has boosted its collections facilities to ensure that each customer is being actively managed by its sales personnel and collecting agents. In addition, the Food Group was able to obtain reasonable credit extensions from its top local suppliers. Abaqa International, its central purchasing arm, has also provided flexible working capital arrangements to achieve synergies in payments and inventory.

The planned expansion for Aqua Feeds in Vietnam has been deferred and this business will remain at a capacity of 234 TPH in 2020.

On the same note, the expansion target for the 20,000 Sow Level Capacity will move to the 2023 timeline.

The Food Group had initially budgeted ₱3.0 billion for capital expenditures in 2020. In order to take into consideration the impact of COVID-19, Food Group has cut its initial budget for capital expenditures by approximately 40%.

Infrastructure SBU

Aboitiz InfraCapital, Inc (AIC or "Aboitiz InfraCapital")

AIC remains committed to participating in the Philippine infrastructure space and contributing to the nation's development amid the COVID-19 pandemic.

Airports and Other Infrastructure

Aboitiz InfraCapital continues to be keen in the airport segment, as it believes that airports are vital infrastructure projects that the country needs, and that these projects will play a huge role in reviving the economy.

Aboitiz InfraCapital was granted Original Proponent Status for its unsolicited proposals for the operations, maintenance, and expansion new Bohol-Panglao International Airport (BPIA) on September 3, 2018 and the Laguindingan Airport on February 26, 2019, by the DOTr and the Civil Aviation Authority of the Philippines (CAAP), respectively. On November 29, 2019, AIC obtained the approval of the NEDA Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approved the proposal for Laguindingan Airport on December 20, 2019. These airport projects are aligned with AIC's objective to support regional development centers outside of Manila.

In consideration of the impact of COVID-19, AIC has initiated discussions with the government on the best and most prudent way to move forward with the projects and ensure the terms are appropriate given the challenging environment.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding (MOU) with the Department of Information and Communications Technology. The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with mobile network operators. To date, Aboitiz InfraCapital has signed separate MOUs with Globe Telecom, Smart Communications, and Dito Telecommunity, and are now in discussions on the lease of build-to-suit tower sites and other passive telecommunications infrastructure. Negotiations are also still ongoing with these mobile network operators, although progress has slowed down due to COVID-19.

Water

Apo Agua Infrastructura, Inc. (Apo Agua)

Apo Agua is the project company owned by AEV and J.V. Angeles Construction Corp. (JVACC), organized to design, construct and operate a hydroelectric powered-raw water treatment facility and a conveyance system which will deliver a minimum contracted annual volume of 109.5 million cubic meters (equivalent to 300 million liters per day) of treated bulk water to Davao City over a 30-year period.

On March 17, 2015, Apo Agua signed the Contractual Joint Venture Agreement and Bulk Water Purchase Agreement (BWPA) with the Davao City Water District (DCWD) for the financing, design, construction, and operations of the Davao City Bulk Water Supply Project (DCBWSP).

On March 21, 2018, Apo Agua started the preliminary construction works particularly the detailed design, geotechnical survey and soil condition testing.

On November 29, 2018, Apo Agua signed a ₱9.0 billion Omnibus Notes Facility and Security Agreement with a consortium of lender-banks, arranged by BPI Capital Corporation, to finance the construction phase of the DCBWSP.

In February 2019, physical construction commenced on major project sites such as the hydroelectric power plant and the water treatment plant, the intake facilities in Tamugan River and the raw water pipelines. At the start of 2020, Apo Agua commenced treated water pipeline works. A total of around 60 kms of pipes of varying sizes was expected to be laid down going to 8 off-take points of the DCWD. Although construction was suspended upon the declaration of Davao City's ECQ from April 4 to May 12, 2020, construction has now resumed with strict social distancing protocols in place.

Apo Agua is working proactively with its Engineering, Procurement, and Construction (EPC) contractor to ensure implementation of an aggressive recovery plan to ensure project completion in 2021.

LiMA Water Corporation (LWC)

LWC is the exclusive water and wastewater services provider in Lima Technology Park, one of the Philippines' largest industrial parks. LWC is currently building its capability to fully support the expansion plans of Lima Technology Center, which is expected to experience healthy growth in the coming years.

After three months of community quarantine, industrial locators have normalized their operations and consequently, water demand has increased to its usual level. Business continuity plan (BCP) is still in place to address the impact of COVID-19 and ensure the continuity of operations.

Aboitiz InfraCapital intends to use its current water portfolio (which also includes a 16% stake in Balibago Waterworks System, Inc.) as a strategic platform to build the Group's water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

Republic Cement and Building Materials, Inc. (RCBM)

Construction is among the industries affected by the COVID-19 crisis. Coming from a strong start in early 2020, construction activities in Luzon and some parts of Visayas and Mindanao stopped for two months during the ECQ lockdown.

Post-lockdown, construction activities have slowly resumed. Demand for bagged cement has restarted and is stabilizing but still below pre-COVID-19 levels. However, the bulk cement segment remains soft and slower than the same period last year, presumably constrained by stricter health protocols and limited transportation availability impacting construction workers.

Outlook for the remainder of the year is cautiously optimistic. The government has announced that accelerating the Build, Build, Build program is one of the priority measures being undertaken to revive the economy. On the other hand, the shift of local and national government budgets to healthcare as part of the war against the virus would likely impact public construction. Further, private construction will be affected by declining Overseas Filipino Workers (OFW) remittances and Business Process Outsourcing (BPO) revenues, increasing unemployment rate, decreasing disposable income and general sentiment to hold on to cash in order to bounce back from the crisis.

RCBM has put in place rigid post-ECQ procedures to mitigate against the spread of COVID-19. These include health screening, social distancing, sanitation of work areas and strict observance of PPE. Additionally, RCBM has put in place several cost cutting and cash optimization measures. RCBM remains focused on serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Production costs are anticipated to remain in control following the implementation of operational excellence initiatives.

The Infrastructure Group had initially budgeted ₱16.0 billion for capital expenditures in 2020 across all its businesses. In order to take into consideration the impact of COVID-19, the Infrastructure Group has cut its initial budget for capital expenditures by about 50%.

Land SBU

Aboitiz Land, Inc. (AboitizLand)

With its firm commitment to building and nurturing thriving communities, AboitizLand has geared to direct its focus in developing and expanding its current roster of projects to serve the needs of its residents more effectively. AboitizLand believes that its current developments have been designed with the capability to weather the effects of any complexities that the industry will face, including the current issues affecting the country.

The residential business has demonstrated resilience as it sustained its sales momentum even through the pandemic. On the other hand, the commercial business is gradually recovering as tenants are starting to operate.

Furthermore, AboitizLand aims to continuously build up on the forward momentum of its industrial business through continuously expanding its business portfolio. Still keen to execute its growth strategy, AboitizLand looks to follow through on critical land banking activities to support its intent to further develop its industrial zone and capitalize on emerging market opportunities.

AboitizLand had initially budgeted ₱11.0 billion for capital expenditures in 2020. In order to take into consideration the impact of COVID-19, AboitizLand has cut its initial budget for capital expenditures by about 60%.

REVIEW OF JAN-DEC 2019 OPERATIONS COMPARED TO JAN-DEC 2018

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2019	JAN-DEC 2018
EQUITY IN NET EARNINGS OF INVESTEES	₱11,502,090	₱7,727,663
EBITDA	60,157,195	60,653,429
CASH FLOW GENERATED:		
Net cash flows from operating activities	42,757,046	38,417,349
Net cash flows used in investing activities	(39,883,146)	(30,762,254)
Net cash flows used in financing activities	(15,617,585)	(13,223,356)
Net Increase (Decrease) in Cash & Cash Equivalents	(12,743,685)	(5,568,261)
Cash & Cash Equivalents, Beginning	59,033,029	64,870,214
Cash & Cash Equivalents, End	46,424,663	59,033,029
	DEC 31, 2019	DEC 31, 2018
CURRENT RATIO	1.27	1.80
DEBT-TO-EQUITY RATIO	1.71	1.54

As can be gleaned from the resulting KPI values, profitability had been sustained and financial position remained liquid.

Consolidated EBITDA translated into substantial cash inflows coming from subsidiaries' operations and from dividend payments of associates and JVs. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With the debt growing while equity slightly decreased during the year, debt-to-equity ratio moved up to 1.71x (compared to end-2018's 1.54x). Current ratio declined to 1.27x (compared to end-2018's 1.80x) as current liabilities grew while current assets decreased.

RESULTS OF OPERATIONS

For the year ended December 31, 2019, AEV and its subsidiaries posted a net income attributable to the equity holders of parent (“Net Income to Equity Holders of AEV”) ₱22.04 billion, a 1% year-on-year (YoY) decrease. This translated to earnings per share of ₱3.91 for the year in review. The Power Group still accounted for the bulk of income contribution at 57%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 30%, 7%, 4%, and 2%, respectively.

In 2019, the Group generated non-recurring gains of ₱515.5 million (compared to ₱891.2 million in non-recurring losses in 2018), representing net unrealized foreign exchange (forex) gains, and gains on reversal of impairment provisions. Without these one-off items, the Group's core net income for 2019 ₱21.52 billion, 7% lower than 2018. AEV recorded a 1% decrease in consolidated EBITDA for 2019 compared to 2018, declining from ₱60.65 billion to ₱60.16 billion.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

Revenues

Sale of Power

The Group's revenue from sale of power decreased by 5% or ₱6.13 billion, from ₱130.73 billion in 2018 to ₱124.61 billion in 2019. The decrease was primarily attributable to Therma Marine, Inc.'s (Therma Marine) and Therma Mobile, Inc.'s (Therma Mobile) expiration of contracts with customers, and GNPower Mariveles Coal Plant Ltd. Co.'s (GMCP) and Therma South, Inc.'s (TSI) lower plant availability owing to unplanned outages during the year. These decreases were partly offset by higher electricity sales of the distribution utilities and fresh revenue contributions from TVI and Hedcor Bukidnon. The Group's sale of power comprised 70% and 62% as a percentage of total revenues during 2018 and 2019, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 46% or ₱21.87 billion, from ₱47.75 billion in 2018 to ₱69.63 billion in 2019. The increase was primarily attributable to the full year-to-date revenue contribution of the Gold Coin Group and the higher sales recorded by the Food Group's Philippine-based Subsidiaries owing to higher average selling prices and volume of the Feeds and Flour segments. The Group's sale of goods comprised 26% and 35% as a percentage of total revenues during 2018 and 2019, respectively.

Real Estate

The Group's revenue from real estate increased by 5% or ₱190.9 million, from ₱3.93 billion in 2018 to ₱4.12 billion in 2019. The increase was primarily attributable to higher sales from the residential and commercial business segments following the ramp up in operational and business performance. As a percentage of total revenues, the Group's revenue from real estate comprised 2% during each of 2018 and 2019.

Other Revenues

The Group's combined revenue from fair value of swine, service fees and other sources decreased by 38.0% or ₱1.72 billion, from ₱4.53 billion in 2018 to ₱2.81 billion in 2019. The decrease was primarily attributable to lower swine sales resulting from the ASF spread in the Northern Luzon, and the deconsolidation of the revenue of PETNET in 2019. PETNET was sold to UnionBank, an associate, towards the end of 2018, and therefore, was no longer consolidated starting December 2018. As a percentage of total revenues, the Group's other revenues comprised 2% and 1% in 2018 and 2019, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power decreased by 0.4% or ₱318.4 million, from ₱71.68 billion in 2018 to ₱71.36 billion in 2019. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 49% and 42% in 2018 and 2019, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 40% or ₱17.48 billion, from ₱43.69 billion in 2018 to ₱61.18 billion in 2019. The increase was primarily attributable to the full year costs of goods sold contribution of Gold Coin and higher feeds cost of the Farms segment. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 30% and 36% in 2018 and 2019, respectively.

Operating Expenses

The Group's operating expenses increased by 10% or ₱3.15 billion, from ₱30.40 billion in 2018 to ₱33.55 billion in 2019. The increase was primarily attributable to the full year-to-date operating expense contribution of Gold Coin and the increase in operating expenses contribution of the AboitizPower group due to the start of operations of TVI and full operations of Hedcor Bukidnon and Pagbilao Unit 3 operated by Pagbilao Energy Corporation (PEC) for 2019. As a percentage of total costs and expenses, the Group's operating expenses comprised 21% and 20% in 2018 and 2019, respectively.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 20% or ₱408.4 million, from ₱2.01 billion in 2018 to ₱2.42 billion in 2019. The increase was primarily attributable to higher real estate sales cost, partly offset by lower overhead costs incurred by AEV Aviation. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% during both 2018 and 2019, respectively.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 17% or ₱6.51 billion, from ₱39.16 billion in 2018 to ₱32.65 billion in 2019.

Income Before Income Tax

The Group's income before income tax decreased by 3% or ₱937.3 million, from ₱35.14 billion in 2018 to ₱34.20 billion in 2019. The decrease was primarily attributable to the decrease in operating profit coupled with higher net interest expense, partly offset by higher equity earnings and other income from unrealized fair valuation gains on reappraisal of investment properties of the Real Estate SBU.

Net Income

As a result of the foregoing, the Group's Net Income to Equity Holders of AEV decreased by 1% or ₱196.8 million, from ₱22.23 billion in 2018 to ₱22.04 billion in 2019.

Net income attributable to non-controlling interests for 2019 decreased to ₱7.41 billion from ₱9.01 billion in 2018, substantially due to the decrease in consolidated net income of AboitizPower and the purchase of the remaining 25% stake of Gold Coin in the second quarter of 2019.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Company's SBUs for the year ended December 31, 2019 compared to the year ended December 31, 2018. For further discussion on the Company's operating segments, please refer to Note 33 of the audited consolidated financial statements.

Power

For 2019, AboitizPower's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, of ₱13.33 billion, a 20% decrease from ₱16.69 billion in 2018.

Before elimination of transactions within the Group, the combined contribution of the Power Generation segment and the RES business to Net Income to Equity Holders of AEV decreased by 23% from ₱15.35 billion to ₱11.76 billion in 2019. This decrease was primarily attributable to the outages experienced by the AboitizPower's coal facilities, and exacerbated by the need to purchase replacement power at higher spot market prices. Replacement power was also purchased from the spot market as the AboitizPower had contracted ahead in anticipation of Therma Visayas Inc.'s (TVI) incoming capacity. Decreased spot market sales further eroded YoY earnings. This was partly offset by the start of TVI's commercial operations and full year operations of Hedcor Bukidnon, Inc. (Hedcor Bukidnon).

Capacity sold increased from 3,154 MW for 2018 to 3,184 MW for 2019.

Before elimination of transactions within the Group, the Power Distribution segment's contribution to Net Income to Equity Holders of AEV increased by 1% from ₱3.12 billion for 2018 to ₱3.16 billion for 2019. This increase was mainly attributable to the 6% increase in energy sales (5,851 GWh for 2019 compared to 5,540 GWh for 2018). This increase was partly tempered by lost margins from the decommissioning of the Bajada power plant in Davao.

Banking & Financial Services

The Financial Services SBU's contribution to Net Income to Equity Holders of AEV increased by 100% year-on- year, from ₱3.58 billion in 2018 to ₱7.15 billion in 2019. On a stand-alone basis, Union Bank of the Philippines' (UnionBank) and its subsidiaries recorded a net income of ₱14.03 billion for 2019, an increase of 100% compared to 2018. The increase was primarily due to revenue growth from the increase in earning assets and improved margins, as well as from healthy trading gains during 2019.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food SBU increased by 2% to ₱1.58 billion for 2019, compared to ₱1.56 billion for 2018.

For 2019, the Food Group's Philippine subsidiaries reported a lower net income amounting to ₱821.9 million compared to ₱1.32 billion for 2018. This was mainly due to decreased margins and volume of the Farms business resulting from the African Swine Fever (ASF) spread in Northern Luzon. This was partly offset by improved margins and reduced financing costs of the Feeds business, and higher margins and volume of the Flour business.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. (Pilmico International) delivered a net income of ₱1.23 billion in 2019, recording an 88.1% increase compared to 2018. This was due to the full year income contribution of Gold Coin Management Holdings (Gold Coin) and Pilmico

Vietnam Feeds' improved margins due to lower raw material cost and the increased contribution of higher margin segments. During 2019, the Food SBU's international subsidiaries reported a consolidated net income of ₱760.1 million from the ₱1.23 billion contribution of Pilmico International, which was offset by the ₱467.0 million in financing costs related to the acquisition of Gold Coin.

Real Estate

The contribution of AboitizLand, Inc. (AboitizLand) to Net Income to Equity Holders of AEV for 2019, before elimination of transactions within the Group, amounted to ₱942.9 million, an increase of 46% from ₱645.0 million for 2018. This increase was due to the fair valuation gains on investment properties recognized in 2019, which were not present in 2018.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure SBU increased by 186% to ₱483.4 million for 2019, compared to ₱168.8 million for 2018. This mainly came from the contribution of the Republic Cement Group which increased by 187.2%, from ₱213.1 million in 2018 to ₱612.1 million in 2019. This was mainly due to a slight increase in private sector demand for cement, the completion of several debottlenecking projects, and improved controls on production costs.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2018 level, consolidated assets increased by 6% to ₱588.39 billion as of December 31, 2019, due to the following:

- The ₱6.94 billion combined growth in Property Plant and Equipment (PPE) and Investment Properties (IP) was mainly due to the following: 1.) ₱9.68 billion additions to AboitizPower from cost of power plant construction and distribution assets 2.) ₱1.90 billion additions to Food group; 3.) ₱896.5 million additions to Real Estate; 4.) ₱1.92 billion recognition of right-of-use (ROU) assets on the AEV Parent's leases resulting from the adoption of PFRS 16; 5.) ₱1.83 billion fair valuation gain on revaluation of IP of the Real Estate group; and 6.) first-time consolidation of ₱545.7 million IP of newly-acquired AboitizLand subsidiaries. This is decreased by ₱9.59 billion attributed to depreciation & amortization.
- The decline in Property Held for Sale (nil compared to ₱676 million in 2018) was due to the sale of transmission assets to the NGCP in February 2019.
- Investments in and Advances to Associates and JVs increased by ₱33.39 billion (₱140.35 billion as of December 31, 2019 compared to ₱106.96 billion as of December 31, 2018) mainly due to AboitizPower's ₱27,591.1 billion acquisition of additional stake and additional infusions into GNPD, Aboitiz InfraCapital ₱240.2 million additional acquisition of Balibago Waterworks System, Inc. (BWSI) shares, Aboitizland's ₱230.0 million infusions into Cebu Homegrown, and the recording of ₱11.50 billion share in net earnings of associates and JVs. This increase was partially reduced by the ₱5.47 billion dividends from associates and JVs during the year, ₱505.5 million decrease in the share of cumulative translation adjustment and ₱395.0 million share in net unrealized actuarial losses.
- Land and Improvements increased by 10% (₱2.57 billion as of December 31, 2019 compared to ₱2.34 billion as of December 31, 2018) resulting from the land acquisitions of the Real Estate Group.

- Intangible Assets increased by 5% (₱66.80 billion as of December 31, 2019 compared to ₱63.78 billion as of December 31, 2018) mainly due to the capitalized costs incurred in the ongoing construction of the water treatment plant in Davao.
- Deferred Income Tax Assets increased by 35% (₱3.13 billion as of December 31, 2019 compared to ₱2.32 billion as of December 31, 2018) mainly due to deferred tax benefits recognized by subsidiaries on its net operating loss.
- Other Noncurrent Assets (ONCA) increased by 38% (₱14.13 billion as of December 31, 2019 compared to ₱10.21 billion as of December 31, 2018) primarily due to the recording of restricted cash by a power subsidiary upon its receipt of proceeds from a damage claim against its contractors, with such claim now under dispute. This was partly offset by the reclassification of VAT inputs to other current assets and reversal of prepaid rental against ROU Assets upon adoption of PFRS 16.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 21% (₱46.42 billion as of December 31, 2019 compared to ₱59.03 billion as of December 31, 2018) as the funds used for investment acquisitions, capital expenditures, dividend payments and debt servicing exceeded the funds generated from operations and debt availments.
- Inventories decreased by 6% (₱20.78 billion as of December 31, 2019 compared to ₱21.98 billion as of December 31, 2018). This was mainly due to the following lower raw materials inventory of the Food Group.
- Derivative Assets (current and noncurrent) decreased by 54% (₱133.46 million as of December 31, 2019 compared to ₱292.8 million as of December 31, 2018) mainly due to mark-to-market losses recognized on derivative instruments.

Liabilities

- Consolidated short-term bank loans decreased by 5% (₱25.72 billion as of December 31, 2019 compared to ₱26.98 billion as of December 31, 2018) mainly due to debt repayments made by Power and Food Groups. On the other hand, long-term debt, which includes both current and non-current portions, increased by 13% (₱239.78 billion compared to ₱211.65 billion as of December 31, 2018) due to the following: a.) issuance of retail bonds by the Company ₱5.00 billion, b.) additional ₱28.83 billion long-term loan availments by Power Group, and c.) additional ₱3.15 billion availment by Apo Agua. This was partly offset by the settlement of maturing loans.
- Trade and other payables, inclusive of noncurrent portion, increased by 16% as of end-2019 compared to ed-2018, from ₱37.57 billion to ₱43.65 billion, mainly due to Power Group's receipt of proceeds from a damage claim against contractors, with such claim now under dispute, partly offset by the settlement of the recorded payables related to the PSALM deferred adjustment and payables to contractors and trade suppliers.
- Income tax payable increased by 45%, from ₱535.2 million as of December 31, 2018 to ₱776.6 million as of December 31, 2019, mainly due to increased tax payable in the Food Group.
- Derivative liabilities (current and noncurrent) increased from ₱161.6 million as of December 31, 2018 to ₱2.47 billion as of December 31, 2019. This was mainly due to the Power Group’s new foreign currency forward and commodity swap contracts, as well as fair value changes on these derivatives.
- Customers' deposits increased by 10% (₱6.72 billion as of December 31, 2019 compared to ₱6.13 billion as of December 31, 2018) mainly due to the growth in the customer base of the power group.
- Pension liability (₱639.2 million), net of pension asset (₱190.2 million), increased by 37.0%, from ₱327.7 million as of December 31, 2018 to ₱448.9 million as of December 31, 2019 mainly due to accrual of retirement expense during the year and actuarial losses for the year.

- Deferred Income Tax Liabilities (DTL) increased by 33% (₱2.58 billion as of December 31, 2019 compared to ₱1.94 billion as of December 31, 2018) mainly due to the recognition of the corresponding DTL on the unrealized fair valuation gains on investment properties.

Equity

Equity attributable to equity holders of the parent increased by 1% from year-end 2018 level of ₱174.69 billion to ₱176.48 billion, mainly due to the recognition under "Acquisition of Non-Controlling Interest" account of the ₱9.91 billion difference between purchase price and fair value of net assets acquired in the acquisition of additional stakes in Gold Coin and GMCP. The ₱7.44 billion cash dividends paid, ₱2.05 billion movement in CTA, ₱570.0 million unrealized actuarial losses and ₱278.4 million retained earnings adjustment related to PFRS 16 adoption also accounted for the decrease in Equity. These decreases were partly offset by the ₱22.04 billion net income recorded during the year.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2019, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2018, consolidated cash generated from operating activities in 2019 increased by ₱4.34 billion to ₱42.76 billion mainly due to lower working capital requirements despite the decline in earnings before interest, depreciation and amortization (EBIDA). As of end-2019, ₱39.88 billion net cash was used in investing activities compared to ₱30.76 billion during 2018. This was mainly due to higher cash disbursed on additional investments in associates and ongoing plant constructions.

Net cash used in financing activities was ₱15.62 billion during 2019 compared to ₱13.22 billion in 2018. The increase was largely attributed to the settlement of short-term bank loans compared to availment in the previous year.

For 2019, net cash outflows surpassed cash inflows, resulting in a 21% decrease in cash and cash equivalents from ₱59.03 billion as of year-end 2018 to ₱46.42 billion as of December 31, 2019.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio stood at 1.27x at the end of 2019 from year-end 2018's 1.80x as current liabilities increased while current assets declined. Debt-to-equity ratio increased from year-end 2018's 1.54:1 to 1.71:1 at the end of 2019 as the growth in total liabilities outpaced the growth in equity.

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

Based on information provided by UnionBank's Economic Research Unit (ERU), Aboitiz Equity Ventures Inc. (the "Company" or "AEV '') expects 2020 GDP growth to be impacted by the Covid-19 situation. Considering the revised government forecast, our ERU expects GDP to grow between 5.4% to 6.1% in 2020.

Despite current challenges posed by Covid-19, AEV believes that the Philippine economy will continue to be one of the faster growing economies of the world, and sustain the growth of its SBUs over the long-term.

Power SBU

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

Despite increased competition in the power generation market, the AboitizPower is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new power generation projects (see Part I Item 1.(B)(I)(i) on Principal Products and Services - Generation of Electricity on page 21 of the Annual Report), where target commercial operation dates for each project are discussed per business unit).

AboitizPower expects to exceed its target net attributable capacity of 4,000 MW by 2020 with the entry of GNPower Dinginin.

AboitizPower's goal is to grow its capacity to more than 9,000 MW by 2029, which AboitizPower expects to come from a portfolio of renewables and selective baseload builds. In terms of renewable energy, AboitizPower aims to maximize opportunities coming from the implementation of the Renewable Portfolio Standards (RPS) by DOE starting this year. In line with DOE's aspirational goal of a 35% increase in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and RES to source an agreed portion of their energy supply from renewable energy facilities. AboitizPower will also continue to pursue its international aspirations with focus on renewable energy projects in Vietnam, Indonesia, and Myanmar. With all of these combined, it is expected that AboitizPower's portfolio ratio will be close to a 50:50 Cleanergy (renewable energy) and Thermal energy mix at the end of this decade.

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

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

AboitizPower, together with its partners, has allotted P41 billion for capital expenditures in 2020, almost 80% of which is for new businesses such as GNPower Dinginin. The remaining balance is allocated mainly for operating and expansion initiatives.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's 2019 SEC Form 20-IS (e.g., for an extensive discussion on regulatory issues, see Part I Item 1.(B)(I)(x) on Effects of Existing or Probable Government Regulations on the Business on page 52 of the Annual Report).

Banking & Financial Services SBU

UnionBank of the Philippines, Inc. ("UnionBank" or the "Bank") believes it has progressed towards its goal of becoming one of the country's leading retail banks, requiring the Bank to increase its core earning asset base, attain a balanced source of revenue, and shift towards a recurring income business model as it fortifies its balance sheet. The majority of the Bank's revenues are already recurring in nature as its loan portfolios continues to grow. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank intends to leverage its core strengths to drive its performance. In order to provide stable returns and predictability in the growth of shareholder value, the Bank utilizes its capital as it shifts from trading to building recurring income by: (i) transforming its branches and building the competence of its sales force to cater to changing customer expectations; (ii) strengthening corporate relationships by providing innovative cash management solutions to anchor clients; (iii) improving processes specifically in building the foundation of the Bank's automation and digital transformation initiatives; (iv) building synergies with its partners in order to expand customer reach, products, and services; (v) leveraging on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities; and (vi) capitalizing on its subsidiaries, such as City Savings Bank (CitySavings), as avenues to further capture the underserved segment for inclusive prosperity.

UnionBank is also embarking on its Dual Transformation Strategy in order to improve its current and future competitive advantages. Through the use of the latest and emerging technology and platforms, the Bank intends to: (i) reposition itself as a Digital Bank - widening its scope into adjacent markets and acquire new skills in key segments; and (ii) search for new business models of the future where banking may become embedded in people's day-to-day lives - to integrate its financial services into ecosystems as part of the customer's digital experience, and not merely a transaction choice.

For 2020, the Bank seeks to sustain the continued growth of its lending business following five consecutive years of loan growth.

Moreover, due to the Bank's repricing efforts and supported by the more benign inflation environment which led to a series of policy rate and reserve requirement ratio (RRR) cuts, the Bank's margins have recovered. As of end-December 2019, margins are up by more than 110bps compared to the levels at the start of 2019. The same is true for CSB's margins which increased by 276bps from January to December 2019. Further margin improvements are expected, especially with the rate cut in February 2020 along with the expected gradual reduction of RRR to single digits in the future.

2020 continues the third phase of the Bank's digital transformation journey, which involves scaling up its digital customer touchpoints. This involved the launch of enhanced features in the UnionBank Online mobile app for retail customers and The Portal for corporate clients, the roll out of more Arks and self-service branches, and the launch of the Bank's SME Business Banking app for SME customers.

UBX, the Bank's innovation company and venture capital firm which focuses on fintech investments, providing tech services to our clients and building ecosystems and platforms, is also ramping up operations with its flagship platforms, namely: Project i2i (financial platform for rural banks), Sentro (an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants); and SeekCap (developed in partnership with OneConnect – Ping An's fintech arm – which is an SME lending marketplace that offers affordable financing options and faster approvals).

With the key channels and platforms in place, key focus of the Bank is to accelerate customer acquisition efforts, as well as deepen engagement across all digital channels, in order to realize the benefits of digital transformation for the Bank and its customers alike.

UnionBank has allotted ₱2 billion for capital expenditures in 2020.

Food SBU

Food Group, AEV's non-listed multinational food subsidiary, is an Integrated Regional Agribusiness and Food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming and commodity trading. It also has a presence in the ASEAN and across the Asia- Pacific regions through Pilmico International and its Subsidiaries. Food Group remains one of the Philippines' top flour, feeds and farm market participants with a strong track record and nationwide reach.

The Food Group is strategically positioned in Asia Pacific as a manufacturer and producer. Given the trend of rising protein consumption globally, it intends to build a comprehensive animal nutrition platform in Asia. This requires having a good base of products and services that facilitates creation of a portfolio of offerings that will serve both existing and future customers and markets. Similar to the Company's other business segments, the Food Group utilizes a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

As part of the Food Group's overseas strategy, the acquisition of the Gold Coin Group has allowed the Food Group to expand its customer base and geographic reach. The Food Group is now the fourth largest animal feed manufacturer in Southeast Asia, and is present in 11 countries across the Asia-Pacific. The Gold Coin Group's position provides the Food Group a foothold in these regional markets to explore opportunities down the value chain. Geographic expansion also provides the Food Group and the rest of AEV's businesses access to local or regional information for potential expansion opportunities. The Food Group looks forward to harnessing synergies in distribution, localized operations, cross-selling, research and development, and raw materials and logistics costs.

2020 marks a new era for the Food Group under a new leadership. Hubert de Roquefeuil, the current President & CEO of Gold Coin Management Holdings, has taken the lead as the new President & CEO of the entire Food Group. He will be supported by the new President & CEO of Pilmico Foods Corporation, Tristan Roberto Aboitiz.

Starting 2020, Food Group will pursue a strategy of Balance, Optimize, and Develop or BOD. Establishing a balanced portfolio will maximize opportunities and minimize associated risks. This will be optimized through execution excellence founded on harmonized processes and systems of the entire Food Group. Furthermore, the Food Group will continue to build and develop capabilities to innovate and expand the business. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the next ten years.

The Flour business will employ a two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon through continuous sales efforts. The business likewise intends to move forward in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

The Farms business has recalibrated the planned expansions in the Northern Luzon but has started exploration of farms opportunities in the Visayas and Mindanao regions. By exercising extreme caution on the spread of the African Swine Fever (ASF), risks of material losses will be avoided. Despite ASF challenges, the capacity is still expected to reach a sow-level of 50,000 heads by 2029. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain. In 2020, the Food Group will operationalize its meat fabrication and processing plant and the year is also expected to provide more stability in profitability through an increased focus on higher-margin products as compared to live hog selling. Meanwhile, the layers business will expand to house 1.3M ready-to-lay hens. This surge in layers capacity (8x from today's level) is expected to result in a monthly production of 27 million eggs by 2025.

Feeds Philippines will continuously expand its market position through additional feedmill capacity to be in place Visayas & Mindanao region in the next 5-years. In 2020, Feeds Philippines will operationalize its new feed mill capacity in Iligan which will serve the growing requirements of our Visayas and Mindanao customers. Strategic geographical and product positioning will be key in securing new and existing customers in the competitive market. The Food Group is also exploring the inclusion of Pet Food and Specialty Nutrition products as part of its portfolio. Moreover, Feeds Philippines employs platform improvements in logistics to provide operational agility and improve customer experience.

Likewise, Aqua Feeds Vietnam is expected to take advantage of emerging opportunities for fingerling feeds in the Vietnam region.

On the other hand, the Gold Coin Group has set forth a project pipeline with its growth-focus countries: China and Vietnam.

Gold Coin plans to execute a multi-specie strategy with focus on high-margin products. In 2020, countries where Gold Coin is present are seen to have higher spending of protein consumption driven by the rising population, GDP and middle-class populations. To cater the increasing demand in the market specifically in China, additional pellet lines in Dongguan and Zhangzhou which both have the capacity of 9TPH have commenced commercial operation in January 2020.

Furthermore, with increased opportunities in aquaculture production emerging, particularly Shrimp and Tilapia, Gold Coin will explore diversifying into the Shrimp and Aqua businesses in China, Vietnam, and Malaysia. There are two additional fish feed line located in Vietnam (Ha Nam, North Vietnam) and China (Dongguan, Southern China) which will bring an incremental 5TPH capacity and will both commence commercial operation in April 2020.
Pet Food and Feed Additives are also seen to grow in the years to come and the Food Group intends to integrate this to China, Vietnam, Indonesia and Malaysia. Thailand on the other hand can be improved by utilizing its current capacity.

In terms of operations, the Food Group intends to harmonize Pilmico and Gold Coin through intercountry trade, group purchasing, optimization of IT shared services and mitigating foreign exchange risk to trim expenses. All these strategies mentioned are expected to increase profits and boost bottom line figures.

Pilmico has allotted ₱3 billion for capital expenditures in 2020.

Infrastructure SBU

I. Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to the nation's development.

Airports and Other Infrastructure

Aboitiz InfraCapital was granted Original Proponent Status by the DOTr for its unsolicited proposal to operate and maintain the new Bohol-Panglao International Airport (BPIA) on September 3, 2018. The new international airport located in the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. The airport was inaugurated last November

28, 2018 and has an estimated capacity of 2 million passengers per annum. On November 6, 2019, Aboitiz InfraCapital received Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approval on the proposal for BPIA. On November 29, 2019, Aboitiz InfraCapital obtained approval of the NEDA Board. Aboitiz InfraCapital is now working with the government on final steps before commencing Swiss Challenge.

On August 10, 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the operations, maintenance, and expansion of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor (NMDC). On February 26, 2019, Aboitiz InfraCapital was granted Original Proponent Status by the Civil Aviation Authority of the Philippines for its unsolicited proposal on Laguindingan Airport. The proposal involves the operations and maintenance, including the much-needed upgrade works, of the Laguindingan Airport. The airport has been operating since 2013 with a design capacity of 1.6 million passengers per annum. In 2018, passengers are estimated to have already reached 2 million. On December 20, 2019, Aboitiz InfraCapital received Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approval on the proposal for Laguindingan Airport. The next step is to get NEDA Board Approval.

These airport projects are aligned with Aboitiz InfraCapital's objective to support regional development centers outside of Manila.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding (MOU) with the Department of Information and Communications Technology (DICT). The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. To date, Aboitiz InfraCapital has signed separate MOUs with both Globe Telecom and Smart Communications to initiate discussions and negotiations on the lease of build-to-suit tower sites and other passive telecommunications infrastructure.

Water

Apo Agua Infrastructura, Inc. (Apo Agua)

Apo Agua is the project company owned by AEV and J.V. Angeles Construction Corp. (JVACC), organized to design, construct and operate a hydroelectric powered-raw water treatment facility and a conveyance system which will deliver a minimum contracted annual volume of 109.5 million cubic meters (equivalent to 300 million liters per day) of treated bulk water to Davao City over a 30-year period.

On March 21, 2018, Apo Agua started the preliminary construction works particularly the detailed design, geotechnical survey and soil condition testing.

On November 29, 2018, Apo Agua signed a ₱9.0 billion Omnibus Notes Facility and Security Agreement with a consortium of lender-banks, arranged by BPI Capital Corporation, to finance the construction phase of the DCBWSP.

In February 2019, physical construction has commenced on major project sites such as the hydroelectric power plant and the water treatment plant, the intake facilities in Tamugan River and the raw water pipelines.

On September 29, 2019, Apo Agua celebrated 1 million safe man-hours together with the EPC contractor. It reached two million safe man-hours in February 2020.

In January 2020, initial works for the treated water pipelines commenced. Apo Agua expects to complete construction in 2021, allowing it to provide Davao City with a sustainable and much-needed water supply.

LiMA Water Corporation (LWC)

LWC is the exclusive water and wastewater services provider in Lima Technology Park, one of the Philippines' largest industrial parks. LWC is currently building its capability to fully support the expansion plans of Lima Technology Center, which is expected to experience healthy growth in the coming years.

Aboitiz InfraCapital intends to use its current water portfolio (which also includes a 16% stake in Balibago Waterworks System, Inc.) as a strategic platform to build the Group's water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

II. Republic Cement and Building Materials, Inc. (Republic)

Strong growth in cement demand is expected in 2020, driven by favorable macroeconomic fundamentals and the government's infrastructure program. The industry is expected to remain competitive due to new production capacities coming on stream and the continued presence of imported cement in certain markets.

Republic remains focused on serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Production costs are anticipated to remain in control following the implementation of operational excellence initiatives.

Republic has benefitted from investments made in recent years. Completed in 2019, the debottlenecking of the kilns is expected to yield higher clinker output, improve delivered cost position and improve environmental performance.

Coming on stream in early 2020, the new state-of-the-art cement mills in Luzon and Mindanao are expected to result in the continued supply of cement for the local construction sector, which further supports the current administration's Build Build Build infrastructure program and the foreseen strong demand for cement in the residential and non-residential segments.

The infrastructure group has allotted ₱16 billion for capital expenditures in 2020 across all its businesses.

Land SBU
Aboitiz Land, Inc. (AboitizLand)

AboitizLand is firmly committed to building and nurturing thriving communities and intends to capitalize on the growth of its industrial businesses through the continued acquisition of land in key geographic corridors and the development of complementary recurring businesses and residential communities within these areas. Through this approach, AboitizLand not only looks to expand its industrial footprint but also create thriving townships in the future.

In 2019, AboitizLand launched two residential projects in Luzon, The Villages at Lipa and Ajoya Pampanga. AboitizLand believes that through these new and upcoming projects, it will maintain its growth trajectory and expand its foothold in key geographical corridors through repeatable and well-crafted products.

2019 also saw the opening of the newest commercial addition to Lima's New Industry City concept, Lima Exchange. Complementing the upcoming residential community at The Villages, Lima Exchange features a supermarket, transport hub, fast food, and more. Furthermore, The Outlets at Lipa continues to demonstrate strong momentum as occupancy rates increase. Through these, AboitizLand aims to continuously maximize the value footprint in our industrial park while concurrently servicing the needs of the community in Lipa.

In 2019, AboitizLand entered into strategic partnerships to mark its footprint into Metro Manila and Cebu space with:

- A 50/50 partnership with 78 Point Blue Inc. (Point Blue) to design, develop, and operate integrated microstudio apartment units within the immediate proximity of major business districts in Metro Manila. Four micro-studio buildings already in operation and twenty more on the horizon
- A new joint venture agreement with Cebu Landmasters, Inc. to develop a mid-market, mixed-use, multi-tower condominium development in Mandaue City. The planning of the first project is underway, with the launch of the first residential condo targeted for later in 2020.

AboitizLand has allotted ₱11 billion for capital expenditures in 2020.

REVIEW OF JAN-DEC 2018 OPERATIONS VERSUS JAN-DEC 2017

RESULTS OF OPERATIONS

For the year ended December 31, 2018, AEV posted a consolidated net income attributable to the equity holders of the parent of ₱22.23 billion, a 3% year-on-year (YoY) increase. This translated to an earnings per share of ₱3.95 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 73%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 16%, 7%, 3% and 1%, respectively.

In 2018, the AEV Group generated non-recurring losses of ₱891 million (versus ₱2.30 billion losses in 2017), comprising net unrealized forex losses and asset impairment costs. Stripping out these one-off items, the AEV Group's core net income for the year amounted to ₱23.12 billion, 3% lower than last year. AEV recorded a 6.5% increase in consolidated EBITDA for 2018, from ₱56.98 billion to ₱60.65 billion.

BUSINESS SEGMENTS

The individual performance of the major business segments for the year in review is discussed as follows:

Power

AboitizPower ended the year with an income contribution of ₱16.69 billion, a 6% increase from last year's ₱15.70 billion. Netting out unrealized forex losses and impairment costs recognized during the year, AboitizPower's contribution to the AEV Group's core net income increased by 2% from ₱17.95 billion to ₱18.31 billion.

With the fresh income contributions of PEC and Hedcor Bukidnon, Power Generation and Retail Supply Group's bottomline contribution to AEV increased by 12% from ₱13.71 billion to ₱15.35 billion for the year. Adjusted for non-recurring items, Generation and Retail Supply Group's core net income contribution remained flat at ₱16.1 billion.

Capacity sold for the year was flat YoY, from 3,167 megawatts (MW) in 2017 to 3,152 MW in 2018.

Power Distribution Group's earnings contribution to AEV decreased by 5% YoY from ₱3.29 billion to ₱3.12 billion in 2018. Stripping out impairment costs, its recurring earnings contribution grew 6% YoY from

₱3.18 billion to ₱3.36 billion in 2018. This increase was mainly attributable to electricity sales which increased by 5% to 5,540 gigawatt hours (GWh), as compared to last year. This was a result of increased consumption across all customer segments.

Correspondingly, costs of generated and purchased power by the AboitizPower Group increased by 12% or ₱7.73 billion, mainly due to the rise in fuel costs in 2018.

(in PhP and in billions)	**2018**	**2017**
Cost of generated power:		
Fuel costs (see Note 6)	₱29.42	₱22.32
Steam supply costs (see Note 39)	5.23	4.98
Energy fees	0.65	0.67
Ancillary charges	0.35	0.55
Wheeling expenses	0.02	0.04
	₱35.67	₱28.56
Cost of purchased power:		
NPC/PSALM and NGCP (Distribution Group; Note 26)	₱8.82	₱9.08
WESM (Generation Group; Note 26)	5.05	6.26
PSALM (Retail Electricity Supply [RES] Group; Note 26)	2.05	1.81
Related Parties (Note 34, item f., page 129 of the 2018 CAFS)	4.32	4.85
Others		
RES purchase of distribution wheeling services	3.89	3.38
Distribution Group purchase of power supply from power generation companies and WESM	10.55	9.19
RES purchase from WESM	1.33	0.81
	₱36.01	₱35.39
	₱71.68	**₱63.95**

Banking & Financial Services

Income contribution from this industry group decreased by 13%, from ₱4.12 billion to ₱3.57 billion for the year.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income attributable to equity holders of the parent of ₱7.32 billion for 2018, down 13% compared to the ₱8.40 billion earned in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank resulting from lower loan releases to teachers.

Food

Income contribution from Food subsidiaries (Philippine-based Pilmico Foods Corporation and its subsidiaries, and foreign-based Pilmico International Pte. Ltd. and its subsidiaries which include the GCMH Group) decreased by 8% to ₱1.56 billion from ₱1.70 billion in 2017. On a recurring basis, Feeds Philippines and Farms showed a decrease in income contributions while Pilmico International reported an increase. Feeds Philippines' 38% YoY decline in net income was due to increased raw materials costs which negatively affected profit margins. Farms' net income decreased 15% YoY due to lower biological asset revaluation gains. These decreases were partly offset by the growth in Pilmico International's net earnings, primarily due to the fresh income contribution of GCMH - an expansion in one of Pilmico's core feed milling businesses - which mitigated the effects of higher input costs to Pilmico International's animal and aqua feeds businesses.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) amounted to ₱645 million, down 13% from ₱744 million last year. This decrease was due to the absence of fair valuation gains on investment properties during 2018.

Infrastructure

Republic Cement and Building Materials, Inc.'s (Republic) income contribution to AEV in 2018 decreased by 68% from ₱671 million in 2017 to ₱213 million in 2018. This was mainly due to significantly higher fuel and power costs, which offset the improvement in sales volume and prices attributable to government infrastructure spending and stable private sector demand.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

For the year ended December 31, 2018, consolidated net income attributable to the equity holders of AEV registered a 3% YoY increase, reaching ₱22.23 billion from ₱21.61 billion posted in the previous year.

Operating profit for 2018 amounted to ₱39.16 billion, a 7% increase YoY, as the ₱36.52 billion increase in revenues surpassed the ₱33.94 billion rise in costs and expenses. This increase was mainly attributed to the performance of the AboitizPower Group.

Power subsidiaries reported a 7% YoY increase in operating profit from ₱34.17 billion to ₱36.50 billion mainly due to the fresh earnings before interest and taxes (EBIT) contribution from PEC and Hedcor Bukidnon.

Share in net earnings of associates and JVs declined by 15% YoY (₱7.73 billion vs ₱9.05 billion in 2017) due to the decrease in income contributions from the following: i.) SN Aboitiz Power-Magat (SNAP-Magat) and SN Aboitiz Power-Benguet (SNAP-Benguet) resulting from lower hydrology in 2018 as compared to the higher-than-usual hydrology levels in 2017; ii.) UBP largely attributable to the lower 2018 net earnings of one of its subsidiaries, CitySaving Bank; and iii.) Republic owing to significantly higher fuel and power costs in 2018.

The growth in operating profit and other income more than offset the decrease in equity earnings and higher interest expense, and as a result, pulled up the AEV Group's overall profitability. Interest expense, net of interest income, increased by ₱1.42 billion or 12% YoY resulting from higher average debt level in 2018.

Net other income increased to ₱1.41 billion from ₱26 million net other expenses in 2017. This improvement was mainly due to AboitizPower Group's collection of settlements with suppliers in 2018 (vs nil in 2017) and higher impairment costs in 2017, partly offset by higher foreign exchange losses in 2018.

Net income attributable to non-controlling interests (NCI) increased to ₱9.01 billion from ₱7.67 billion in 2017, substantially due to the increase in consolidated net income of AP, and recognition of the NIAT share of GCMH's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 3% from ₱22.56 billion in 2017 to ₱23.25 billion in 2018. The 3% increase in consolidated net income accounted for the majority of this increase.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2017 level, consolidated assets increased 13% to ₱554.59 billion as of December 31, 2018, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 50% (₱37.24 billion vs ₱24.77 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱3.93 billion accounts receivable, and higher level of AboitizPower Group's receivables substantially owing to the take-up of PSALM deferred adjustments in the books of Davao Light & Power Co., Inc. (DLP) and Visayan Electric Co., Inc. (VECO). The recorded receivables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be recovered from customers or to be collected from PSALM.

b. Inventories and Land and Improvements increased by 51% (₱24.44 billion vs ₱16.14 billion as of December 31, 2017). The ₱9.65 billion rise in Inventories was mainly due to the following: i.) first-time consolidation of GCMH's ₱5.74 billion inventory; ii.) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and iii.) higher coal inventory of the AboitizPower Group. This increase was partly offset by the P1.35 billion decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.

c. Gross of depreciation expense, the resulting ₱19.66 billion combined growth in Property Plant and Equipment (PPE), Property Held for Sale and Investment Properties (IP) was mainly due to the following: 1.) ₱4.86 billion on-going construction of AboitizPower's power plants; 2.) ₱8.94 billion various capex of Power, Food and Real Estate Groups; 3.) ₱4.78 billion first-time consolidation of GCMH PPE; and 4.) ₱1.0 billion upward translation adjustment by power subsidiaries using US dollar as functional currency and fair valuation gains on investment properties. Property Held for Sale (₱676 million vs nil in 2017) refers to transmission assets that will be transferred and sold to the NGCP in the next 12 months, and have been reclassified from PPE.

d. Investments in and Advances to Associates and JVs increased by 17% (₱106.96 billion vs ₱91.61 billion as of December 31, 2017) mainly due to the ₱5.38 billion additional acquisition of UBP shares, AboitizPower's ₱2.50 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD), ₱3.34 billion reversal of share of mark-to-market (MTM) losses on AFS investments of an associate, ₱924 million share of retained earnings adjustment of an associate resulting from the adoption of PFRS 9, ₱464 million share of associates' cumulative translation adjustments, and recording of ₱7.73 billion share in net earnings of associates and JVs. This increase was partially reduced by the ₱5.14 billion cash dividends received from associates and JVs during the period.

e. Intangible Asset - service concession right increased by 24% (₱3.79 billion vs ₱3.06 billion as of December 31, 2017) mainly due to capitalized repairs done during the year.

f. Other Current Assets (OCA) rose by 45% (₱17.99 billion vs ₱12.44 billion as of December 31, 2017) mainly due to Therma South, Inc.'s ₱2.65 billion increase in restricted cash representing the cash reserve to be maintained in compliance with the covenants of its project debt. Therma Visayas, Inc.'s ₱1.73 billion advances receivable from NGCP related to the construction of a transmission line also contributed to the increase of this account in 2018.

g. Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱454 million from ₱189 million as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the year.

h. Deferred Income Tax Assets increased by 52% (₱2.32 billion vs ₱1.53 billion as of December 31, 2017) mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses and asset impairment provision recorded by the AboitizPower Group during the year.

i. Goodwill increased by 36% (₱56.26 billion vs ₱41.31 billion as of December 31, 2017) due to the new ₱15.52 billion goodwill generated on the acquisition of GCMH during the year, partly offset by the de-consolidation of the ₱524 million goodwill resulting from the disposal of PETNET.

The above increases were tempered by the following decreases:

a. Cash & Cash Equivalents decreased by 9% (₱59.03 billion vs ₱64.87 billion as of December 31, 2017) as the funds used in investment acquisitions and repayment of maturing obligations exceeded the funds generated from operations and long-term loan availment.

b. Derivative Assets, net of Derivative Liabilities (current and non-current) decreased by 55% (₱131 million vs ₱294 million as of December 31, 2017) mainly due to MTM losses recognized on existing swap and forward contracts of the AboitizPower Group.

c. Investments in Financial Assets at Fair Value to Profit or Loss (FVTPL) and at FV to Other Comprehensive Income (FVOCI), formerly classified as Available-for-sale (AFS) Investments, decreased by 25% (₱579 million vs ₱773 million as of December 31, 2017) mainly due to disposals made during the period.

Liabilities

Consolidated short-term bank loans increased by 14% (₱26.98 billion vs ₱23.70 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱2.35 billion bank loans, ₱7.31 billion availment of the Power and Real Estate Groups, partly offset by ₱6.26 billion repayment made by Food Group. Long-term debts, including long-term obligation to PDS and finance lease, likewise increased by 8% (₱258.54 billion vs ₱238.54 billion as of December 31, 2017) substantially due to the following: a.) AEV International's availment of ₱11.73 billion loan, b.) AboitizPower's retail bond issuance of ₱10.2 billion, c.) GMCP's availment of ₱9.04 billion loan, d.) ₱6.20 billion loan availment by other power companies, e.) first-time consolidation of GCMH's ₱2.37 billion loan, and f.) ₱4.54 billion non-cash upward movement due to amortization of deferred financing costs and forex differential. This was partly offset by the prepayment of ₱15.15 billion Therma Power, Inc. (TPI) loan, ₱6.70 billion settlement of maturing loans and ₱2.33 billion decrease in finance lease obligation due to amortizations paid.

Trade and other payables, inclusive of noncurrent portion, increased by 51%, from ₱25.42 billion to ₱38.42 billion, mainly due to the first-time consolidation of GCMH's ₱9.13 billion trade payables and the take-up of the PSALM deferred adjustments at DLP and VECO. The recorded payables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be remitted to PSALM or refunded to customers.

Income tax payable decreased by 24%, from ₱703 million to ₱535 million, mainly due to lower income tax liability of the AboitizPower Group for the year.

Asset retirement obligation (ARO) increased by 24% from P2.96 billion to P3.68 billion due to the upward revaluation adjustment recognized during the year on this future obligation.

Pension liability, net of pension asset, increased by 47%, from ₱223 million to ₱328 million, mainly due to the decline in the fair value of the investment in traded equity securities owned by the retirement fund of the Company. This was attributable to the drop in market prices of these securities at the end of 2018.

Deferred Income Tax Liabilities (DTL) increased by 48% (₱2.40 billion vs ₱1.62 billion as of December 31, 2017) mainly due to the first-time consolidation of GMCH's ₱600 million DTL.

Equity

Equity attributable to equity holders of the parent increased by 13% from year-end 2017 level of ₱154.70 billion to ₱174.71 billion mainly due to the ₱22.23 billion net income attributable to the equity holders of the parent recorded during the year, ₱3.34 billion reversal of share of MTM losses on AFS investments of UBP, ₱903 million increase in cumulative translation adjustment, and ₱497 million retained earnings adjustment related to first-time adoption of PFRS 9 & 15. These increases were partly offset by the ₱7.21 billion cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2018, the AEV Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2017, consolidated cash generated from operating activities in 2018 increased by ₱6.18 billion to ₱38.42 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA), partly offset by higher working capital requirements.

The year ended with ₱30.76 billion net cash used in investing activities versus ₱11.30 billion last year. This was mainly due to the acquisition of GCMH and higher cash disbursed on additional investments in associates.

Net cash used in financing activities was ₱13.22 billion versus ₱19.46 billion in 2017. The decrease was largely attributed to the higher net bank borrowings in 2018 (₱18.82 billion versus ₱7.85 billion in 2017), partly offset by higher interest payments and dividends paid to minority shareholders during the year.

For the year in review, net cash outflows surpassed cash inflows, resulting in a 9% decrease in cash and cash equivalents from ₱64.87 billion as of year-end 2017 to ₱59.03 billion as of December 31, 2018.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio improved from year-end 2017’s 1.61x to 1.76x at the end of 2018 as the growth in current assets outpaced the increase in current liabilities. Debt-to-equity ratio likewise improved from year-end 2017’s 1.56:1.to 1.55:1 at the end of 2018.

REVIEW OF JAN-DEC 2017 OPERATIONS VERSUS JAN-DEC 2016

RESULTS OF OPERATIONS

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income of ₱21.61 billion, a 4% year-on-year (YoY) decrease. This translates to an earnings per share of ₱3.84 in 2017. In terms of income contribution, AboitizPower Group still accounted for the bulk at 69%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 18%, 7%, 3% and 3%, respectively.

The AEV Group generated a non-recurring net loss of ₱2.30 billion during 2017 (versus a ₱347 million loss in 2016) mainly from the AboitizPower Group's asset impairment and debt prepayment costs, partially reduced by a one-off recognition of lower interest expense from an acquired loan. Stripping out these one-off items, the AEV Group's core net income for the year amounted to ₱23.91 billion, 5% higher than last year. AEV recorded an 18% increase during 2017 in consolidated earnings before interest, tax, depreciation and amortization (EBITDA), from ₱48.13 billion to ₱56.98 billion.

BUSINESS SEGMENTS

The following discussion describes the performance of the major business segments for 2017.

Power

Aboitiz Power Corporation's (AP) income contribution for 2017 was ₱15.70 billion, a 2% increase from 2016's ₱15.38 billion. Netting out impairment costs on its Aseagas Corporation (Aseagas) investment, pre-termination costs on the refinancing made by its subsidiary, GNPower Mariveles Coal Plant Ltd. Co. (GMCP), and a one-off recognition of lower interest expense from an acquired loan, AboitizPower's contribution to core net income grew by 13% from ₱15.85 billion in 2016 to ₱17.95 billion in 2017.

Power Generation Group's bottomline contribution to AEV grew 9% during 2017 from ₱12.05 billion to ₱13.12 billion. Adjusted for non-recurring items, Generation Group's core net income contribution increased by 19% YoY to ₱15.51 billion. This improvement was substantially attributed to the strong performance of the Power Generation Group's hydro units and the full-period income contributed by GMCP, which was acquired in December 2016.

The Power Generation Group's capacity sold during 2017 increased by 41% year-on-year (YoY), from 2,223 megawatts (MW) to 3,124 MW, mainly driven by the additional capacity of GMCP, higher generation of its hydro units, and an increase in capacities contracted.

Power Distribution Group's earnings contribution to AEV increased by 16% during 2017 from ₱2.82 billion to ₱3.29 billion. Attributable electricity sales of 5,288 GWh increased by 4% during 2017. Gross margin per kilowatthour (kWh) for 2017 increased to ₱1.73 from ₱1.59 in 2016. The improved margins resulted from adequate power supply, better supply mix, and recoveries on purchased power costs.

Banking & Financial Services

Income contribution from this industry group declined by 16%, from ₱4.91 billion in 2016 to ₱4.12 billion in 2017.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income of ₱8.4 billion for 2017, 17% lower compared to the ₱10.1 billion earned in 2016. The decline was primarily due to a ₱3.8 billion one-off trading gain booked in the third quarter of 2016. UBP's net income excluding securities trading gains, however, grew by 31% to ₱8.2 billion in 2017 from ₱6.2 billion in 2016.

PETNET Inc. contributed ₱20 million during 2017 from a loss of ₱2 million in 2016.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries decreased by 2% during 2017 to ₱1.7 billion from ₱1.73 billion the previous year. For 2017, Feeds Philippines and Flour both reported decreases in income contribution while Farms and Feeds Vietnam both showed increases. The decline in net earnings of Feeds Philippines and Flour was largely due to higher raw material and operating costs. On the other hand, Feeds Vietnam reported an increase in bottomline during 2017 due to growth of commercial and export product lines and some foreign exchange gains. For Farms, the recovery during 2017 in live hog selling prices resulted in improved profits.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) during 2017 amounted to ₱744 million, up 295% from ₱188 million in 2016. This growth was mainly attributed to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. AboitizLand also recognized fair valuation gains on investment properties in 2017.

Infrastructure

Republic Cement and Building Materials, Inc. (Republic) posted an income contribution of ₱671 million in 2017, down 57% from 2016's ₱1.55 billion. Cement demand grew modestly in 2017, offset by lower prices and increased fuel and power costs.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income allocable to the equity holders of the parent of ₱21.61 billion, a 4% YoY decrease.

Operating profit for 2017 totalled ₱36.58 billion, a 26% increase YoY, as the ₱34.01 billion in increase in revenues surpassed the ₱26.35 billion rise in costs and expenses. The increase in revenue was mainly attributed to the performance of the AboitizPower Group.

Power subsidiaries reported a 30% YoY increase in operating profit during 2017, from ₱26.31 billion to ₱34.17 billion, mainly due to the full-year earnings before interest and taxes (EBIT) contribution from GMCP.

Share in net earnings of associates for 2017 declined by 6% YoY (₱9.05 billion vs ₱9.65 billion in 2016) largely due to the decrease in UBP's income from the sale of securities and to RCBM's income decline for 2017 resulting from lower selling prices and higher production costs. This is partly offset by growth in the net income of SN AboitizPower-Magat (SNAP-Magat) and SN AboitizPower-Benguet (SNAP-Benguet) for 2017 due to higher volume sold and ancillary revenue resulting from better hydrology.

The growth in net interest expense and other charges during 2017, coupled with the decrease in equity earnings, more than offset the increase in operating profit, and as a result, pulled down the AEV 's overall profitability. Interest expense, net of interest income, in 2017 increased by ₱3.61 billion YoY as debt level increased following the consolidation of GMCP debt in December 2016, and the full year impact of interest expense incurred on additional debts availed of after December 2016.

Net other charges of ₱26 million were incurred in 2017 versus ₱2.50 billion net other income in 2016. This was mainly due to AboitizPower Group's impairment of its investment in Aseagas and refinancing costs during 2017, versus 2016's unrealized forex gains and Therma South, Inc.'s (TSI) collection of settlements with suppliers.

Net income attributable to non-controlling interests increased to ₱7.67 billion in 2017 from ₱6.18 billion in 2016, substantially due to the full-period recognition of the net income after tax (NIAT) share of GMCP's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 2% from ₱22.07 billion in 2016 to ₱22.56 billion in 2017. The 4% decrease in consolidated net income was offset by the combined surge in AEV's share of an associate's unrealized mark-to-market (MTM) gains on its available-for-sale (AFS) investments and cumulative translation adjustments.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2016 level, consolidated assets increased 6% to ₱491.93 billion as of December 31, 2017, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 13% (₱24.77 billion end-2017 vs ₱22.01 billion as of December 31, 2016) mainly due to higher level of receivables of the Power and Food Groups.

b. Inventories increased by 22% (₱12.45 billion as of end-2017 vs ₱10.22 billion as of December 31, 2016) mainly due to increase in raw materials inventory of the Food Group and coal inventory of the AboitizPower Group.

c. Gross of depreciation expense, the combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) as of December 31, 2017 was mainly due to the following: (i) ₱12.70 billion for on-going construction of AboitizPower's power plants; (ii) ₱6.07 billion in various capital expenditures of Power, Food and Real Estate Groups, (iii) ₱2.99 billion first-time consolidation of San Carlos Sun Power, Inc. (Sacasun) assets; and (iv) ₱862 million gain recognized on the re-appraisal of certain investment properties. This was partly reduced by the ₱2.64 billion impairment of Aseagas' biomass plant during 2017.

d. Investments in and Advances to Associates as of December 31, 2017 increased by 6% (₱91.61 billion vs ₱86.64 billion as of December 31, 2016) mainly due to AboitizPower's ₱1.26 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD) and ₱244 million capital infusion into RP Energy, the ₱275 million acquisition of Balibago Waterworks System, Inc. (BWSI) shares by Aboitiz InfraCapital, Inc. (AIC), the recording of ₱9.05 billion share in net earnings of associates, and the ₱703 million share of a banking associate's MTM gains on its AFS investments during the year. This increase was partially offset by the ₱6.16 billion cash dividends received from associates during 2017.

e. Other current assets increased by 30% as of December 31, 2017 (₱12.44 billion vs ₱9.58 billion as of December 31, 2016) mainly due to the rise in prepaid insurance and prepaid taxes of the AboitizPower Group.

f. Available-for-sale (AFS) Investments increased by 37% (₱773 million as of December 31, 2017 vs ₱564 million as of December 31, 2016) mainly due to additional acquisitions made during the year.

g. Held-to-maturity (HTM) Investments increased to ₱189 million as of December 31, 2017 from nil as of December 31, 2016. This was mainly due to new acquisitions made of this type of financial product during the year.

h. Derivative Assets (current and non-current) increased by 17% (P342 million as of December 31, 2017 vs P292 million as of December 31, 2016) mainly due to MTM gains recognized on existing forward contracts of the AboitizPower Group.

The above increases during 2017 were offset by the 19% decrease in Deferred Income Tax Assets (DTA) (₱1.53 billion as of December 31, 2017 vs ₱1.89 billion as of December 31, 2016), mainly due to the reversal of DTA set up in previous periods on the unrealized forex losses on loan restatement related to the prepayment of GMCP's loan.

Liabilities

Consolidated short-term bank loans increased by 187% as of end-2017 (₱23.70 billion vs ₱8.26 billion as of December 31, 2016) mainly due to availments made by Food Group, AboitizPower Group, PETNET, and AboitizLand to fund working capital requirements. On the other hand, long-term debt decreased by 4% (₱238.54 billion as of December 31, 2017 vs ₱249.46 billion as of December 31, 2016) substantially due to the prepayment of ₱15.93 billion in Therma Power, Inc. and ₱2.43 billion in Aseagas loans, and the ₱6.72 billion settlement of maturing loans and finance lease amortization. This was partly offset by the following: (a) AboitizPower's ₱3.0 billion bond issuance; (b) GMCP's ₱3.17 billion loan; (c) the combined ₱8.31 billion additional loan availment of Therma Visayas, Inc., Hedcor Bukidnon, and Pagbilao Electric Corporation (PEC) to finance on-going plant constructions; and (d) the ₱1.38 billion non-cash movement from foreign exchange differential and deferred financing costs.

Trade and other payables, inclusive of noncurrent portion, increased by 12%, from ₱22.79 billion as of end-2016 to ₱25.42 billion as of end-2017, mainly due to higher level of payables to suppliers and contractors resulting from the on-going plant construction by the AboitizPower Group.

Customers deposits decreased by 11%, from ₱7.04 billion as of end-2016 to ₱6.27 billion as of end-2017 as special deposits were refunded by distribution utilities to its customers during 2017.

Asset retirement obligation (ARO) increased by 62% from P1.82 billion as of end-2016 to P2.96 billion as of end-2017 due to incremental provisions recorded during 2017.

Derivative liabilities (current and non-current) decreased by 87% as of end-2017 (₱48 million vs ₱361 million as of December 31, 2016) mainly due to the derecognition of the derivative liability related to GMCP's loan, which was prepaid during 2017.

Equity

Equity attributable to equity holders of the parent increased by 11% from the year-end 2016 level of ₱139.96 billion to ₱154.70 billion as of end-2017 mainly due to the ₱21.61 billion net income allocable to the equity holders of the parent recorded during 2017 and AEV's ₱703 million share in UBP's unrealized MTM gains recognized on its AFS investments, reduced by ₱7.49 billion cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2017, the AEV Group continued to support its liquidity mainly from cash generated from operations, additional short-term loan availments, and dividends received from associates.

Compared to 2016, consolidated cash generated from operating activities in 2017 increased by ₱663 million to ₱32.24 billion, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the year.

AEV ended 2017 with ₱11.30 billion net cash used in investing activities versus ₱84.23 billion in 2016. This was mainly due to lower amounts spent for ongoing plant construction and investments in associates.

Net cash used in financing activities in 2017 was ₱19.46 billion versus ₱52.85 billion generated in 2016. This was largely attributed to long-term loan repayments made during 2017 versus higher loan availments and the sale of treasury shares during 2016.

For 2017, net cash inflows surpassed cash outflows, resulting in a 2% increase in cash and cash equivalents from ₱63.86 billion as of year-end 2016 to ₱64.87 billion as of December 31, 2017.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.61x as of end-2017 from 2.51x at the start of the year, since current liabilities grew more than current assets. Debt-to-Equity ratio stood at 1.56:1 as of end-2017 (versus year-end 2016’s 1.68:1). This was mainly due to the growth in total equity coupled with substantial prepayment of long-term debt during 2017.

MANAGEMENT

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board. The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The Company currently has nine directors, three of whom are Independent Directors.

The table below sets forth the members of the Company's Board and its executive officers, with their corresponding positions and offices held for the past five (5) years, from 2014 to 2019, as of the date of this Prospectus.

ENRIQUE M. ABOITIZ Chairman – Board Age: 66 Citizenship: Filipino Committee Memberships: Chairman -Board Risk and Reputation Management Committee Member - Board Corporate Governance Committee - - Board Executive Committee	***Mr. Enrique M. Aboitiz*** was appointed Chairman of the Board on December 11, 2018. He has served as a director of the Company since May 9, 1994, and has been the Chairman of the Board Risk and Reputation Management Committee since February 11, 2009, and a member of the Board Corporate Governance Committees since December 11, 2018, and of the Executive Committee since May 21, 2018. He was also a member of the Board Audit Committee from December 11, 2018 to January 28, 2020. He also served as the Vice Chairman of the Board of Directors of Aboitiz Power Corporation (AboitizPower), a publicly listed company, until December 31, 2019, and is currently Vice-Chairman of Aboitiz & Company, Inc. (ACO). Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
MIKEL A. ABOITIZ Vice Chairman – Board Age: 65 Citizenship: Filipino Committee Memberships: *Member* - Board Risk and Reputation Management Committee Board Executive Committee	***Mr. Mikel A. Aboitiz*** was appointed Vice Chairman of the Board on December 11, 2018. He has served as a director of the Company since May 15, 2017 and was formerly Senior Vice President of the Company from 2004 to 2015. He was a member of the Company's Board Corporate Governance Committee from May 2017 to December 31, 2019, and Board Audit Committee from May 2017 to January 28, 2020. He is also a member of the Executive Committee since May 21, 2018 and of the Board Risk and Reputation Management Committee since December 11, 2018. He has been a director of AboitizPower since February 13, 1998, and was its Chairman of the Board of Directors of AboitizPower from September 1, 2018 to December 31, 2020, and Vice Chairman since January 1, 2020. He is currently the Chairman of ACO and a trustee and Vice Chairman of Ramon Aboitiz Foundation, Inc. (RAFI). He was formerly Vice Chairman of the Board of City Savings Bank, Inc. (CitySavings) from 2015 to 2016 and President and CEO of Board of City Savings Bank from 2001 to 2014. He holds a degree in Bachelor of Science, Major in Business Administration, from Gonzaga University, Spokane,

	Washington, U.S.A. He is not connected with any government agency or instrumentality.
ERRAMON I. ABOITIZ Director Age:64 Citizenship: Filipino Committee Memberships: *Member* – Executive Committee - Board Audit Committee - Board Risk and Reputation Management Committee	***Mr. Erramon I. Aboitiz*** served as President and Chief Executive Officer of the Company from January 5, 2009 to December 31, 2019. He has been a director of the Company since May 9, 1994, a member of the Board Risk and Reputation Management Committee since May 18, 2015, a member of the Board Audit Committee since January 1, 2020, and was Chairman of the Executive Committee from May 21, 2018 to December 31, 2019 and its Vice Chairman since January 1, 2020. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of the Company from 1994 to December 2008. Mr. Aboitiz is also Chairman of the Board of Directors of the following companies: Manila-Oslo Renewable Enterprise, Inc. (MORE), San Fernando Electric Light and Power Co., Inc. (SFELAPCO), and CRH Aboitiz Holdings, Inc. (CRH Aboitiz). He is Vice Chairman of Republic Cement and Building Materials, Inc. (RCBM) and of Union Bank of the Philippines (UnionBank), a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nominations Committee. He is Director of AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation. He is Director of ACO, AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation. Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year, both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, 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.
SABIN M. ABOITIZ Director / President and Chief Executive Officer Age: 56 Citizenship: Filipino Committee Memberships: *Chairman* – Executive Committee *Member* – Board Corporate Governance Committee - Board Risk and Reputation Management Committee -	***Mr. Sabin M. Aboitiz*** was elected director of the Company on May 21, 2018 and has been the Company's President and Chief Executive Officer and Chairman of the Board Executive Committee since January 1, 2020. He has been a member of the Board Risk and Reputation Management Committee since May 21, 2018 and a member of the Board Corporate Governance Committee since January 1, 2020. He was First Vice President of the Company from May 2014 to May 2015, Senior Vice President from May to December 2015 and was Executive Vice President and Chief Operating Officer from December 13, 2015 to December 31, 2019. Mr. Aboitiz is the Chairman of Aboitiz Foundation, Inc., Aboitiz InfraCapital, Inc, Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Gold

	Coin Management Holdings, Ltd. ; Director and President of AEV CRH; Director of UnionBank, a publicly listed company, ACO, RCBM, Republic Cement Services, Inc., CRH Aboitiz Holdings, Inc., Apo Agua Infrastructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., and Pilmico International; Alternate Director of AboitizPower International Pte. Ltd. and AEV International Pte. Ltd. He holds a degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.
ANA MARIA A. DELGADO Director Age:40 Citizenship: Filipino Committee Memberships: *Member* – Board Audit Committee	***Ms. Ana Maria A. Delgado*** was elected director of the Company on December 11, 2018, and has been a member of the Board Audit Committee since January 28, 2020. She also holds the position of Senior Vice President, Center Head of Consumer Finance and Chief Customer Experience Officer of UnionBank. Ms. Delgado started her career with UnionBank as a Product Manager under the Retail Banking Center, and has previously held the positions of SME Banking Business Head and Cards Business Head. Prior to joining UnionBank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008. Ms. Delgado graduated with a Bachelor of Arts degree in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any government agency or instrumentality.
EDWIN R. BAUTISTA Director Age:60 Citizenship: Filipino Committee Memberships: *Member* – Executive Committee	***Mr. Edwin R. Bautista*** was elected director of the Company on September 1, 2018 and was appointed as member of the Executive Committee on the same date. He is also currently a Director and the President and CEO of UnionBank, a publicly-listed company, the Chairman of the Board of Directors of CitySavings, and a Director in Union Properties, Inc. (now known as "UBP Investments Corporation"), First Union Plans, Inc., and First Union Direct Corp. Prior to joining the Company as director, Mr. Bautista also served UnionBank in various capacities: as Chief Operating Officer from January 1, 2016 to December 31, 2017, Senior Executive Vice President from 2011 to 2015, Executive Vice President from 2001 to 2011, and Senior Vice President from 1997 to 2001. Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advance Management Program at the Harvard Business School, U.S.A. He is not connected with any government agency or instrumentality.
RAPHAEL P.M. LOTILLA Lead Independent Director	***Mr. Raphael P. M. Lotilla*** has served as an Independent Director of the Company since May 21, 2012 and was

<u>Age:</u>62 <u>Citizenship:</u> Filipino <u>Committee Memberships:</u> *Chairman* – Board Corporate Governance Committee *Member* – Board Audit Committee - Board Risk and Reputation Management Committee Board Related Party Transactions Committee	elected as Lead Independent Director of the Company on May 15, 2017. He has been a member of the Board Audit Committee and Chairman of the Board Corporate Governance Committee since December 11, 2018, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017. Mr. Lotilla is also an Independent Director of ACE Enexor Inc., a publicly listed company, Petron Foundation, Inc., and First Metro Investment, Inc. He is also the Chairman of the Board of Trustees of the Center for the Advancement of Trade Integration and Facilitation, and The Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla previously served the Philippine government in various capacities – Secretary of Energy; President and Chief Executive Officer of Power Sector Assets and Liabilities Management Corporation; Deputy Director-General of the National Economic and Development Authority; Coordinator of the Philippine Council for Sustainable Development; Chairman of the Philippines National Oil Company; Vice Chairman of the National Power Corporation and the National Transmission Corporation, among others. He later served as Regional Programme Director of a GEF-UNDP regional project for the Sustainable Development of the East Asian Seas. He obtained his Bachelor of Laws degree from the University of the Philippines where he became a Professor of Law, and holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies and the Advisory Committee for the Ateneo University Professional Schools.
JUSTICE JOSE C. VITUG (RET.) Independent Director <u>Age:</u> 86 <u>Citizenship:</u> Filipino <u>Committee Memberships:</u> *Chairman* – Board Audit Committee *Member* – Board Risk and Reputation Management Committee - Board Corporate Governance Committee Board Related Party Transactions Committee	***Justice Jose C. Vitug (Ret.)*** has served as an Independent Director of the Company since May 16, 2005. He is Chairman of the Board Audit Committee of the Company since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017. Mr. Vitug is also an Independent Director of ABS-CBN Holdings Corporation, a publicly listed company. He is currently a Board Trustee and Law Dean of the Angeles University Foundation, the Chairman of the Board of Trustees of Angeles University Foundation Medical Center, a Graduate Professor of the College of Law of San Beda College, a Professorial Lecturer of the Philippine Judicial Academy, and a member of the Philippine National Group of Judges of the Permanent Court of Arbitration at the Hague, Netherlands since 18 August 2017 for a term of seven years.

	Mr. Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. He graduated cum laude from the Manuel L. Quezon University with a Bachelor's Degree in Law. He holds a Master of Laws degree from the same university and a Master's Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation. He is not connected, either as an officer or as an employee, to a government agency or instrumentality.
MANUEL R. SALAK III Independent Director Age: 60 Citizenship: Filipino Committee Memberships: *Chairman* – Board Related Party Transactions Committee *Member* –Board Risk and Reputation Management Committee - Board Corporate Governance Committee - Board Audit Committee	***Mr. Manuel R. Salak III*** was elected as an Independent Director of the Company on May 21, 2018. On the same date, he was appointed as Chairman of the Board Related Party Transactions Committee, and member of the Board Corporate Governance Committee, Board Audit Committee and Board Risk and Reputation Management Committee. Mr. Salak is the Founder and Managing Director of AlphaPrimus Advisors Inc., a Philippine based firm providing advice on mergers and acquisitions activities as well as capital raising for Philippine and Philippine based clients. He is an independent director at Maxicare Philippines, and a Trustee of World Surgical Foundation Philippines. Mr. Salak is an adviser for special projects at the Asian Institute of Management and is a board director of the Ateneo Center for Economic Research Department. Mr. Salak previously served as the Managing Director, Head of Asia for Clients Coverage and Corporate Finance – ING Bank N.V., based in Singapore and covering 14 countries from 2008 to 2017, Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2008, and Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000. Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master's degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the *Institut Européen d' Administration des Affaires* (INSEAD) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School, U.S.A. He is not connected with any government agency or instrumentality.

MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer *Ex-officio* Member – Board Risk and Reputation Management Committee Age: 49 Citizenship: Filipino	***Mr. Manuel R. Lozano*** has been Senior Vice President, Chief Financial Officer and Chief Corporate Information Officer of the Company since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015, and of the Executive Committee since May 21, 2018. Mr. Lozano is currently Senior Vice President – Finance of ACO, and Treasurer of Aboitiz Construction, Inc. (ACI); Trustee and Treasurer of Aboitiz Foundation; Chief Financial Officer and Treasurer of Apo Agua; Chairman of the Board and Chief Executive Officer of Lima Water Corporation; Director, Treasurer of Aboitiz InfraCapital, Inc.; Director and Vice President of AEV Aviation; Director and Treasurer of AEV CRH, CFO and Treasurer of Archipelago Insurance; Director of PANC, Pilmico, RCBM, UnionBank; and Alternate Director of AEV International, Pilmico International Pte. Ltd. (Pilmico International) and AboitizPower International. Mr. Lozano was First Vice President, Chief Financial Officer and Corporate Information Officer of AboitizPower from 2014 to 2015; and was First Vice President – Chief Financial Officer of AboitizPower Generation from 2008 to 2013. Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance and Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming and CLSA. He earned his Bachelor of Science in Business Administration degree from the University of the Philippines – Diliman and his Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.
SUSAN V. VALDEZ Senior Vice President and Chief Corporate Services Officer *Ex-officio* Member – Board Corporate Governance Committee Age: 59 Citizenship: Filipino	***Ms. Susan V. Valdez*** has been the Chief Corporate Services Officer of the Company since January 2, 2020. She has held various executive positions at the Company for the past seven years, namely: Senior Vice President and Chief Corporate Services Officer, Chief Reputation and Risk Management Officer and Chief Reputation Officer. She is currently an Ex-Officio member of the Company's Board Corporate Governance Committee. Before joining the Company in September 2011, she held various executive positions for 15 years in Aboitiz Transport Systems Corporation (ATSC) (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. 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, majoring 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, U.S.A. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
MANUEL ALBERTO R. COLAYCO Senior Vice President - Chief Legal Officer/Corporate Secretary/Chief Compliance Officer *Ex-officio* Member - Board Corporate Governance Committee Age: 50 Citizenship: Filipino	***Mr. Manuel Alberto R. Colayco*** was appointed as the Company's Corporate Secretary and Chief Compliance Officer on March 1, 2018. Concurrently, he is Senior Vice President and Chief Legal Officer of the Company since October 1, 2019, and Corporate Secretary of AboitizPower since March 1, 2018. Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher &Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc& De Los Angeles from 1996 to 2000. Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from the New York University School of Law, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.
MARIA VERONICA C. SO First Vice President - Group Treasurer Age: 48 Citizenship: Filipino	***Ms. Maria Veronica C. So*** has been the Company's First Vice President – Group Treasurer since January 1, 2020. She joined the Company as Vice President – Treasury Services in 2017 and was promoted to First Vice President – Deputy Group Treasurer under Treasury Services Group on April 1, 2019. She is also Group Treasurer of AboitizPower, a publicly listed company, since January 1, 2020. Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017. Ms. So holds a Masters degree in Business Management from the Asian Institute of Management and a Bachelor of Science degree in Business Management from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

SANTANINA APOLINARIA B. CASTRO First Vice President – Risk Management *Ex-officio* – Board Risk and Reputation Management Committee Age: 44 Citizenship: Filipino	***Ms. Santanina Apolinaria B. Castro*** has been the Company's First Vice President – Risk Management since January 1, 2020. She performs the functions of the Company's Chief Risk Officer. Ms. Castro first joined the Aboitiz Group as Vice President for Corporate Strategy and Business Development of Pilmico Foods Corporation. Prior to joining the Aboitiz Group, she was Corporate Planning Manager of ABS-CBN Corporation from 2007 to 2011, Senior Planning Analyst at San Miguel Purefoods Company from 2002 to 2007, and Senior Associate at Arthur Andersen (SGV&Co) – Corporate Finance from 1996 to 2002. She holds a Masters degree in Business Administration from the University of the Philippines Diliman and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.
MARIA LOURDES Y. TANATE Vice President - Group Internal Audit Head Age: 54 Citizenship: Filipino	***Ms. Maria Lourdes Y. Tanate*** has been Vice President and Group Internal Audit Head since January 2016. She joined the Company in November 2011. Prior to joining the Company, Ms. Tanate was Chief Audit Executive of ATS Consolidated (ATSC), Inc. (formerly Aboitiz Transport System (ATSC) Corporation) (now 2GO Group, Inc., a publicly listed company). She also served as Assistant Vice President for Finance and Senior Manager of ATS. She has extensive experience in internal audit, financial and investment analysis and corporate finance, with focus on budgeting, financial planning and control. She graduated cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman) and subsequently obtained her Masters in Business Administration from the same school. She earned her Masters in Engineering and Technology Management from the University of Queensland, Australia. She is not connected with any government agency or instrumentality. She is also not a director of any publicly listed company.
CHRISTINE C. KEMPENEERS Data Privacy Officer Age: 32 Citizenship: Filipino	***Ms. Christine C. Kempeneers*** has been the Company's Data Privacy Officer since August 1, 2020. She is currently the Company's Assistant Vice President for Risk Management since April 1, 2019. Ms. Kempeneers was previously a Risk Manager for the Company's Risk Management Team from August 2017 to March 2019. She was Project Manager of Aboitiz InfraCapital, Inc., the Company's infrastructure Strategic Business Unit, from January 2016 to July 2017. Prior to joining the Aboitiz Group, Ms. Kempeneers was a Management Associate at Citibank in 2015, and a Management Trainee – Manager at Union Bank of the Philippines from 2010 to 2013. Ms. Kempeneers holds a Master of Business Administration, Major in Finance (with Distinction) from the Asian Institute of Management. She obtained her Bachelor of Arts Degree in European Studies, International Business Track from the Ateneo de Manila University. Ms. Kempeneers is a PARIMA-ANZIIF Certified Risk Professional, a Crisis Management Certified Expert

	(CMCE) from BCM Institute, and holds a Certificate of the Business Continuity Institute (CBCI). Ms. Kempeneers is not connected with any government agency or instrumentality, and is not a director of any publicly-listed company.
MAILENE M. DE LA TORRE Assistant Vice President – Assistant Corporate Secretary Age: 38 Citizenship: Filipino	***Ms. Mailene M. de la Torre*** was appointed Assistant Corporate Secretary on November 24, 2016 and Assistant Vice President – Governance and Compliance of the Company effective January 1, 2018. She was previously Senior Associate General Counsel for Governance and Compliance of the Company beginning in 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. She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment to that role on November 24, 2016. Ms. de la Torre has experience in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member of good standing in the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.
SAMMY DAVE A. SANTOS Assistant Corporate Secretary Age: 36 Citizenship: Filipino	***Mr. Sammy Dave A. Santos*** has been Assistant Corporate Secretary since November 5, 2019. He joined the Company as Associate General Counsel for the Governance and Compliance Team in 2017. He is also Assistant Corporate Secretary of AboitizPower, a publicly listed company, a position he has held since November 5, 2019. He is also Corporate Secretary of various Subsidiaries of the Aboitiz Group, and Assistant Corporate Secretary of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). Prior to joining the Aboitiz Group, he was Legal Counsel for Alliance Select Foods International, Inc., a publicly listed company, from 2016 to 2017. He was also Counsel for the Privatization Group and Office of Special Concerns of the Department of Finance in 2016. He was a Junior Associate at the Law Firm of Quiason Makalinta Barot Torres Ibarra Sison&Damaso from 2014 to 2016. Mr. Santos holds a Juris Doctor degree from the Ateneo Law School in 2013. He also holds a degree of Master of Science in Industrial Economics from the University of Asia and the Pacific. He is a member of good standing in the integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.

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 Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one year and until his successor is duly qualified and 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.

SIGNIFICANT EMPLOYEES

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

FAMILY RELATIONSHIPS

Messrs. Erramon, Enrique, and Sabin Aboitiz, are brothers. Mr. Mikel A. Aboitiz is the uncle of Ms. Ana Maria A. Delgado. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS AS OF JUNE 30, 2020

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current 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 June 30, 2020, which would put to question his/her ability and integrity to serve AEV and its stockholders.

CORPORATE GOVERNANCE

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

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

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

In 2019, the Company's leadership team continues its efforts to create long-term value for all stakeholders, and to drive change for a better world by advancing business and communities. It adopted new protocols and improved existing systems and policies to protect the rights of its shareholders, safeguarded shareholders' equitable treatment, continuously recognized the value and participatory role of all stakeholders, and practiced the appropriate level of transparency and improved corporate disclosures.

SHAREHOLDER RIGHTS AND EQUITABLE TREATMENT

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

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

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

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

COMPLIANCE WITH GOVERNANCE POLICIES

AEV 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 the implementation of its strategies. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies (CG Code) to further strengthen the Company's corporate governance practices. The Board regularly reviews the Revised Manual to ensure that the same remains relevant and responsive to the needs of the organization. Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

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

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

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

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

There are no major deviations from the Revised Manual as of the date of this report. There were also no corruption-related incidents reported in 2019.

BOARD RESPONSIBILITY

Board of Directors

The Board leads the Group's corporate governance framework. Independent from management, its members are committed to serve and promote long-term success, and to secure the Group's sustained growth, competitiveness and sustainability. The Directors perform the crucial role of articulating and assessing the Group's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business direction of the Group's businesses are soundly established and are in line with the overall Group's goals and strategy. In line with best practices, the members of the Board are responsible in establishing and monitoring the Group's commitment to the principles embodied in environment, social and governance matters (ESG). And in performing these functions, the members of the AEV Board, individually and collectively, are expected to act consistently with the Aboitiz core values. In 2019, the Chairman of AEV, Mr. Enrique M. Aboitiz was a Non-Executive Director.

Board Performance

The Board conducts an annual performance assessment of its members and key officers. Each Board member conducts a self-assessment of his/her individual performance and of each Board's collective performance, and also evaluates the performance of each company's respective Chief Executive Officer, Internal Audit Head, Chief Risk & Reputation Officer, and the Compliance Officer. In 2019, AEV directors also assessed their performance as Board Committee Members.

Each director and key officer is evaluated based on the following criteria: (1) compliance with best governance practices and principles; (2) participation and contribution to the board and committee meetings; and (3) performance against their duties and responsibilities as provided in the company's Manual, Charters, Articles, and By Laws. Assessment results for the past three years are compared, and are presented to the Board Corporate Governance Committee.

Board's Participation

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the directors. Attendance during board meetings are closely monitored and reported by the Chief Compliance Officer to the SEC and PSE, as well as in the Company's IACGR.

In 2019, the Board held 7 meetings (Board and Annual Stockholders Meeting). Board and Board Committees also met in various occasions in the performance of their mandate as indicated in the Revised Manual and relevant Board Charters. Below is a summary of the attendance of the Directors:

Aboitiz Equity Ventures Inc							
	ASM	BOD/ ORG	Board Executive Committee	Board CG Committee	Board Risk & Reputation Management Committee	Board Audit Committee	Board RPT Committee
Number of Meetings	1	6	4	2	2	5	2
ENRIQUE M. ABOITIZ	C 1/1	C 6/6	M 3/4	M 1/2	C 1/2	M 3/5	-
MIKEL A. ABOITIZ	VC 0/1	VC 5/6	VC 3/4	M 2/2	M 2/2	M 5/5	-
SABIN M. ABOITIZ	M 1/1	M 6/6	M 4/4	-	M 2/2	-	-
ERRAMON I. ABOITIZ	M 1/1	M 6/6	C 4/4	-	M 2/2	-	-
ANA MARIA A. DELGADO	M 1/1	M 6/6	-	-	-	-	-
EDWIN R. BAUTISTA	M 1/1	M 6/6	M 4/4	-	-	-	-
RAPHAEL PM. LOTILLA	M 1/1	M 6/6	-	C 2/2	M 2/2	M 5/5	M 2/2
JUSTICE JOSE C. VITUG (ret)	M 1/1	M 6/6	-	M 2/2	M 2/2	C 5/5	M 2/2

MANUEL R. SALAK III	M 1/1	M 5/6	-	M 2/2	M 2/2	M 5/5	C 2/2
MANUEL ALBERTO R. COLAYCO	CS 1/1	CS 6/6	CS 4/4	EO/CS 2/2	-	-	CS 2/2
SUSAN V. VALDEZ	-	-	-	EO 2/2	-	-	-
DAVID JUDE L. STA. ANA	-	-	-	-	M 2/2	-	-
ANNACEL A. NATIVIDAD	-	-	-	-	M 2/2	-	-
MANUEL R. LOZANO	-	-	EO 4/4	-	M 2/2	-	-
ROBERT MCGREGOR	-	-	EO 4/4	-	-	-	-
CHRISTOPHER BESHOURI	-	-	EO 3/4	-	-	-	-
MARIE Y. TANATE	-	-	-	-	-	CAE 5/5	-

Legend:
C – Chairman, VC - Vice Chairman, M – Member, CS - Corporate Secretary, CCO - Chief Compliance Officer, CAE - Chief Audit Executive, EO - Ex-Officio

Board Committees

The different Board committees - Audit, Corporate Governance, Risk and Reputation Management, Related Party Transactions, and Executive Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate of each Board committee, including key accomplishments in 2019, are described below:

a. The **Board Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise the majority of the voting members of the Board Corporate Governance Committee.

   In 2019, the Board Corporate Governance Committee has continued to (i) review and monitor the Company's compliance with new laws and regulations (the Revised Corporation Code, various SEC issuances, among others), (ii) reviewed and updated the Manual to align with the best practices in the Integrated Annual Corporate Governance Report and the ASEAN Corporate Governance Scorecard, (iii) ensured that the nomination, selection, election, remuneration, and assessment of each Company's Directors and Officers are aligned with the Manual, and (iv) established a Board oversight and management framework in addressing the environmental, social, and governance issues material to the Group.

b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise the majority of the members of the Board Audit Committee, including its Chairman. In 2019, the Board Audit Committee continued to provide oversight over each company's financial reporting policies, practices and controls, and over the internal and external audit functions necessary for making good audit-related decisions.

c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk management related matters for the Group. In 2019, the Board Risk and Reputation Committee has continued to identify, monitor, and manage the Group's top risks.

d. The **Board Related Party Transaction (RPT) Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliates, directors and officers. In 2019, the Board RPT Committee has approved the Revised RPT Policy of the Company in compliance with the SEC memorandum circular on Material RPTs. In addition, the Board RPT Committee continued to: (i) review and approve each company's CFO Guidelines on the Implementation of the RPT Policy, which require all directors and officers to execute a certification to identify their related parties to be able to identify potential conflicts of interest, (ii) ensured that related-party transactions are taken on an arm's-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval. Except for the presence of the AEV and AboitizPower CFOs as resource persons, management is not invited to and has no participation in the RPT Committee.

e. The **Executive Committee** assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2019 IACGR and Integrated Annual Report, which will be available at www.aboitiz.com.

DISCLOSURE AND TRANSPARENCY

Pursuant to its commitment to transparency and accountability, AEV's website, www.aboitiz.com has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also submitted an Integrated Annual Corporate Governance Report (IACGR) to SEC and PSE. A copy of the Company's 2019 IACGR will be available for download at the Company's website www.aboitiz.com.

CORPORATE GOVERNANCE AWARDS

As a testament to its commitment to adopt best practices, AEV 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.

In 2019, AEV was recognized as one of the top Philippine publicly-listed companies, as ranked by the Institute of Corporate Directors back in June 2019 using a set of comparable standards, which articulates recommendations on policies and practices based on good governance principles of the OECD.

In 2019, AEV has been recognized with the following awards:

Awards	Awards Received
Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2018	Two Golden Arrows - Top Performing Philippine Publicly-listed companies in the 2018 ASEAN Corporate Governance Scorecard (ACGS)
In-House Community – Counsels of the Year Awards 2019	In-House Legal Team of the Year for Corporate Social Responsibility

IABC 17th Philippine Quill Awards	Agora 2.0- Internal Communication a.Lab- Employee Engagement Investor Relations Livestream- Financial Communication

EXECUTIVE COMPENSATION

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

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS **1. ERRAMON I. ABOITIZ*** Director **2. SABIN M. ABOITIZ*** President and Chief Executive Officer **3. ROBERT MCGREGOR** Executive Director - Chief Investments Officer **4. LUIS MIGUEL O. ABOITIZ** Senior Vice President **5. SUSAN V. VALDEZ**** Senior Vice President and Chief Corporate Services Officer				
All above named officers as a group	**Actual 2019**	**₱127,928,123.00**	**₱16,249,280.00**	**₱15,697,222.00**
	Actual 2018	₱151,310,578.00	₱15,910,000.00	₱14,200,726.00
	Projected 2020	**₱113,416,475.00**	**₱14,574,208.00**	**₱13,724,090.00**
All other directors and officers as a group unnamed	**Actual 2019**	**₱139,201,104.00**	**₱17,479,740.00**	**₱39,845,400.00**
	Actual 2018	₱132,493,978.00	₱16,090,252.00	₱46,311,988.00
	Projected 2020	**₱153,121,214.00**	**₱19,227,714.00**	**₱43,829,940.00**

** Effective January 1, 2020, Mr. Sabin M. Aboitiz, Chief Operating Officer, took on the role of the Company's President and Chief Executive Officer, a position previously held by Mr. Erramon I. Aboitiz until his retirement on December 31, 2019.*

*** Effective January 2, 2020, Ms. Susan V. Valdez, Chief Human Resources Officer, took on an expanded role as Chief Corporate Services Officer.*

The Amended By-Laws of the Company as approved by the Securities and Exchange Commission on May 23, 2018 defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; Chief Operating Officer; the Treasurer, the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board.

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

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

COMPENSATION OF DIRECTORS

Standard Arrangements

Following the April 22, 2019 Annual Stockholders' Meeting, the directors receive a monthly allowance of ₱150,000.00 while the Chairman of the Board receives a monthly allowance of ₱200,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

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

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

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2019 is as follows:

Name of Director	Total Compensation Received by Director
ENRIQUE M. ABOITIZ *Chairman of the Board*	₱4,510,000.00
MIKEL A. ABOITIZ *Vice Chairman of the Board*	₱3,600,000.00
ERRAMON I. ABOITIZ* *Director*	₱3,240,000.00

SABIN M. ABOITIZ* *President and Chief Executive Officer*	₱3,240,000.00
ANA MARIA A. DELGADO* *Director*	₱2,410,000.00
EDWIN R. BAUTISTA* *Director*	₱3,140,000.00
RAPHAEL P.M. LOTILLA *Lead Independent Director*	₱5,000,000.00
JUSTICE JOSE C. VITUG (ret.) *Independent Director*	₱5,030,000.00
MANUEL R. SALAK III *Independent Director*	₱4,750,000.00

*A portion of the monthly allowances was paid to their nominating company.

Other Arrangements

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

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AEV and any executive officer that results or will result from the resignation or any other termination of employment or from a change in the management control of AEV.

Warrants and Options Outstanding

To date, AEV has not granted any stock option to its directors or officers.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% OF THE VOTING SHARES) AS OF JUNE 30, 2020

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	1. **Aboitiz & Company, Inc. (ACO)**[7] Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO	Filipino	2,735,600,915 (Record and Beneficial)	48.59%
Common	2. **PCD Nominee Corporation**[8]**(Filipino)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers.[9]	Filipino	929,786,891 (Record)	16.51%
Common	4. **Ramon Aboitiz Foundation, Inc. (RAFI)** 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	3. **PCD Nominee Corporation**[10]**(Foreign)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers.[11]	Non-Filipino	389,218,746 (Record)	6.91%

[7] ACO, the major shareholder of Aboitiz Equity Ventures Inc., is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

[8] PCD Nominee Corporation (Filipino and Foreign) is not related to AEV. 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.

[9] 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. AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) are to be voted. Of the 929,786,891 shares held by PCD Nominee Corporation (Filipino), at least 62,874,164 shares or 1.12% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

[10] *Supra Note 10.*

[11] *Supra Note 11.*

SECURITY OWNERSHIP OF MANAGEMENT AS OF JUNE 30, 2020 (RECORD AND BENEFICIAL)

Name of Owners and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Enrique M. Aboitiz Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		1,534,500	Indirect		0.03%
Mikel A. Aboitiz Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		95,152,412	Indirect		1.69%
Erramon I. Aboitiz Director	Common	1,001,000	Direct	Filipino	0.02%
		77,023,082	Indirect		1.37%
Sabin M. Aboitiz Director/President and Chief Executive Officer	Common	14,415,651	Direct	Filipino	0.26%
		10,981,764	Indirect		0.20%
Ana Maria A. Delgado Director	Common	500	Direct	Filipino	0.00%
		26,358,285	Indirect		0.47%
Edwin R. Bautista Director	Common	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Raphael P. M. Lotilla Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Manuel R. Salak III Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/Corporate Information Officer	Common	171,028	Direct	Filipino	0.00%
		163,987	Indirect		0.00%
Susan V. Valdez Senior Vice President and Chief Corporate Services Officer	Common	769,926	Direct	Filipino	0.01%
		170,637	Indirect		0.00%
Manuel Alberto R. Colayco Senior Vice President – Chief Legal Officer/Corporate Secretary/Chief Compliance Officer	Common	45,087	Direct	Filipino	0.00%
		19,630	Indirect		0.00%
Maria Veronica C. So First Vice President – Group Treasurer	Common	0	Direct	Filipino	0.00%
		9,617	Indirect		0.00%
Santanina Apolinaria B. Castro First Vice President – Risk Management	Common	0	Direct	Filipino	0.00%
		13,414	Indirect		0.00%
Ricardo F. Lacson, Jr.* Vice President – Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		120,486	Indirect		0.00%
Maria Lourdes Y. Tanate Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		15,784	Indirect		0.00%

Mailene M. de la Torre Assistant Vice President – Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Sammy Dave A. Santos Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		**228,046,120**			**4.05%**

* *Mr. Lacson was replaced by Ms. Christine C. Kempeneers as the Company's Data Privacy Officer on August 1, 2020*

VOTING TRUST HOLDERS OF 5% OR MORE OF COMMON EQUITY

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

CHANGES IN CONTROL

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

AEV and its Subsidiaries, in their regular conduct of business, have entered into related party transactions consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are made on an arm's-length basis.

ACO, the parent company of AEV, and certain associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury, government relations, and corporate finance, among others. These services are obtained from AEV and AboitizPower to enable the Aboitiz Group to realize cost synergies. The parent companies maintain a pool of highly qualified professionals with business expertise specific to the businesses of the Aboitiz Group. Transactions are priced on an arm's length basis, and covered with service level agreements to ensure quality of service.

ACO and certain associates are leasing office spaces from Cebu Praedia Development Corporation (CPDC), a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of one year.

The Group has cash deposits and money market placements with UnionBank and CitySavings, AEV's banking Associates. These are earning interest at prevailing market rates.

Power generation Subsidiaries sell to certain power associates based on their respective power supply agreements. Meanwhile, power distribution subsidiaries purchase from certain generation associates based on existing power purchase agreements.

A wholly-owned construction and steel fabrication Subsidiary of ACO renders its services to the Aboitiz Group for the construction of new power plants and residential units.

The Company's retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by ACO. The Fund has investments in the equity of one of its subsidiaries.

The above related party transactions are discussed extensively in the audited financial statements of the Company.

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

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

In October 2019, the Board approved the Revised Related Party Transactions (RPT) Policy in compliance with the SEC Memorandum Circular No. 10 series of 2019. The new rule focuses and regulates only material RPTs or RPTs amounting to ten percent (10%) or higher of a company's total assets. The new rule also specified an approval process for material RPTs and mandates publicly listed companies to notify the SEC of their RPTs that breach the threshold. AEV's RPT Committee has the mandate to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary. The Company's current revised RPT Policy continues to ensure that RPTs are conducted at arms-length and at market prices, and underwent the appropriate approval process.

In July 2020, the Board approved the amendments to the RPT Policy to include the review and approval protocols for other RPTs with lower threshold amounts.

DESCRIPTION OF DEBT

As of the date of this Prospectus, AEV has outstanding long term indebtedness:

AEV PHP 8 Billion Fixed Rate Bonds Due 2020 and 2023

On November 21, 2013, AEV issued fixed-rate bonds (the "2013 Bonds") in two series: (a) Series A 2013 Bonds, with a term of seven (7) years from issue date, and (b) Series B Bonds, with a term of ten (10) years from issue date. The Series A 2013 Bonds has a fixed interest rate of 4.4125% per annum and an optional redemption on the fifth (5^{th}) year and one (1) quarter from issue date, and on the sixth (6^{th}) year from issue date. On the other hand, the Series B 2013 Bonds has a fixed interest rate of 4.6188% per annum and an optional redemption on the seventh (7^{th}) year form issue date, the eighth (8^{th}) year from issue date, and ninth (9^{th}) year from issue date. First Metro Investment Corporation ("First Metro") acted as the Issue Manager and Lead Underwriter while Metropolitan Bank and Trust Company – Trust Banking Group was appointed as Trustee.

The 2013 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2013 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

    i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
    ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
    iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;

iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and
viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements.

<u>AEV PHP 24 Billion Fixed Rate Bonds Due 2020, 2022, and 2027</u>

On August 5, 2015, AEV issued fixed-rate bonds (the "2015 Bonds") in three series: (a) Series A 2015 Bonds, with a term of five (5) years and three (3) months; (b) Series B 2015 Bonds, with a term of seven (7) years; and (c) Series C 2015 Bonds, with a term of twelve (12) years from issue date. The Series A 2015 Bonds has a fixed interest rate of 4.4722% per annum. The Series B 2015 Bonds has a fixed interest rate of 5.0056% and an optional redemption on the fifth (5^{th}) year and one (1) quarter from issue date, and on the sixth (6^{th}) year from issue date. The Series C 2015 Bonds has a fixed interest rate of 6.0169% and an optional redemption on the seventh (7^{th}), eighth (8^{th}), ninth (9^{th}), and tenth (10^{th}) year from issue date. BPI Capital Corporation ("BPI Capital") acted as the Issue Manager. BPI Capital and First Metro Investment Corporation acted as Joint Lead Underwriters while BPI Asset Management and Trust Corporation was appointed as Trustee.

The 2015 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2015 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

    i. any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
    ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
    iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
    iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
    v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
    vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
    vii. any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness
    viii. any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the

Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

xi. other Liens: (i) created solely by operation of law; and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the Trust Agreement; and

xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2015 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements.

AEV PHP 5 Billion Fixed Rate Bonds Due 2024 and 2029

On June 18, 2019, AEV issued fixed-rate bonds (the "2019 Bonds") in two series: (a) Series A 2019 Bonds, with a term of five (5) years from issue date, and (b) Series B Bonds, with a term of ten (10) years from issue date. The Series A Bonds has a fixed interest rate of 6.0157 % per annum and an optional redemption on the 4thanniversary of the Issue Date of the Series A Bonds or the immediately succeeding Banking Day if such date is not a Banking Day. On the other hand, the Series B Bonds has a fixed interest rate of 6.3210 % per annum and an optional redemption on the 7th,8th, and 9th anniversary of the Issue Date of the Series B Bonds, or in each case, the immediately succeeding Banking Day if such date is not a Banking Day. BDO Capital & Investment Corporation and First Metro Investment Corporation were appointed as joint issue managers, joint lead underwriters, and joint bookrunners (collectively, the "Joint Lead Underwriters") while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2019 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the

2019 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

   i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
   ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
   iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;
   iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
   v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;
   vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
   vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and

viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

d. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;

e. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2013 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

INDEPENDENT AUDITORS AND COUNSEL

LEGAL MATTERS

All legal opinions/matters in connection with the issuance of the Second Tranche Bonds will be passed upon by the Legal Management Services of the Company, and Picazo Buyco Tan Fider and Santos ("Picazo Law"), for the Joint Underwriters. SycipLaw has no direct interest in the Company.

Picazo Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law provides such services to its other clients.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at December 31, 2019, 2018, and 2017 and for each of the three years in the period ended December 31, 2019 have been audited by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The partner-in-charge is Maria Veronica Andresa R. Pore.

EXTERNAL AUDIT FEES AND SERVICES

The following table sets out the aggregate fees paid by the Registrant for professional fees rendered by SGV:

Fee Type	Year ended December 31, 2019	Year ended December 31, 2018
Audit Fees		
Audit Fees	₱511,952.00	₱511,952.00
Audit-Related Fees	6,276,700.00	P9,000.00
Total	**₱6,788,652.00**	**₱520,952.00**
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	0	0
Total		
Total Audit and Non-Audit Fees	**₱6,788,652.00**	**₱520,952.00**

Aside from audit services, the Company also engaged SGV in 2019 to provide financial advisory services for ongoing business development projects.

As a policy, the Board Audit Committee makes recommendations to the Board concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of external auditors for the years 2019 and 2018 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

BOARD AUDIT COMMITTEE

In giving effect to its duly approved charter, the Audit Committee assisted the Board in fulfilling its oversight responsibility to the Company and its stakeholders by providing advice relating to: (a) the adequacy 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.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to assist, but not to pre-empt any responsibility in making final audit-related decisions.

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman.

Jose C. Vitug, a retired Justice of the Supreme Court (an Independent Director) is the Chairman of the Committee. Other members of the committee are Atty. Raphael P. M. Lotilla (Independent Director), Manuel R. Salak III (Independent Director), Erramon I. Aboitiz (Non-Executive Director) and Ana Maria A. Delgado (Non-Executive Director).

TAXATION

The statements herein regarding taxation are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Second Tranche Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Second Tranche Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Second Tranche Bonds.

As used in this section, the term "non-resident alien" means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a "non-resident alien not engaged in trade or business within the Philippines". A "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Second Tranche Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Second Tranche Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Second Tranche Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Second Tranche Bonds is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements:

1. Proof of Tax Exemption or Entitlement to Preferential Tax Rates

i. For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;

iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax. For qualified non-stock, non-profit educational institutions, however, Tax Exemption Rulings or Certificates of Exemption issued prior to June 30, 2012 are required to apply for new Tax Exemption Rulings; and

iv. For entities claiming tax treaty relief – (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief ("CORTT") Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)).

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

Only the originals should be submitted to the Underwriter.

2. A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or the warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding or reduced withholding of the required tax; and

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

Failure to submit any of the documents provided under (1), (2) and (3) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

The foregoing notwithstanding, the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Second Tranche Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Second Tranche Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term “gross receipt” means gross selling price less acquisition cost of the Second Tranche Bonds sold.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less: 5%
Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax at the rate of 5%. However, gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less: 5%
Maturity period is more than five years: 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Second Tranche Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Second Tranche Bonds, at the rate of P1.50 for each P200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

TAXATION ON SALE OR OTHER DISPOSITION OF THE SECOND TRANCHE BONDS

Income Tax

Any gain realized from the sale, exchange or retirement of Second Tranche Bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 35%, 25%, or 30%, as the case may be. If the Second Tranche Bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the Second Tranche Bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds with an original maturity date of more than five years (as measured from the date of issuance of such bonds) shall not be subject to income tax. Any gains realized by a holder on the trading of the Second Tranche Bonds with maturities of 10 years, shall be exempt from income tax. However, any gains realized by a holder through redemption of the Second Tranche Bonds prior to the lapse of 5 years may be subject to income tax. This is in view of the BIR's ruling that one of the conditions for the exemption is that the maturity period must be more than 5 years.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Second Tranche Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. For transfers through donation, the Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Second Tranche Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Second Tranche Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Second Tranche Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes unless it can be proven that the transfer is made in the ordinary course of business as defined in the Tax Code.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Second Tranche Bonds, trading the Second Tranche Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Second Tranche Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the Second Tranche Bonds, documentary stamp tax is payable anew.

FINANCIAL AND OTHER INFORMATION

1. Interim Fianncial Statements for the period ended 30 June 2020, Annex A
2. Audited Financial Statements for the fiscal year ended 31 December 2019, Annex B
3. Audited Financial Statements for the fiscal year ended 31 December 2018, Annex C
4. Audited Financial Statements for the fiscal year ended 31 December 2017, Annex D

Aboitiz Equity Ventures, Inc. and Subsidiaries

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

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

(With Comparative Figures as of December 31, 2019)
(Amounts in Thousands)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱ 73,186,787**	₱ 46,424,663
Trade and other receivables	**39,947,702**	35,195,594
Inventories	**20,129,864**	20,776,828
Land and improvements	**2,834,780**	2,570,892
Derivative asset	**—**	51,060
Other current assets	**21,742,660**	19,406,255
Total Current Assets	**157,841,793**	124,425,292
Noncurrent Assets		
Property, plant and equipment	**221,517,442**	225,558,765
Investments and advances	**142,461,030**	140,351,748
Intangible assets	**67,781,883**	66,801,095
Investment properties	**11,490,275**	11,291,880
Deferred income tax assets	**3,468,664**	3,127,072
Trade and other receivables - net of current portion	**1,910,580**	2,423,038
Derivative asset - net of current portion	**—**	82,327
Net pension assets	**188,967**	190,243
Other noncurrent assets	**14,240,061**	14,134,641
Total Noncurrent Assets	**463,058,902**	463,960,809
TOTAL ASSETS	**₱ 620,900,695**	₱ 588,386,101

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱ 41,271,902**	₱ 36,440,163
Bank loans	**40,112,658**	25,717,137
Current portions of:		
Long-term debts	**27,047,281**	27,126,918
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Lease liabilities	**6,940,122**	5,656,226
Derivative liability	**2,702,981**	2,255,736
Income tax payable	**1,483,211**	776,596
Total Current Liabilities	**₱ 119,598,155**	₱ 98,012,776

(Forward)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts	**₱ 231,026,779**	₱ 212,452,620
Lease liabilities	**36,517,670**	39,637,536
Trade and other payables	**6,942,564**	7,206,837
Long-term obligation on PDS	**171,393**	159,350
Customers' deposits	**6,940,490**	6,721,156
Decommissioning liability	**3,653,564**	3,567,492
Deferred income tax liabilities	**2,548,313**	2,581,511
Net pension liability	**643,211**	639,155
Derivative liability - net of current portion	**1,182,239**	212,588
Total Noncurrent Liabilities	**289,626,223**	273,178,245
Total Liabilities	**409,224,378**	371,191,021
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution	**5,043,152**	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540
Acquisition of non-controlling interests	**(11,717,875)**	(11,590,375)
Accumulated other comprehensive income	**(3,988,877)**	(2,648,022)
Retained earnings		
Appropriated	**9,200,000**	4,200,000
Unappropriated	**154,582,598**	162,864,330
Treasury stock at cost	**(647,672)**	(565,246)
	171,648,663	176,481,176
Non-controlling Interests	**40,027,654**	40,713,904
Total Equity	**211,676,317**	217,195,080
TOTAL LIABILITIES AND EQUITY	**₱ 620,900,695**	₱ 588,386,101

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	For the six months ended June 30		For the quarter ended June 30	
	2020	**2019**	**2020**	**2019**
REVENUES	**₱ 94,606,065**	₱ 102,552,058	**₱ 45,997,952**	₱ 55,147,304
COSTS AND EXPENSES	**81,955,455**	87,219,432	**39,910,900**	46,550,501
FINANCIAL INCOME (EXPENSE)				
Interest income	**612,770**	931,352	**270,109**	395,286
Interest expense	**(9,092,388)**	(8,069,561)	**(4,410,970)**	(4,091,941)
	(8,479,618)	(7,138,209)	**(4,140,861)**	(3,696,655)
OTHER INCOME - NET				
Share in net earnings of associates and joint ventures	**3,220,263**	3,624,927	**1,399,858**	2,058,205
Other income (expense) - net	**1,149,215**	2,362,427	**1,260,328**	1,207,307
	4,369,478	5,987,354	**2,660,186**	3,265,512
INCOME BEFORE INCOME TAX	**8,540,470**	14,181,771	**4,606,377**	8,165,660
PROVISION FOR INCOME TAX	**2,530,111**	1,590,155	**1,594,283**	642,093
NET INCOME	**₱ 6,010,359**	₱ 12,591,616	**₱ 3,012,094**	₱ 7,523,567
ATTRIBUTABLE TO:				
Equity holders of the parent	**₱ 4,039,537**	₱ 8,950,143	**₱ 2,011,528**	₱ 5,426,360
Non-controlling interests	**1,970,822**	3,641,473	**1,000,566**	2,097,207
	₱ 6,010,359	₱ 12,591,616	**₱ 3,012,094**	₱ 7,523,567
EARNINGS PER SHARE				
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱ 0.717**	₱ 1.589	**₱ 0.357**	₱ 0.963

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the six months ended June 30		For the quarter ended June 30	
	2020	2019	**2020**	2019
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱ 4,039,537**	₱ 8,950,143	**₱ 2,011,528**	₱ 5,426,360
Non-controlling interests	**1,970,822**	3,641,473	**1,000,566**	2,097,207
	6,010,359	12,591,616	**3,012,094**	7,523,567
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to consolidated statements of income:				
Movement in cumulative translation adjustments, net of tax	**(1,548,960)**	(1,025,982)	**(847,204)**	(605,349)
Share in movement in cumulative translation adjustments of associates and joint ventures	**40,808**	(280,640)	**3,958**	90,115
Share in movement in net unrealized mark-to-market gains (losses) on FVOCI investments of associates	**(3,122)**	398	**(3,124)**	(103,574)
Movement in net unrealized mark-to-market losses on FVOCI investments	**2,287**	(7,579)	**7,483**	—
	(1,508,987)	(1,313,803)	**(838,887)**	(618,808)
Items that will not be reclassified to consolidated statements of income:				
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**654**	(14,801)	**—**	25,422
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**400**	(3,105)	**400**	511
	1,054	(17,906)	**400**	25,933
TOTAL COMPREHENSIVE INCOME	**₱ 4,502,426**	₱ 11,259,907	**₱ 2,173,607**	₱ 6,930,692
ATTRIBUTABLE TO:				
Equity holders of the parent	**₱ 2,698,683**	₱ 7,917,022	**₱ 1,297,325**	₱ 4,922,311
Non-controlling interests	**1,803,743**	3,342,885	**876,282**	2,008,381
	₱ 4,502,426	₱ 11,259,907	**₱ 2,173,607**	₱ 6,930,692

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent						Retained Earnings					
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interest	Accumulated Other Comprehensive Income	Appropriated	Unappropriated	Treasury Stock	Total	Non-controlling Interest	Total
Balances at January 1, 2020	₱ 5,694,600	₱ 13,013,197	₱ 5,043,152	₱ 469,540	(₱ 11,590,375)	(₱ 2,648,022)	₱ 4,200,000	₱ 162,864,330	(₱ 565,246)	₱ 176,481,176	₱ 40,713,904	₱ 217,195,080
Net income for the year	–	–	–	–	–	–	–	4,039,537	–	4,039,537	1,970,822	6,010,359
Other comprehensive loss	–	–	–	–	–	(1,340,855)	–	–	–	(1,340,855)	(167,078)	(1,507,933)
Total comprehensive income (loss) for the year	–	–	–	–	–	(1,340,855)	–	4,039,537	–	2,698,682	1,803,744	4,502,426
Cash dividends - ₱ 1.30 per share	–	–	–	–	–	–	–	(7,321,269)	–	(7,321,269)	–	(7,321,269)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	(82,426)	(82,426)		(82,426)
Appropriation during the year	–	–	–	–	–	–	5,000,000	(5,000,000)	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,146,866)	(3,146,866)
Acquisition of non-controlling interests	–	–	–	–	(127,500)	–	–	–	–	(127,500)	1,372	(126,128)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	655,500	655,500
Balances at June 30, 2020	₱ 5,694,600	₱ 13,013,197	₱ 5,043,152	₱ 469,540	(₱ 11,717,875)	(₱ 3,988,877)	₱ 9,200,000	₱ 154,582,598	(₱ 647,672)	₱ 171,648,663	₱ 40,027,654	₱ 211,676,317
Balances at January 1, 2019	₱ 5,694,600	₱ 13,013,197	₱ 5,043,152	₱ 469,540	(₱ 1,679,549)	(₱ 12,464)	₱ 4,200,000	₱ 148,264,258	(₱ 565,246)	₱ 174,427,488	₱ 42,558,391	₱ 216,985,879
Net income for the year	–	–	–	–	–	–	–	8,950,143	–	8,950,143	3,641,473	12,591,616
Other comprehensive income	–	–	–	–	–	(1,033,121)	–	–	–	(1,033,121)	(298,588)	(1,331,709)
Total comprehensive income for the year	–	–	–	–	–	(1,033,121)	–	8,950,143	–	7,917,022	3,342,885	11,259,907
Cash dividends - ₱ 1.32 per share	–	–	–	–	–	–	–	(7,435,286)	–	(7,435,286)	–	(7,435,286)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(4,556,841)	(4,556,841)
Acquisition of non-controlling interests	–	–	–	–	(9,941,863)	–	–	–	–	(9,941,863)	(1,395,615)	(11,337,478)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,199,911)	(2,199,911)
Balances at June 30, 2019	₱ 5,694,600	₱ 13,013,197	₱ 5,043,152	₱ 469,540	(₱ 11,621,412)	(₱ 1,045,585)	₱ 4,200,000	₱ 149,779,115	(₱ 565,246)	₱ 164,967,361	₱ 37,748,909	₱ 202,716,270

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended June 30		For the quarter ended June 30	
	2020	2019	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱ 8,540,470**	₱ 14,181,771	**₱ 4,606,377**	₱ 8,165,660
Adjustments for:				
Interest expense	**9,092,388**	8,069,562	**4,410,970**	4,091,942
Depreciation and amortization	**6,221,805**	5,443,398	**3,173,761**	2,911,206
Net unrealized foreign exchange gains	**(545,259)**	(1,267,933)	**(635,917)**	(1,228,845)
Write-off of project costs and other assets	**—**	8,648	**—**	142
Loss (gain) on sale/disposal of:				
Property, plant and equipment	**44,344**	270,425	**(2,731)**	(2,379)
FVTPL and FVOCI investments	**3,999**	3,517	**3,854**	(1,626)
Investment in a subsidiary	**—**	(4,382)	**—**	—
Unrealized mark-to-market losses (gains) on derivatives	**30,428**	1,227	**11,661**	(3,974)
Unrealized mark-to-market losses on FVTPL investments	**8,155**	(23,451)	**(90,876)**	(5,418)
Dividend income	**(3,376)**	(5,313)	**(2,183)**	(4,298)
Interest income	**(612,770)**	(931,352)	**(270,109)**	(395,286)
Share in net earnings of associates and joint ventures	**(3,220,264)**	(3,624,927)	**(1,399,859)**	(2,058,204)
Excess of fair value over historical acquisition cost	**—**	(5,984)	**—**	(2,948)
Operating income before working capital changes	**19,559,920**	22,115,206	**9,804,948**	11,465,972
Increase in operating assets	**(3,328,024)**	(832,308)	**(3,372,549)**	(2,992,294)
Increase in operating liabilities	**4,561,355**	1,342,057	**2,687,333**	4,691,359
Net cash generated from operations	**20,793,251**	22,624,955	**9,119,732**	13,165,037
Income and final taxes paid	**(2,177,798)**	(1,852,584)	**(1,730,650)**	(1,331,764)
Net cash flows from operating activities	**18,615,453**	20,772,371	**7,389,082**	11,833,273
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received	**3,354,064**	2,960,631	**774,539**	1,004,945
Interest received	**585,034**	993,830	**262,295**	495,346
Sale of or additions to FVTPL and FVOCI investments	**39,347**	40,292	**(70,687)**	287,903
Additions to:				
Property, plant and equipment and investment properties	**(1,736,776)**	(5,092,808)	**(1,000,889)**	(2,611,473)
Investments in and advances to associates	**(1,551,365)**	(25,487,348)	**(62,545)**	(24,347,116)
Increase in intangible assets	**(1,330,125)**	(1,489,749)	**(564,373)**	(170,327)
Decrease (increase) in other noncurrent assets	**(3,751,679)**	781,564	**393,939**	1,687,147
Net cash flows used in investing activities	**(4,391,500)**	(27,293,588)	**(267,721)**	(23,653,575)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from long-term debts	**19,280,292**	19,927,902	**1,934,779**	20,297,016
Net proceeds from bank loans	**14,395,521**	8,257,945	**882,219**	1,207,792
Acquisition of treasury shares	**(82,426)**	—	**—**	—
Acquisition of non-controlling interest	**(165,196)**	(14,342,852)	**(165,196)**	(14,342,852)
Cash dividends paid and other changes to non-controlling interest	**(3,146,867)**	(4,556,841)	**(1,997,674)**	(3,033,175)
Cash dividends paid to equity holders of the parent	**(7,321,269)**	(7,435,286)	**(7,321,269)**	(7,435,286)
Interest paid	**(6,741,121)**	(6,160,896)	**(2,656,010)**	(2,515,617)
Payments of lease liabilities	**(3,879,335)**	(4,773,578)	**(1,681,079)**	(2,515,590)
Net cash flows from (used in) financing activities	**12,339,599**	(9,083,606)	**(11,004,230)**	(8,337,712)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**26,563,552**	(15,604,823)	**(3,882,869)**	(20,158,014)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**198,572**	648,675	**272,994**	646,517
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**46,424,663**	59,033,029	**76,796,662**	63,588,378
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱ 73,186,787**	₱ 44,076,881	**₱ 73,186,787**	₱ 44,076,881

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure. The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

2. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and a joint operation that is subject to joint control (collectively referred to as the Group).

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

			Percentage of Ownership			
			June 30, 2020		December 31, 2019	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	**77.00**	**–**	76.98	–
AboitizPower International Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Malvar Enerzone Corporation (MVEZ)	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding	Philippines	**–**	**100.00**	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power	Philippines	**–**	**100.00**	–	100.00
AboitizPower International B.V.	Holding	Netherlands	**–**	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	**–**	**60.00**	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	**–**	**60.00**	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership June 30, 2020 Direct	June 30, 2020 Indirect	December 31, 2019 Direct	December 31, 2019 Indirect
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power	Philippines	**–**	**100.00**	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	**–**	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Retensol, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	**–**	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power-Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power	Philippines	**–**	**78.33**	–	78.33
Therma Dinginin Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)	Power	Philippines	**–**	**80.00**	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	**–**	**60.00**	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	**100.00**	**–**	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**100.00**	**–**	100.00	–
Lima Land, Inc. (LLI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	**–**	**60.00**	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	**–**	**100.00**	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	**–**	**60.00**	–	60.00

			Percentage of Ownership			
			June 30, 2020		December 31, 2019	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
A2 Airports, Inc. (A2) and Subsidiaries	Real estate	Philippines	**–**	**50.00**	–	50.00
78 Point Blue, Inc.	Real estate	Philippines	**–**	**100.00**	–	100.00
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	**–**	**100.00**	–	100.00
Firmwall Systems, Inc.	Real estate	Philippines	**–**	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico International Pte. Ltd. (PIPL)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico Vietnam Company Limited (formerly, Pilmico Vietnam Feeds Joint Stock Company)	Food manufacturing	Vietnam	**–**	**100.00**	–	100.00
Abaqa International Pte Ltd. (formerly Comfez Pte. Ltd.)	Trading	Singapore	**–**	**100.00**	–	100.00
Gold Coin Management Holdings Ltd. (GCMH)	Holding	British Virgin Island	**–**	**100.00**	–	100.00
GC Investment Holdings Limited	Holding	Hong Kong	**–**	**100.00**	–	100.00
Gold Coin (ZhangJiang) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Management (Shenzhen) Co. Ltd.	Holding	China	**–**	**100.00**	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	**–**	**100.00**	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd.	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Glen Arbor Holdings (Singapore) Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	–
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	**–**	**100.00**	–	60.00
Comfez Limited	Trading	Hong Kong	**–**	**100.00**	–	100.00
Gold Coin Group Limited	Holding	Hong Kong	**–**	**100.00**	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	**–**	**100.00**	–	100.00
Gold Coin Feedmill Bing Duong Company (formerly, Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	**–**	**100.00**	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	**–**	**100.00**	–	100.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Gold Coin Aqua Feed Incorporated (formerly, Syaqua Group Incorporated)	Holding	British Virgin Island	**–**	**100.00**	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd. (formerly, SYAQUA Singapore Pte Ltd)	Holding	Singapore	**–**	**100.00**	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	**–**	**70.00**	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	**–**	**93.90**	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	**–**	**100.00**	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	**–**	**100.00**	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	**–**	**99.90**	–	99.90
PT Ayam Unggul	Feedmills	Indonesia	**–**	**60.00**	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	**–**	**100.00**	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	**–**	**40.00**	–	40.00
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	**–**	**100.00**	–	100.00
FEZ Animal Nutrition (Malaysia) Sdn. Bhd.	Holding	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	**–**	**70.00**	–	70.00
Gold Coin Feedmills (Malaysia) Sdn. Bhd.	Feedmills	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Feedmills	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Sarawak Sdn. Bhd.	Feedmills	Malaysia	**–**	**72.80**	–	72.80
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	**–**	**72.80**	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	**–**	**100.00**	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			June 30, 2020		December 31, 2019	
			Direct	**Indirect**	Direct	Indirect
Pilmico Aqua Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	**–**	100.00	–
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Holding	Philippines	**100.00**	**–**	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	**–**	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	**22.22**	**47.78**	22.22	47.78

** No commercial operations as of June 30, 2020.*

Interest in Joint Operations

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

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

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

3. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The unaudited condensed consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting.

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

On July 27, 2020, the Audit Committee of the Board of Directors (BOD) of the Company approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

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

Except as otherwise indicated, adoption of the following new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

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

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

  These amendments do not have an impact on the consolidated financial statements but will be applied to future business combinations of the Group.

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

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

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

  These amendments do not have an impact on the consolidated financial statements.

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

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

  These amendments do not have an impact on the consolidated financial statements.

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

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

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

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

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

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

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments beginning January 1, 2020.

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Generation, Inc.

The Group has 60% and 72.5% interest in AA Thermal and GNPD respectively.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD, and their respective investees. This is a result of the partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc., 99.63% ownership interest in Republic Cement Mindanao, Inc., 94.63% ownership interest in Republic Cement Iligan, Inc. and 100% ownership interest in Luzon Continental Land Corporation.

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

5. Cash and Cash Equivalents

	June 30, 2020	December 31, 2019
Cash on hand and in banks	**₱ 24,378,301**	₱ 18,151,459
Short-term deposits	**48,808,486**	28,273,204
	₱ 73,186,787	₱ 46,424,663

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

6. Trade and Other Receivables

	June 30, 2020	December 31, 2019
Trade receivables		
Power	**₱ 21,329,522**	₱ 14,931,949
Real estate	**4,716,264**	5,196,331
Food manufacturing	**8,702,893**	7,492,861
Holding and others	**1,126,884**	1,222,026
	35,875,563	28,843,167
Nontrade receivables	**6,520,144**	5,926,179
Accrued revenues	**94,653**	3,463,904
Dividends receivable	**748,000**	1,199,068
Advances to contractors	**341,889**	63,339
Others	**1,382,773**	901,201
	44,963,022	40,396,858
Less allowance for expected credit losses	**3,104,740**	2,778,226
	41,858,282	37,618,632
Less noncurrent portion	**1,910,580**	2,423,038
	₱ 39,947,702	₱ 35,195,594

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

Non-trade receivables include advances to partners in GMCP and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMCP and due to the partners.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group
Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱ 4.4 billion and ₱ 291.8 million, respectively, as of June 30, 2020, and ₱ 4.9 billion and ₱ 282.8 million, respectively, as of December 31, 2019.

7. Other Current Assets

	June 30, 2020	December 31, 2019
Restricted cash	**₱ 3,474,588**	₱ 4,449,716
Prepaid expenses	**4,852,886**	4,874,810
Input VAT	**5,362,314**	2,722,595
Advances to NGCP	**2,132,100**	1,727,028
Biological assets	**738,292**	942,820
Insurance assets	**1,918,906**	2,298,702
Advances to suppliers	**114,715**	671,783
Deposits for land acquisition	**955,597**	1,107,693
Others	**2,193,262**	611,108
	₱ 21,742,660	₱ 19,406,255

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

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

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

“Others” include prepayments to regulatory agencies.

8. Investments and Advances

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	Percentage of ownership June 2020	Dec 2019
MORE[1]	Holding	**83.33**	83.33
GNPD**	Power generation	**72.50**	72.50
AEV CRH	Holding	**60.00**	60.00
AA Thermal Inc.(ATI) [2]	Holding	**60.00**	60.00
Cebu District Property Enterprise, Inc. (CDPEI) [1] **	Real estate	**50.00**	50.00
Cebu Homegrown Developers, Inc. (CHDI) [1]**	Real estate	**50.00**	50.00
Union Bank of the Philippines (UBP)	Banking	**49.34**	49.34
Hijos de F. Escaño, Inc.	Holding	**46.73**	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00
STEAG State Power Inc. (STEAG)	Power generation	**34.00**	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00
Western Mindanao Power Corporation (WMPC)	Power distribution	**20.00**	20.00
Gold Coin Feed Mills (B) Sdn. Bhd. ***	Feedmills	**20.00**	20.00
Balibago Water Systems, Inc. (BWSI) [3]	Water infrastructure	**15.94**	15.94
Singapore Life (Philippines), Inc. [3]**	Insurance	**15.00**	15.00

[1]*Joint ventures.*
[2]*Economic interest.*
[3]*Significant influence by virtue of the board seat held by the Group*
***No commercial operations as of June 30, 2020.*
****Registered in Malaysia and is part of GCMH Group*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

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

	June 30, 2020	December 31, 2019
UBP	**₱ 52,026,499**	₱ 51,837,773
AEV CRH	**23,853,892**	23,853,892
GNPD/ATI	**42,437,559**	41,257,477
MORE	**10,521,217**	10,180,552
STEAG	**3,754,622**	4,032,405
CEDC	**3,816,569**	3,447,491
CRH ABOITIZ	**1,357,026**	1,411,852
CDPEI	**1,433,624**	1,443,212
SFELAPCO/PEVI	**976,512**	881,812
BWSI	**574,224**	567,451
RP Energy	**524,543**	525,769
CHDI	**423,983**	230,000
WMPC	**183,703**	142,577
SPPC	**56,580**	61,497
Others	**482,126**	455,426
	₱ 142,422,679	₱ 140,329,186

	June 30, 2020	December 31, 2019
Acquisition cost:		
Balance at beginning of year	**₱ 99,669,607**	₱ 71,388,350
Additions during the year	**1,535,575**	28,281,257
Acquisition of a subsidiary	**—**	—
Balance at end of year	**101,205,182**	99,669,607
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	**41,228,330**	35,214,517
Cumulative share in adoption of new standards by associates	**—**	(18,692)
Balances at beginning of year, as restated	**41,228,330**	35,195,825
Share in net earnings for the year	**3,220,264**	11,502,090
Cash dividends received and receivable	**(2,900,687)**	(5,469,585)
Balance at end of year, as restated	**41,747,907**	41,228,330
Gain on dilution	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates:	**132,606**	135,728
Share in cumulative translation adjustments of associates and joint ventures	**(145,063)**	(185,872)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(851,358)**	(852,012)
	143,103,410	141,009,917
Less allowance for impairment losses	**680,731**	680,731
	142,422,679	140,329,186
Advances to associates	**38,351**	22,562
	₱ 142,461,030	₱ 140,351,748

9. Intangibles

June 30, 2020

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱ 56,322,732	₱ 9,585,872	₱ 3,078,431	₱ 911,600	₱ 99,746	₱ 867,829	₱ 70,866,210
Additions during the year	—	1,330,125	—	97,498	—	16,627	1,444,250
Exchange differences /Others	(199,626)	(40,410)	—	—	—	(28,396)	(268,432)
Balances at end of year	56,123,106	10,875,587	3,078,431	1,009,098	99,746	856,060	72,042,028
Accumulated amortization:							
Balances at beginning of year	—	3,050,596	506,659	—	84,867	422,993	4,065,115
Amortization		102,035	38,480		1,984	52,531	195,030
Balances at end of year	—	3,152,631	545,139	—	86,851	475,524	4,260,145
Net book values	₱ 56,123,106	₱ 7,722,956	₱ 2,533,292	₱ 1,009,098	₱ 12,895	₱ 380,536	₱ 67,781,883

10. Other Noncurrent Assets

	June 30, 2020	December 31, 2019
Restricted cash	**₱ 5,480,333**	₱ 4,672,031
Input VAT and tax credit receivable	**3,685,430**	4,501,086
Financial assets at FVTPL	**838,567**	731,797
Financial assets at FVOCI	**128,988**	176,479
Debt investments at amortized cost	**134,630**	234,968
Prepaid rent and other deposits	**448,633**	1,291,152
Advances to contractors and projects	**1,619,018**	1,452,272
Biological assets	**100,918**	140,304
Others	**1,803,544**	934,552
	₱ 14,240,061	₱ 14,134,641

Restricted cash pertains to the amount drawn by TVI on June 11, 2019 on the performance securities under its Engineering, Procurement and Construction agreement with the contractors. The contractors have disputed the draw on the securities in dispute resolution proceedings.

11. Bank Loans

	June 30, 2020	December 31, 2019
Philippine peso loans	**₱ 36,694,900**	₱ 23,026,701
Chinese yuan loans	**873,668**	1,175,412
Vietnamese dong loans	**1,623,652**	715,950
US dollar loans	**513,249**	455,715
Indonesia rupia loans	—	25,876
Other foreign currency-denominated loans	**407,189**	317,483
	₱ 40,112,658	₱ 25,717,137

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 1.61% to 11.35% and 2.69% to 8.55% in 2020 and 2019, respectively. These loans will mature on various dates within 12 months after each balance sheet date.

12. Trade and Other Payables

	June 30, 2020	December 31, 2019
Trade payables	**₱ 21,358,922**	₱ 19,517,546
Nontrade and other payables	**5,174,897**	3,252,202
Accrued expenses		
Interest	**3,051,841**	2,735,860
Taxes and fees	**912,874**	1,288,214
Energy fees and fuel purchase	**1,720**	1,508,801
Others	**1,749,092**	1,677,452
Output VAT	**5,044,821**	3,129,901
Amounts due to contractors and other third parties	**8,197,228**	7,312,999
PSALM deferred adjustment	**2,661,658**	3,183,080
Unearned revenue	**61,413**	40,945
	48,214,466	43,647,000
Less noncurrent portion	**6,942,564**	7,206,837
	₱ 41,271,902	₱ 36,440,163

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lubricant costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months.

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

13. Long-term Debts

	June 30, 2020		December 31, 2019	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	**4.41% - 6.32%**	**₱ 37,000,000**	4.41% - 6.32%	₱ 37,000,000
Subsidiaries:				
GMCP				
Financial institutions - unsecured	**LIBOR + 1.7% - 4.85%**	**35,522,739**	LIBOR + 1.7% - 4.00%	37,247,830
TVI				
Financial institutions – secured	**5.56% - 9.00%**	**30,469,334**	5.56% - 9.00%	31,520,000
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	**5.21% - 8.51%**	**35,450,000**	5.21% - 8.51%	35,450,000
Financial and nonfinancial institutions - Foreign currency -unsecured	**LIBOR + 1.20%**	**14,949,000**	LIBOR + 1.20%	15,190,500
TSI				
Financial institutions - secured	**5.05% - 5.70%**	**19,384,195**	5.05% - 5.70%	20,039,365
APRI				
Financial institutions - secured	**4.53% - 5.20%**	**7,499,040**	4.48% to 5.20%	8,124,160
Hedcor Bukidnon				
Financial institutions - secured	**5.37% - 7.34%**	**9,350,000**	4.75% - 7.36%	9,416,666
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	**4.53% - 5.21%**	**3,801,400**	4.05% to 5.42%	3,801,400
PILMICO				
Financial institutions - secured	**4.18% - 5.16%**	**2,877,500**	4.18% - 5.16%	2,885,000
PANC				
Financial institutions - secured	**4.50 %**	**2,610,000**	4.50%	2,640,000
VECO				
Financial institution - unsecured	**4.59% - 4.81%**	**776,000**	4.59% - 4.81%	776,000
LHC				
Financial institutions - secured	**2.00% - 2.75%**	**445,978**	3.94% to 4.81%	564,580
DLP				
Financial institution - unsecured	**4.69% - 4.81%**	**582,000**	4.59% - 4.81%	582,000
HI				
Financial institution - secured	**5.25 %**	**1,723,000**	5.25%-7.87%	1,750,000
SEZ				
Financial institution - unsecured	**5.00 %**	**113,000**	5.00%	113,000
CLP				
Financial institution - unsecured	**4.69% - 4.81%**	**116,400**	4.59% - 4.81%	116,400
TPVI				
Financial institution - unsecured	**5.06% - 5.25%**	**1,488,750**	5.06% - 5.25%	1,300,000
Aboitiz Energy Solutions, Inc.				
Financial institution - secured	**5.03% - 5.42%**	**600,000**	—	—
Apo Agua				
Financial institutions Philippine peso - secured	**5.75% - 8.26%**	**9,000,000**	6.50% - 8.26%	5,999,773
AEV International				
Financial institutions: Foreign currency - secured	**1.62% to 4.90%**	**13,337,202**	3.24% - 6.00%	13,550,225
US Dollar bonds	**4.20 %**	**19,932,000**	—	—
TCP				
Financial institution - secured	**7.00 %**	**243,340**	7.80% - 9.18%	248,680
Joint Operation - PEC				
Financial institution - secured	**5.50% - 8.31%**	**12,867,261**	5.50% - 8.31%	13,380,097
Total		**260,138,139**		241,695,676
Deferred financing costs		**(2,064,079)**		(2,116,138)
		258,074,060		239,579,538
Less current portion		**27,047,281**		27,126,918
Noncurrent portion		**₱ 231,026,779**		₱ 212,452,620

14. Debt Securities

As of June 30, 2020, AEV and Aboitiz Power Corporation (AP) registered and issued peso-denominated fixed-rate retail bonds totaling ₱ 67.45 billion under the following terms:

Maturity	Issuer	Annual Interest Rate	Amount
7-year bonds to mature on November 21, 2020	AEV	4.41%	₱ 6,200,000
10-year bonds to mature on November 21, 2023	AEV	4.62%	₱ 1,800,000
5-year bonds to mature on August 6, 2020	AEV	4.47%	₱ 10,461,620
7-year bonds to mature on August 6, 2022	AEV	5.01%	₱ 8,467,030
12-year bonds to mature on August 6, 2027	AEV	6.02%	₱ 5,071,350
5-year bonds to mature on June 18, 2024	AEV	6.02%	₱ 3,350,000
10-year bonds to mature on June 18, 2029	AEV	6.32%	₱ 1,650,000
12-year bonds to mature on September 10, 2026	AP	6.10%	₱ 3,400,000
10-year bonds to mature on September 10, 2021	AP	5.21%	₱ 6,600,000
10-year bonds to mature on July 3, 2027	AP	5.34%	₱ 3,000,000
5.25-year bonds to mature on January 25, 2024	AP	7.51%	₱ 7,700,000
7-year bonds to mature on October 25, 2025	AP	8.51%	₱ 2,500,000
7-year bonds to mature on October 14, 2026	AP	5.28%	₱ 7,250,000

15. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of June 30, 2020 and the movements during the period:

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liability
As at January 1	₱ 3,242,610	₱ 578,432	₱ 33,575,200	₱ 187,637	₱ 37,583,879	₱ 45,293,762
Additions	433	42,869	—	439	43,741	40,680
Amortization expense	(56,623)	(89,827)	(547,257)	(18,423)	(712,130)	—
Capitalized amortization	(486)	—	—	—	(486)	—
Interest expense	—	—	—	—	—	1,757,433
Capitalized interest	—	—	—	—	—	1,792
Payments	—	—	—	—	—	(3,906,347)
Others	(14,110)	(13,149)	—	(1,775)	(29,034)	270,472
As at June 30, 2020	₱ 3,171,824	₱ 518,325	₱ 33,027,943	₱ 167,878	₱ 36,885,970	₱ 43,457,792

Set out below, are the amounts recognized in the consolidated statement of income for the three months ended June 30, 2020:

Amortization expense of right-of-use assets	₱ 712,130
Interest expense on lease liabilities	1,757,433
Rent expense - low value assets	2,756
Rent expense - short-term leases	77,011
	₱ 2,549,330

16. Retained Earnings

On March 6, 2020, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱ 1.30 per share (₱ 7.3 billion) to all stockholders of record as of March 20, 2020. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2019, and will be paid on April 3, 2020..
b. Appropriation of ₱ 5.0 billion of the retained earnings as of December 31, 2019 for the additional capital infusion into AboitizLand to finance its on-going projects.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱ 132.0 billion and ₱ 135.2 billion as of June 30, 2020 and December 31, 2019, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements

17. Other Comprehensive Income

	June 30, 2020	December 31, 2019
Cumulative Translation Adjustments		
Balance at beginning of year	**(₱ 944,486)**	₱ 719,792
Movements	**(1,278,370)**	(1,664,278)
Balance at end of year	**(2,222,856)**	(944,486)
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of year	**(861,868)**	(676,765)
Movements	**400**	(185,103)
Balance at end of year	**(861,468)**	(861,868)
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		
At beginning of year	**3,135**	143
Movements	**2,286**	2,992
Balance at end of year	**5,421**	3,135
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of year	**(137,020)**	250,295
Movements	**(63,260)**	(387,315)
Balance at end of year	**(200,280)**	(137,020)
Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures		
Balance at beginning of year	**(819,928)**	(435,068)
Movements	**493**	(384,860)
Balance at end of year	**(819,435)**	(819,928)
Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures		
At beginning of year	**112,145**	114,527
Movements	**(2,404)**	(2,382)
Balance at end of year	**109,741**	112,145
	(₱ 3,988,877)	(₱ 2,648,022)

Tax Effects Relating to Each Component of Other Comprehensive Income

	January -June 2020		
	Before Tax Amount	**Tax Expense**	**Net of Tax Amount**
Net unrealized mark-to-market losses on FVOCI investments	**₱ 2,287**	**₱ —**	**₱ 2,287**
Share in net unrealized mark-to-market gains on FVOCI investments of associates and joint ventures	**(3,122)**	**—**	**(3,122)**
Movement in cumulative translation adjustments	**(1,548,960)**	**—**	**(1,548,960)**
Share in movement in cumulative translation adjustment of associates and joint ventures	**40,808**	**—**	**40,808**
Movement in actuarial gains on defined benefits plans	**571**	**(171)**	**400**
Share in actuarial gains on defined benefit plans of associates and joint ventures	**934**	**(280)**	**654**
Other comprehensive income for the period - net of tax	**(₱ 1,507,482)**	**(₱ 452)**	**(₱ 1,507,933)**

	January -June 2019		
	Before Tax Amount	Tax Benefit	Net of Tax Amount
Net unrealized mark-to-market losses on FVOCI investments	(₱ 7,579)	₱ —	(₱ 7,579)
Share in net unrealized mark-to-market gains on FVOCI investments of associates and joint ventures	398	—	103,972
Movement in cumulative translation adjustments	(1,025,982)	—	(420,633)
Share in movement in cumulative translation adjustment of associates and joint ventures	(280,640)	—	(370,754)
Actuarial losses on defined benefit plans	(4,436)	1,331	(3,616)
Share in actuarial losses on defined benefit plans of associates and joint ventures	(21,145)	6,343	(40,223)
Other comprehensive income for the period - net of tax	(₱ 1,339,384)	₱ 7,674	(₱ 731,254)

18. Revenues

	Jan - Jun 2020	Jan - Jun 2019
Sale of:		
Power	**₱ 52,945,609**	₱ 63,834,244
Goods	**39,091,204**	35,647,246
Real estate	**1,146,785**	1,427,292
Sale of swine at fair value	**897,319**	969,440
Service fees	**409,114**	576,247
Others	**116,034**	97,589
	₱ 94,606,065	₱ 102,552,058

19. Costs and Expenses

	Jan - Jun 2020	Jan - Jun 2019
Cost of purchased power	**₱ 16,277,881**	₱ 19,067,822
Cost of generated power	**12,395,051**	18,621,521
Cost of goods sold	**34,252,523**	31,482,471
Operating expenses	**18,310,972**	17,131,038
Cost of real estate sales	**683,537**	852,215
Overhead expenses	**35,491**	64,365
	₱ 81,955,455	₱ 87,219,432

20. Other Income (Expense) - Net

	Jan - Jun 2020	Jan - Jun 2019
Net foreign exchange gains	**₱ 308,422**	₱ 517,393
Unrealized valuation loss on financial assets	**(8,155)**	29,436
Surcharges	**145,513**	260,357
Non-utility operating income	**290,191**	79,255
Rental income	**28,847**	31,870
Dividend income	**3,376**	5,313
Gain (loss) on disposal of:		
Property, plant and equipment	**(44,344)**	(270,425)
Financial assets at FVTPL	**(3,999)**	(3,517)
Write off of project costs and other assets	**—**	(8,648)
Others - net	**429,364**	1,721,393
	₱ 1,149,215	₱ 2,362,427

"Others - net" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions. "Others - net" also include income arising from the reversal of APRI and TLI's liability to PSALM pertaining to GRAM/ICERA of ₱ 924.0 million in 2019.

21. Earnings per Common Share

Earnings per common share amounts were computed as follows:

		2020	2019
a.	Net income attributable to equity holders of the parent	**₱ 4,039,537**	₱ 8,950,143
b.	Weighted average number of common shares issued and outstanding	**5,630,225**	5,632,793
c.	Earnings per common share (a/b)	₱ 0.717	₱ 1.589

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

22. Operating Segment Information

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

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

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

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

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Adjustments as shown below include items not presented as part of segment assets and liabilities.

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

	January -June 2020							
	Power	**Financial Services**	**Food Manufacturing**	**Real Estate**	**Infrastructure**	**Parent Company and Others**	**Eliminations**	**Consolidated**
REVENUES								
Third parties	**₱ 53,013,658**	**₱ —**	**₱ 39,988,523**	**₱ 1,146,785**	**₱ 42,468**	**₱ 414,631**	**₱ —**	**₱ 94,606,065**
Inter-segment	**18,196**	**—**	**—**	**—**	**—**	**93,500**	**(111,696)**	**—**
Total revenue	**₱ 53,031,854**	**₱ —**	**₱ 39,988,523**	**₱ 1,146,785**	**₱ 42,468**	**₱ 508,131**	**(₱ 111,696)**	**₱ 94,606,065**
RESULTS								
Segment results	**₱ 11,035,524**	**₱ —**	**₱ 2,087,829**	**₱ 30,897**	**(₱ 90,233)**	**(₱ 413,407)**	**₱ —**	**₱ 12,650,610**
Unallocated corporate income (expenses) - net	**1,427,716**	**—**	**(139,927)**	**28,988**	**538**	**(168,100)**	**—**	**1,149,215**
INCOME FROM OPERATIONS								**13,799,825**
Interest expense	**(7,197,123)**	**—**	**(527,436)**	**(44,044)**	**—**	**(1,346,696)**	**22,911**	**(9,092,388)**
Interest income	**405,295**	**—**	**32,900**	**6,945**	**10,166**	**180,375**	**(22,911)**	**612,770**
Share in net earnings of associates and joint ventures	**979,818**	**2,289,253**	**8,020**	**(15,606)**	**(40,878)**	**3,342,161**	**(3,342,505)**	**3,220,263**
Provision for income tax	**(1,882,509)**	**—**	**(618,947)**	**(12,999)**	**(3,050)**	**(12,606)**	**—**	**(2,530,111)**
NET INCOME	**₱ 4,768,721**	**₱ 2,289,253**	**₱ 842,439**	**(₱ 5,819)**	**(₱ 123,457)**	**₱ 1,581,727**	**(₱ 3,342,505)**	**₱ 6,010,359**
Depreciation and amortization	**₱ 5,338,223**	**₱ —**	**₱ 714,359**	**₱ 60,430**	**₱ 10,115**	**₱ 98,678**	**₱ —**	**₱ 6,221,805**
OTHER INFORMATION (as of June 30, 2020)								
Segment assets	**₱ 84,507,523**	**₱ —**	**₱ 26,038,563**	**₱ 15,297,696**	**₱ 4,118,488**	**₱ 27,907,398**	**(₱ 27,875)**	**₱ 157,841,793**
Investments and advances	**62,652,039**	**52,026,499**	**65,014**	**1,857,607**	**25,785,142**	**120,632,805**	**(120,558,076)**	**142,461,030**
Unallocated corporate assets	**268,411,283**	**—**	**29,870,117**	**9,416,523**	**6,665,720**	**6,814,384**	**(580,155)**	**320,597,872**
Consolidated total assets								**₱ 620,900,695**
Segment liabilities	**₱ 284,559,740**	**₱ —**	**₱ 28,569,593**	**₱ 9,496,409**	**₱ 9,503,715**	**₱ 73,012,492**	**(₱ 592,306)**	**₱ 404,549,643**
Unallocated corporate liabilities	**2,564,929**	**—**	**682,328**	**960,057**	**15,978**	**451,443**	**—**	**4,674,735**
Consolidated total liabilities								**₱ 409,224,378**

	January -June 2019							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱ 63,921,854	₱ —	₱ 36,616,686	₱ 1,427,292	₱ 46,309	₱ 539,918	₱ —	₱ 102,552,058
Inter-segment	36,910	—	—	—	—	125,000	(161,910)	—
Total revenue	₱ 63,958,764	₱ —	₱ 36,616,686	₱ 1,427,292	₱ 46,309	₱ 664,918	(₱ 161,910)	₱ 102,552,058
RESULTS								
Segment results	₱ 13,991,250	₱ —	₱ 1,522,149	₱ 156,467	(₱ 50,578)	(₱ 286,662)	₱ —	₱ 15,332,626
Unallocated corporate income (expenses) - net	2,062,238	—	185,316	10,442	(8,452)	112,883	—	2,362,427
INCOME FROM OPERATIONS								17,695,053
Interest expense	(6,563,269)	—	(691,248)	(52,923)	—	(790,803)	28,682	(8,069,561)
Interest income	764,675	—	43,838	9,001	3,372	140,565	(30,100)	931,352
Share in net earnings of associates and joint ventures	1,044,929	2,370,405	3,738	(7,702)	213,811	7,296,480	(7,296,734)	3,624,927
Provision for income tax	(1,173,088)	—	(370,401)	(20,976)	(2,579)	(23,112)	—	(1,590,155)
NET INCOME	₱ 10,126,735	₱ 2,370,405	₱ 693,392	₱ 94,309	₱ 155,575	₱ 6,449,352	(₱ 7,298,151)	₱ 12,591,616
Depreciation and amortization	₱ 4,616,911	₱ —	₱ 678,924	₱ 48,478	₱ 3,071	₱ 96,013	₱ —	₱ 5,443,397
OTHER INFORMATION (as of December 31, 2019)								
Segment assets	₱ 76,896,786	₱ —	₱ 22,123,839	₱ 16,011,884	₱ 2,476,896	₱ 7,214,936	(₱ 299,049)	₱ 124,425,292
Investments and advances	60,878,541	51,837,773	60,374	1,673,212	25,833,195	130,091,897	(130,023,245)	140,351,748
Unallocated corporate assets	272,694,030	—	30,353,984	8,755,063	5,470,776	6,925,209	(590,001)	323,609,061
Consolidated total assets								₱ 588,386,101
Segment liabilities	₱ 275,041,691	₱ —	₱ 25,289,176	₱ 9,753,786	₱ 6,590,858	₱ 51,382,674	(₱ 864,426)	₱ 367,193,758
Unallocated corporate liabilities	1,784,655	—	735,764	990,195	16,895	469,754	—	3,997,263
Consolidated total liabilities								₱ 371,191,021

23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents bank loans, long-term debts and lease liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

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

<u>Risk Management Structure</u>
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

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

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

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, FVTPL investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

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

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of June 30, 2020, 16.1% of the Group's long-term debt had annual floating interest rates ranging from 1.6% to 4.9%, and 83.9% are with fixed rates ranging from 4.2% to 9.0%. As of December 31, 2019, 17.8% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 6.0%, and 82.2% are with fixed rates ranging from 4.1% to 9.0%.

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

June 30, 2020

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱ 1,897,884**	**₱ 35,806,769**	**₱ 3,761,728**	**₱ 41,466,380**

December 31, 2019

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱ 1,923,489	₱ 36,617,665	₱ 4,183,912	₱ 42,725,065

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

The interest expense recognized during the period is as follows:

	Jan - Jun 2020	Jan - Jun 2019
Long-term debts	**₱ 6,544,780**	₱ 5,043,383
Lease liabilities	**1,757,433**	2,152,495
Bank loans	**669,987**	676,938
Other long-term obligations	**119,335**	196,452
Customers' deposits	**853**	293
	₱ 9,092,388	₱ 8,069,561

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of June 30, 2020 and 2019:

	Increase (decrease) in basis points	Effect on income before tax
June 30, 2020	**200**	**(₱ 413,528)**
	(100)	**206,764**
June 30, 2019	200	(₱ 434,254)
	(100)	217,127

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first six months of 2020 and 2019, due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of June 30, 2020 and December 31, 2019, foreign currency denominated borrowings account for 32% and 34%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	June 30, 2020		December 31, 2019	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$579,986**	**₱ 28,900,699**	$123,735	₱ 6,265,343
Trade and other receivables	**138,543**	**6,903,599**	122,557	6,205,685
Investments in FVTPL and FVOCI	**19,191**	**956,290**	19,153	969,791
Total financial assets	**737,720**	**36,760,588**	265,445	13,440,820
Financial liabilities				
Bank loans	**68,589**	**3,417,777**	53,134	2,690,437
Trade and other payables	**239,566**	**11,937,555**	188,601	9,549,827
Long-term debts	**963,268**	**47,999,621**	566,938	28,706,917
Lease liabilities	**428,934**	**21,373,798**	731,598	37,044,441
Total financial liabilities	**1,700,356**	**84,728,751**	1,540,271	77,991,622
Net foreign currency denominated liabilities	**($962,636)**	**(₱ 47,968,163)**	($1,274,826)	(₱ 64,550,802)

[1]$1= ₱ 49.83
[2]$1= ₱ 50.64

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

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
June 30, 2020	**US dollar strengthens by 5%**	**(₱ 2,398,408)**
	US dollar weakens by 5%	**2,398,408**
June 30, 2019	US dollar strengthens by 5%	(₱ 3,227,540)
	US dollar weakens by 5%	3,227,540

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

Equity price risk
Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of June 30, 2020 and December 31, 2019, the Group's exposure to equity price risk is minimal.

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

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of June 30, 2020 and December 31, 2019 is summarized in the following table:

	June 30, 2020	December 31, 2019
Power distribution:		
Industrial	**₱ 4,707,726**	₱ 5,554,969
Residential	**1,244,019**	1,825,217
Commercial	**1,852,478**	437,994
City street lighting	**1,752,705**	111,570
Power generation:		
Power supply contracts	**8,235,642**	5,520,439
Spot market	**3,536,952**	1,481,760
	₱ 21,329,522	₱ 14,931,949

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

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of June 30, 2020 and December 31, 2019, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 11.02% and 11.24%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱ 73.2 billion and ₱ 39.9 billion as of June 30, 2020, respectively and of ₱ 46.4 billion and ₱ 35.2 billion as of December 31, 2019, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

June 30, 2020

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	**₱ 42,739,924**	**₱ 42,739,924**	**₱ 3,548,197**	**₱ 32,701,735**	**₱ 6,489,992**	**₱ —**
Customers' deposits	**6,940,490**	**7,149,762**	**—**	**230,406**	**393,016**	**6,526,340**
Financing						
Bank loans	**40,112,658**	**40,112,658**	**—**	**40,112,658**	**—**	**—**
Long-term debts	**258,074,060**	**276,651,898**	**—**	**29,872,109**	**133,994,502**	**112,785,287**
Lease liabilities	**43,457,792**	**59,762,130**	**—**	**9,285,708**	**45,184,645**	**5,291,777**
Long-term obligation on PDS	**211,393**	**360,000**	**—**	**40,000**	**200,000**	**120,000**
Others						
Derivative liabilities	**3,885,220**	**3,675,948**	**—**	**2,493,709**	**1,182,239**	**—**
	₱ 395,421,537	**₱ 430,452,320**	**₱ 3,548,197**	**₱ 114,736,325**	**₱ 187,444,394**	**₱ 124,723,404**

Excludes statutory liabilities

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

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

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

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

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

	June 30, 2020	December 31, 2019
Bank loans	**₱ 40,112,658**	₱ 25,717,137
Long-term obligations	**301,531,852**	284,873,300
Cash and cash equivalents (including restricted cash)	**(82,141,708)**	(55,546,410)
Net debt (a)	**259,502,802**	255,044,027
Equity	**211,676,317**	217,195,081
Equity and net debt (b)	**₱ 471,179,119**	₱ 472,239,108
Gearing ratio (a/b)	**55.08%**	54.01%

24. Financial Instruments

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

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

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

	June 30, 2020		December 31, 2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱ 2,661,658**	**₱ 2,392,843**	₱ 3,183,080	₱ 2,846,279
Financial liabilities				
Lease liabilities	**43,457,792**	**40,655,028**	45,293,761	39,046,242
Long-term debt - fixed rate	**216,607,679**	**228,282,057**	196,854,474	203,058,442
PSALM deferred adjustment	**2,661,658**	**2,392,843**	3,183,080	2,846,279
Long-term obligation on PDS	**211,393**	**289,023**	199,350	320,194
	₱ 262,938,522	**₱ 271,618,951**	₱ 245,530,665	₱ 245,271,157

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

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

Lease liabilities
The fair value of the lease liabilities was calculated by discounting future cash flows using applicable interest rates. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The disclosed fair value is determined using Level 3 inputs.

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

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

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

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

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

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

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

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

	June 30, 2020	December 31, 2019
At beginning of year	**(₱ 2,385,997)**	₱ 132,902
Net changes in fair value of derivatives designated as cash flow hedges	**(968,648)**	(2,515,732)
Net changes in fair value of derivatives not designated as accounting hedges	**(30,428)**	(3,889)
Fair value of settled instruments	**(500,147)**	722
At end of year	**(₱ 3,885,220)**	(₱ 2,385,997)

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly
Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

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

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱ 838,567**	₱ 838,567	**₱ —**	₱ —
At FVOCI	**134,630**	134,630	**—**	—
Derivative liability	**3,885,220**	—	**3,885,220**	—
Disclosed at fair value:				
Lease liabilities	**40,655,028**	—	—	**40,655,028**
Long-term debt - fixed rate	**228,282,057**	—	—	**228,282,057**
Long-term obligation on PDS	**289,023**	—	—	**289,023**

25. Disclosures

a. Seasonality of Interim Operations
Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, Hedcor Bukidnon, Hedcor Tudaya, Hedcor Sabangan and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

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

b. COVID-19
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The economic slowdown during the ECQ has been caused by reduced consumer spending in most sectors and therefore, affects the Group's operations.

In its power segment, energy is being dispatched at a lower level, and because of the reduced energy demand, market prices are down, ultimately affecting the Group's energy trading business. Further, collections were impacted as consumer payments on energy bills were not made on original due dates because of the staggered payment scheme directed by the Energy Regulatory Commission.

In its financial services segment, potential impact is on the expected higher rate of defaults on its loans and receivables.

COVID-19 did not have an immediate impact on the Group's food manufacturing segment. The food manufacturing sector as of June 30, 2020 has been generally unaffected negatively.

In its real estate segment, COVID-19 negatively impact the Group because of decreased construction progress upon implementation of the ECQ, effectively delaying roll-outs of new projects. In addition, a decrease in the number of real estate buyers during this period resulted to a lower sales volume.

In its infrastructure segment, the decline in construction activity resulted to lower demand for cement and construction materials.

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

c. Dividends to Non-Controlling Interests

The Company's material partly-owned subsidiary, AP and its subsidiaries, paid cash dividends amounting to ₱ 1.1 billion and ₱ 2.1 billion to non-controlling interests during the six-month periods ended June 30, 2020 and 2019, respectively.

d. Material Events and Changes

1. In January 2020, AEV International, with the Company acting as the guarantor, issued US dollar-denominated Regulation S-only senior unsecured notes (the "Notes") with an aggregate principal amount of US$400.0 million and a tenor of 10 years. Notes are unrated, have a fixed coupon rate of 4.2% payable semi-annually, and are unconditionally and irrevocably guaranteed by AEV as the guarantor. The Notes are listed on the Singapore Exchange.

2. In April 2020, the Company executed an agreement with Metropolitan Bank & Trust Corporation for a 7-year term loan in the amount of up to ₱ 10.0 billion. The proceeds of the loan will be used to refinance AEV's maturing bonds, finance its capital expenditures, and for general corporate requirements.

3. In July 2020, AP issued ₱ 9.55 billion series E and F bonds. The bonds have a fixed annual interest rate of 3.125% and 3.935% and matures in 2022 and 2025. The bonds have been rated PRS Aaa by PhilRatings.

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

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

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

e. Material Adjustments

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

f. Contingencies

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

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

SCHEDULE A – RELEVANT FINANCIAL RATIOS

	Formula	June 30, 2020	December 31, 2019
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.32**	1.27
Acid test ratio	Cash + Marketable securities + Accounts receivable + Other liquid assets / Current liabilities	**0.97**	0.86
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	**1.93**	1.71
Asset to equity ratio	Total assets / Total equity	**2.93**	2.71
Net debt to equity ratio	Debt - Cash & cash equivalents / Total equity	**1.23**	1.17
Gearing ratio	Debt - Cash & cash equivalents / Total equity + (Debt - Cash & cash equivalents)	**55.08%**	54.01%
Interest coverage ratio	EBIT / Interest expense	**1.98**	3.14
PROFITABILITY RATIOS			
Operating margin	Operating profit / Total revenues	**13%**	16%
Return on equity *	Net income after tax / Total equity	**Not Applicable**	13%

*Ratio marked * is deemed Not Applicable for the interim reporting period since this will not be comparable to the ratio reported in the previous period.*

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES

1) AGING OF RECEIVABLES

AS OF : JUNE 30, 2020

(amounts in thousand pesos)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	11,786,287	2,775,389	1,509,184	5,258,662	21,329,522
Food Manufacturing	6,404,603	422,874	261,252	1,614,164	8,702,893
Real Estate	771,049	360,856	253,917	3,330,442	4,716,264
Holding and Others	954,649	44,498	83,513	44,224	1,126,884
	19,916,588	**3,603,617**	**2,107,866**	**10,247,492**	**35,875,563**
Others	**7,008,337**	**23,099**	**27,938**	**2,028,085**	**9,087,459**
	26,924,925	**3,626,716**	**2,135,804**	**12,275,577**	**44,963,022**
Less Allowance for Expected Credit Losses					**3,104,740**
					41,858,282

2) ACCOUNTS RECEIVABLE DESCRIPTION

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

3) NORMAL OPERATING CYCLE

Power Subsidiaries

- Distribution - 60 days
- Generation - 65 days

Food Subsidiaries - 90 days

Real Estate Subsidiaries - 30 days

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

(SGD.)
ENRIQUE. ABOITIZ
Chairman of the Board

(SGD.)
ERRAMON I. ABOITIZ
President & Chief Executive Officer

(SGD.)
MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 7th day of March 2019

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

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

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz Jr.	[redacted]	February 28, 2018, Manila
		January 30, 2019, Cebu City
Erramon I. Aboitiz		March 11, 2017, Manila
		January 29, 2019, Cebu City
Manuel R. Lozano		May 6, 2018, Manila
		January 10, 2019, Taguig City

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

Witness my hand and seal this 07 day of March 2019.

ATTY. ADRIANNE MARIE C. ALAZAS
ROLL NO. 58849
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Doc. No. 255;
Page No. 52;
Book No. II;
Series of 2019.

Atty. Adrianne Marie C. Alazas
Notary Public for Taguig City
Notarial Commission No. 650
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208014, January 07, 2019; Taguig City
IBP O.R. No. 061325 Taguig City, January 08, 2019
Roll No. 58449
MCLE No. VI-0015882, December 13, 2018

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2018, the goodwill amounted to ₱56.26 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Acquisition of Gold Coin Management Holdings (GCMH)

As disclosed in Note 9 to the consolidated financial statements, on July 27, 2018, the Group, through Pilmico International Pte. Ltd., entered into a Sale and Purchase Agreement (SPA) to acquire 75% ownership interest in GCMH from Golden Springs Group Ltd. for US$333.8 million or ₱18.1 billion. The goodwill recognized based on the provisional purchase price allocation performed was ₱15.5 billion. We consider the accounting for this acquisition to be a key audit matter due to the transaction's financial significance to the Group and significant management judgment and estimation involved in determining the acquisition date, existence of control, identifying the underlying acquired assets and liabilities, and determining their fair values, specifically the property, plant and equipment.

Audit Response
We reviewed the SPA and other agreements covering the acquisition, the consideration paid and the provisional purchase price allocation. We reviewed the identification of GCMH's underlying assets and liabilities, specifically the property, plant and equipment, based on our understanding of GCMH's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who prepared the appraisal report by

considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers.

We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 24% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. In addition, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, which involves the accounting for the sale of electricity which qualifies as a series of distinct services which is accounted for as one performance obligation that will be satisfied over the period when the services are expected to be provided.

The Group's disclosures related to this matter are provided in Notes 2 and 25 to the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

On PFRS 15 adoption, we obtained understanding of the Group's implementation process and tested the relevant controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the performance obligation identified to be provided by the Group, the determination of transaction price, and the timing of the revenue recognition based on the period when services are to be rendered. We also reviewed the notes disclosure on the adoption of PFRS 15.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2018, certain segments of its property, plant and equipment totaling ₱5.44 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 13 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment. In addition, the Group adopted PFRS 9, *Financial Instruments*, effective January 1, 2018, which introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response
We obtained the financial information of UBP for the year ended December 31, 2018 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments as at January 1, 2018.

We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response
We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
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Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2018, the goodwill amounted to ₱56.26 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Acquisition of Gold Coin Management Holdings (GCMH)

As disclosed in Note 9 to the consolidated financial statements, on July 27, 2018, the Group, through Pilmico International Pte. Ltd., entered into a Sale and Purchase Agreement (SPA) to acquire 75% ownership interest in GCMH from Golden Springs Group Ltd. for US$333.8 million or ₱18.1 billion. The goodwill recognized based on the provisional purchase price allocation performed was ₱15.5 billion. We consider the accounting for this acquisition to be a key audit matter due to the transaction's financial significance to the Group and significant management judgment and estimation involved in determining the acquisition date, existence of control, identifying the underlying acquired assets and liabilities, and determining their fair values, specifically the property, plant and equipment.

Audit Response
We reviewed the SPA and other agreements covering the acquisition, the consideration paid and the provisional purchase price allocation. We reviewed the identification of GCMH's underlying assets and liabilities, specifically the property, plant and equipment, based on our understanding of GCMH's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who prepared the appraisal report by

considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers.

We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 24% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. In addition, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, which involves the accounting for the sale of electricity which qualifies as a series of distinct services which is accounted for as one performance obligation that will be satisfied over the period when the services are expected to be provided.

The Group's disclosures related to this matter are provided in Note 2 and 25 to the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

On PFRS 15 adoption, we obtained understanding of the Group's implementation process and tested the relevant controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the performance obligation identified to be provided by the Group, the determination of transaction price, and the timing of the revenue recognition based on the period when services are to be rendered. We also reviewed the notes disclosure on the adoption of PFRS 15.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2018, certain segments of its property, plant and equipment totaling ₱5.44 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 13 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment. In addition, the Group adopted PFRS 9, *Financial Instruments*, effective January 1, 2018, which introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response
We obtained the financial information of UBP for the year ended December 31, 2018 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments as at January 1, 2018.

We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response
We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 7, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
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PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31, 2018	December 31, 2017 (As restated; Note 10)	January 1, 2017 (As restated; Note 10)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱59,033,029**	₱64,870,214	₱63,857,528
Trade and other receivables (Note 5)	**33,795,312**	24,192,785	21,732,203
Inventories (Note 6)	**22,103,434**	12,453,335	10,221,448
Land and improvements (Note 6)	**2,340,113**	3,689,677	3,525,381
Property held for sale (Note 13)	**675,819**	–	–
Derivative asset (Note 36)	**71,583**	228,644	188,417
Other current assets (Notes 7 and 8)	**17,989,065**	12,442,516	9,579,230
Total Current Assets	**136,008,355**	117,877,171	109,104,207
Noncurrent Assets			
Property, plant and equipment (Notes 13 and 19)	**221,430,841**	213,232,540	202,237,611
Investments and advances (Note 10)	**106,959,557**	91,609,592	86,637,677
Goodwill (Notes 9 and 12)	**56,261,911**	41,308,689	41,249,629
Investment properties (Notes 14 and 29)	**8,224,667**	6,844,633	5,372,390
Intangible asset - service concession rights (Note 15)	**3,791,377**	3,062,307	3,222,123
Deferred income tax assets (Note 31)	**2,324,773**	1,525,630	1,893,878
Trade receivables - net of current portion (Note 5)	**258,809**	580,925	277,771
Derivative asset - net of current portion (Note 36)	**221,245**	113,297	103,443
Financial assets at fair value through profit or loss (FVTPL) (Notes 2 and 3)	**353,734**	–	–
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2 and 3)	**225,552**	–	–
Available-for-sale (AFS) investments (Notes 2 and 3)	**–**	772,794	563,748
Debt investments at amortized cost (Notes 2 and 3)	**453,871**	–	–
Held-to-maturity (HTM) investments (Notes 2 and 3)	**–**	189,216	–
Net pension assets (Note 30)	**158,575**	176,952	115,264
Other noncurrent assets (Notes 8 and 16)	**17,914,967**	14,637,951	15,217,184
Total Noncurrent Assets	**418,579,879**	374,054,526	356,890,718
TOTAL ASSETS	**₱554,588,234**	₱491,931,697	₱465,994,925

LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 18, 34 and 39)	**₱34,725,810**	₱24,536,584	₱22,210,909
Bank loans (Note 17)	**26,978,586**	23,701,140	8,259,028
Current portions of:			
Long-term debts (Note 19)	**10,702,974**	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	**40,000**	40,000	40,000
Finance lease obligations (Notes 13 and 22)	**4,131,059**	3,316,165	2,968,491
Derivative liability (Note 36)	**161,565**	47,577	127,442
Income tax payable	**535,233**	703,489	685,215

(Forward)

	December 31, 2018	December 31, 2017 (As restated; Note 10)	January 1, 2017 (As restated; Note 10)
Total Current Liabilities	**77,275,227**	73,067,285	41,989,346
Noncurrent Liabilities			
Noncurrent portions of:			
Long-term debts (Note 19)	**₱200,729,393**	₱168,364,717	₱189,184,633
Finance lease obligations (Notes 13 and 22)	**42,763,296**	45,909,089	49,371,713
Trade payables (Notes 18 and 34)	**3,695,261**	880,943	578,892
Long-term obligation on PDS (Note 15)	**173,496**	186,071	197,248
Customers' deposits (Note 20)	**6,127,788**	6,269,383	7,040,347
Asset retirement obligation (Note 21)	**3,678,810**	2,959,060	1,821,577
Deferred income tax liabilities (Note 31)	**2,395,200**	1,623,915	1,567,411
Net pension liability (Note 30)	**486,232**	400,306	347,699
Derivative liability - net of current portion (Note 36)	**–**	–	233,435
Total Noncurrent Liabilities	**260,049,476**	226,593,484	250,342,955
Total Liabilities	**337,324,703**	299,660,769	292,332,301
Equity Attributable to Equity Holders of the Parent			
Capital stock (Note 23)	**5,694,600**	5,694,600	5,694,600
Additional paid-in capital (Note 23)	**13,013,197**	13,013,197	13,013,197
Other equity reserves:			
Gain on dilution (Note 2)	**5,043,152**	5,043,152	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540	469,540
Acquisition of non-controlling interests (Note 2)	**(1,679,549)**	(1,577,075)	(1,577,075)
Accumulated other comprehensive income (loss):			
Net unrealized mark-to-market gains on FVOCI investments	**143**	–	–
Net unrealized mark-to-market gains on AFS investments	**–**	17,280	9,106
Cumulative translation adjustments (Note 36)	**734,404**	189,465	34,262
Actuarial losses on defined benefit plans (Note 30)	**(676,765)**	(666,132)	(783,891)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	**(435,068)**	(537,099)	(513,132)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	**250,295**	(107,913)	(95,378)
Share in net unrealized mark-to-market gains on FVOCI investments of associates (Note 10)	**114,527**	–	–
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	**–**	(3,229,609)	(3,938,424)
Retained earnings (Notes 10 and 24)			
Appropriated	**4,200,000**	1,622,000	2,717,000
Unappropriated	**148,541,910**	135,288,145	120,077,394
Treasury stock at cost (Note 23)	**(565,246)**	(521,132)	(521,132)
	174,705,140	154,698,419	139,962,243
Non-controlling Interests	**42,558,391**	37,572,509	33,700,381
Total Equity	**217,263,531**	192,270,928	173,662,624
TOTAL LIABILITIES AND EQUITY	**₱554,588,234**	₱491,931,697	₱465,994,925

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Sale of:			
Power (Note 25)	**₱130,734,557**	₱118,759,149	₱88,585,890
Goods	**47,751,035**	23,819,250	21,848,393
Real estate (Notes 14 and 25)	**3,925,308**	3,613,388	2,440,854
Fair value of swine (Note 8)	**2,501,841**	2,410,542	1,854,053
Service fees (Note 39)	**1,883,506**	1,620,401	1,453,336
Others (Note 34)	**146,573**	198,875	232,554
	186,942,820	150,421,605	116,415,080
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 26, 27, 34 and 39)	**71,680,298**	63,949,850	46,226,259
Cost of goods sold (Notes 6 and 27)	**43,693,907**	21,700,262	18,886,189
Operating expenses (Notes 27, 34, 38 and 39)	**30,398,694**	26,255,915	21,187,182
Cost of real estate sales (Note 6)	**1,871,385**	1,825,570	1,084,740
Overhead expenses (Note 27)	**136,593**	113,864	109,671
	147,780,877	113,845,461	87,494,041
OPERATING PROFIT	**39,161,943**	36,576,144	28,921,039
Share in net earnings of associates and joint ventures (Note 10)	**7,727,663**	9,053,733	9,651,787
Interest income (Notes 4, 34 and 35)	**1,476,151**	1,375,695	1,436,933
Interest expense (Notes 22 and 35)	**(14,638,588)**	(13,117,362)	(9,567,997)
Other income (expense) - net (Notes 5, 29 and 34)	**1,410,826**	(26,134)	2,501,026
INCOME BEFORE INCOME TAX	**35,137,995**	33,862,076	32,942,788
PROVISION FOR INCOME TAX (Note 31)	**3,899,198**	4,583,055	4,289,663
NET INCOME	**₱31,238,797**	₱29,279,021	₱28,653,125
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,232,977**	₱21,608,695	₱22,473,458
Non-controlling interests	**9,005,820**	7,670,326	6,179,667
	₱31,238,797	₱29,279,021	₱28,653,125
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱3.947**	₱3.836	₱4.017

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,232,977**	₱21,608,695	₱22,473,458
Non-controlling interests	**9,005,820**	7,670,326	6,179,667
	31,238,797	29,279,021	28,653,125
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in cumulative translation adjustments, net of tax	**639,746**	199,556	(203,067)
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**464,139**	(16,305)	128,173
Share in movement in net unrealized mark-to-market gains (losses) on FVOCI investments of associates (Note 10)	**14,295**	–	–
Movement in net unrealized mark-to-market losses on FVOCI investments	**(17,136)**	–	–
Movement in net unrealized mark-to-market losses on AFS investments	**–**	(2,413)	(5,848)
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	**–**	702,564	(189,693)
	1,101,044	883,402	(270,435)
Items that will not be reclassified to consolidated statements of income:			
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**112,229**	(22,788)	(178,244)
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**(10,633)**	126,137	12,076
	101,596	103,349	(166,168)
TOTAL COMPREHENSIVE INCOME	**₱32,441,437**	₱30,265,772	₱28,216,522
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱23,247,913**	₱22,562,144	₱22,068,509
Non-controlling interests	**9,193,524**	7,703,628	6,148,013
	₱32,441,437	₱30,265,772	₱28,216,522

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent																		
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Net Unrealized Mark-to-Market Gains (Losses) on Investments in Financial Assets at FVOCI	Share in Net Unrealized Mark-to-Market Gains (Losses) on Investments in Financial Assets at FVOCI of Associates	Retained Earnings: Appropriated (Note 24)	Retained Earnings: Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2018, as previously reported	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	₱17,280	₱189,465	(₱666,132)	(₱537,099)	(₱107,913)	(₱3,229,609)	₱–	₱–	₱1,622,000	₱135,600,929	(₱521,132)	₱155,011,203	₱37,572,509	₱192,583,712
Effects of adoption of new accounting standards (Notes 2 and 3)	–			–		(17,280)	-	-	-	–	3,229,609	(798)	95,077		810,043		4,116,651		4,116,651
Share in restatement of an associate (Note 10)	–			–		–	-	-	-	–		–	–		(312,784)	–	(312,784)		(312,784)
Balances at January 1, 2018, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,577,075)	–	189,465	(666,132)	(537,099)	(107,913)		(798)	95,077	1,622,000	136,098,188	(521,132)	158,815,070	37,572,509	196,387,579
Net income for the year	–			–		–	-	-	-	–		–	–		22,232,977	–	22,232,977	9,005,820	31,238,797
Other comprehensive income																			
Movement in net unrealized mark-to-market losses on Investments in Financial Assets at FVOCI	–			–		–	-	-	-	–		941	–		–	–	941	(18,077)	(17,136)
Movement in cumulative translation adjustments	–			–		–	544,939	-	-	–		–	–		–	–	544,939	94,807	639,746
Actuarial gains on defined benefit plans, net of tax	–			–		–	-	(10,633)	-	–		–	–		–	–	(10,633)		(10,633)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–			–		–	-	-	102,031	–		–	–		–	–	102,031	10,198	112,229
Share in cumulative translation adjustment of associates and joint ventures	–			–		–	-	-	-	358,208		–	–		–	–	358,208	105,931	464,139
Share in movement in net unrealized mark-to-market losses on Investments in Financial Assets at FVOCI of associates	–			–		–	-	-	-	–		–	19,450		–	–	19,450	(5,155)	14,295
Total comprehensive income (loss) for the year	–			–		–	544,939	(10,633)	102,031	358,208		941	19,450		22,232,977	–	23,247,913	9,193,524	32,441,437
Cash dividends - ₱1.28 per share (Note 24)	–			–		–	-	-	-	–		–	–		(7,211,255)	–	(7,211,255)		(7,211,255)
Acquisition of treasury shares	–			–		–	-	-	-	–		–	–		–	(44,114)	(44,114)		(44,114)
Reversal of appropriation	–			–		–	-	-	-	–		–	–	(1,622,000)	1,622,000	–			–
Appropriation during the year	–			–		–	-	-	-	–		–	–	4,200,000	(4,200,000)	–			–
Cash dividends paid to non-controlling interests	–			–		–	-	-	-	–		–	–		–	–		(5,831,777)	(5,831,777)
Acquisition of non-controlling interests	–			–	(102,474)	–	-	-	-	–		–	–		–	–	(102,474)	246	(102,228)
Changes in non-controlling interests	–			–		–	-	-	-	–		–	–		–	–		1,623,889	1,623,889
Balances at December 31, 2018, as restated	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,679,549)	₱–	₱734,404	(₱676,765)	(₱435,068)	₱250,295	₱	₱143	₱114,527	₱4,200,000	₱148,541,910	(₱565,246)	₱174,705,140	₱42,558,391	₱217,263,531

	Attributable to equity holders of the parent																
												Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisiion of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
Balances at January 1, 2017, as previously reported	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,700,381	₱173,975,408
Share in restatement of an associate (Note 10)	-	–		-	–		-		-	–	–	-	(312,784)	–	(312,784)	–	(312,784)
Balances at January 1, 2017, as restated	5,694,600	13,013,197	5,376,176	469,540	(1,577,075)	9,106	34,262	(783,891)	(513,132)	(95,378)	(3,938,424)	2,717,000	120,077,394	(521,132)	139,962,243	33,700,381	173,662,624
Net income for the year	-	–		-	–		-		-	–	–	-	21,608,695	–	21,608,695	7,670,326	29,279,021
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	-	–		-	–	8,174	-		-	–	–	-	–	–	8,174	(10,587)	(2,413)
Movement in cumulative translation adjustments	-	–		-	–		155,203		-	–	–	-	–	–	155,203	44,353	199,556
Actuarial gains on defined benefit plans, net of tax	-	–		-	–		-	117,759	-	–	–	-	–	–	117,759	–	117,759
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	–		-	–		-		(23,967)	–	–	-	–	–	(23,967)	1,179	(22,788)
Share in cumulative translation adjustment of associates and joint ventures	-	–		-	–		-		-	(12,535)	–	-	–	–	(12,535)	(3,770)	(16,305)
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	–		-	–		-		-	-	708,815	-	–	–	708,815	2,127	710,942
Total comprehensive income (loss) for the year	-	–		-	–	8,174	155,203	117,759	(23,967)	(12,535)	708,815	-	21,608,695	–	22,562,144	7,703,628	30,265,772
Gain on dilution	-	–	(333,024)	-	–		-		-	–	–	-	–	–	(333,024)	–	(333,024)
Cash dividends - ₱1.33 per share (Note 24)	-	–		-	–		-		-	–	–	-	(7,492,944)	–	(7,492,944)	–	(7,492,944)
Reversal of appropriation during the year	-	–		-	–		-		-	–	–	(1,095,000)	1,095,000	–	–	–	–
Cash dividends paid to non-controlling interests	-	–		-	–		-		-	–	–	-	–	–	–	(3,077,223)	(3,077,223)
Changes in non-controlling interests	-	–		-	–		-		-	–	–	-	–	–	–	(754,277)	(754,277)
Balances at December 31, 2017, as restated	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	₱17,280	₱189,465	(₱666,132)	(₱537,099)	(₱107,913)	(₱3,229,609)	₱1,622,000	₱135,288,145	(₱521,132)	₱154,698,419	₱37,572,509	₱192,270,928

	Attributable to equity holders of the parent																
												Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
Balances at January 1, 2016, as previously reported	₱5,694,600	₱7,683,568	₱537,617	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱–	₱106,521,242	(₱1,065,585)	118,219,958	₱28,764,484	₱146,984,442
Share in restatement of an associate (Note 10)	–	-		–	–			–		·	–	–	(312,784)	–	(312,784)	–	(312,784)
Balances at January 1, 2016, as restated	5,694,600	7,683,568	537,617	469,540	(1,577,075)	14,188	176,379	(795,967)	(334,456)	(193,921)	(3,748,731)	–	106,208,458	(1,065,585)	117,907,174	28,764,484	146,671,658
Net income for the year	–	-		–	–			–		·	–	–	22,473,458	–	22,473,458	6,179,667	28,653,125
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	–	-		–	–	(5,082)		–		·	–	–	–	–	(5,082)	(766)	(5,848)
Movement in cumulative translation adjustments	–	-		–	–		(142,117)	–		·	–	–	–	–	(142,117)	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	–	-		–	–			12,076		·	–	–	–	–	12,076	–	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	-		–	–			–	(178,676)	·	–	–	–	–	(178,676)	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	–	-		–	–			–		98,543	–	–	–	–	98,543	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	-		–	–			–		·	(189,693)	–	–	–	(189,693)	–	(189,693)
Total comprehensive income (loss) for the year	–	-		–	–	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	–	22,473,458	–	22,068,509	6,148,013	28,216,522
Cash dividends - ₱1.06 per share (Note 24)	–	-		–	–			–		·	–	–	(5,887,522)	–	(5,887,522)	–	(5,887,522)
Appropriation during the year	–	-		–	–			–		·	–	2,717,000	(2,717,000)	–		–	–
Cash dividends paid to non-controlling interests	–	-		–	–			–		·	–	–	–	–		(4,456,950)	(4,456,950)
Sale of treasury shares	–	5,329,629		–	–			–		·	–	–	–	544,453	5,874,082	–	5,874,082
Acquisition of a subsidiary (Note 9)	–	-		–	–			–		·	–	–	–	–		3,164,230	3,164,230
Changes in non-controlling interests	–	-		–	–			–		·	–	–	–	–		80,604	80,604
Balances at December 31, 2016, as restated	₱5,694,600	₱13,013,197	₱537,617	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,077,394	(₱521,132)	139,962,243	₱33,700,381	₱173,662,624

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱35,137,995**	₱33,862,076	₱32,942,788
Adjustments for:			
Interest expense (Note 35)	**14,638,588**	13,117,362	9,567,997
Depreciation and amortization (Note 27)	**9,818,432**	8,455,978	6,829,395
Net unrealized foreign exchange losses	**1,319,008**	746,648	1,532,081
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12 and 13)	**847,620**	3,191,786	320,328
Write-off / provision for decline in value of project costs	**179,225**	143,613	221,969
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	**292,194**	52,164	(50,125)
FVTPL, FVOCI and Held-to-collect (HTC) investments (Note 3)	**8,830**	–	–
Investment in a subsidiary (Note 9)	**(165,876)**	–	–
AFS investments (Note 3)	**–**	(1,549)	(25,105)
Unrealized mark-to-market losses (gains) on derivatives	**196,096**	(367,868)	3,316
Unrealized mark-to-market losses on FVTPL investments	**13,518**	–	–
Dividend income (Note 29)	**(19,060)**	(5,946)	(250)
Net unrealized valuation gains on investment property (Notes 14 and 29)	**(511,820)**	(862,219)	(166,476)
Interest income (Note 35)	**(1,476,151)**	(1,375,695)	(1,436,933)
Share in net earnings of associates and joint ventures (Note 10)	**(7,727,663)**	(9,053,733)	(9,651,787)
Gain on redemption of shares	**–**	–	(16,051)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	**–**	(392,340)	(350,939)
Operating income before working capital changes	**52,550,936**	47,510,277	39,720,208
Decrease (increase) in:			
Trade and other receivables	**(5,046,239)**	(4,444,457)	(894,679)
Inventories	**(2,404,398)**	(1,565,400)	(810,917)
Land and improvements	**(387,780)**	(444,907)	(438,962)
Pension asset	**–**	(82,030)	–
Other current assets	**(3,764,697)**	(2,426,441)	(1,559,481)
Increase (decrease) in:			
Trade and other payables (Note 9)	**1,840,197**	(1,235,398)	(24,234)
Pension liability	**(12,940)**	(98,406)	(59,559)
Customers' deposits	**(86,326)**	(708,720)	510,517
Net cash generated from operations	**42,688,753**	36,504,518	36,442,893
Income and final taxes paid	**(4,271,404)**	(4,267,206)	(4,868,433)
Net cash flows from operating activities	**38,417,349**	32,237,312	31,574,460
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	**5,355,297**	6,060,299	8,608,988
Interest received	**1,618,973**	1,480,887	1,472,936
Proceeds from sale of:			
FVTPL, FVOCI and HTC investments (Note 3)	**156,062**	–	–
Property, plant and equipment	**35,694**	414,606	168,381
AFS investments	**–**	26,731	37,155

(Forward)

	Years Ended December 31		
	2018	2017	2016
Acquisition through business combination, net of cash acquired (Note 9)	**(₱16,211,727)**	₱747,150	(₱44,572,591)
Disposal of a subsidiary, net of cash disposed (Note 9)	**296,441**	–	–
Additions to:			
FVTPL, FVOCI and HTC investments (Note 3)	**(276,062)**	–	–
Property, plant and equipment and investment properties (Notes 13 and 14)	**(10,687,679)**	(18,317,445)	(31,024,798)
Investments in and advances to associates (Note 10)	**(7,873,129)**	(1,766,819)	(12,408,168)
AFS investments	**–**	(417,987)	(213,931)
Increase in intangible asset - service concession rights (Note 15)	**(774,441)**	(131,502)	(45,875)
Decrease (increase) in other noncurrent assets	**(2,401,684)**	599,306	(6,303,485)
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	**–**	–	51,976
Net cash flows used in investing activities	**(30,762,255)**	(11,304,774)	(84,229,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**39,157,476**	43,968,605	74,674,514
Net proceeds from (settlements of) bank loans	**1,054,387**	15,424,292	(625,532)
Proceeds from issuance (acquisition) of treasury shares (Note 23)	**(44,114)**	–	5,874,083
Acquisition of non-controlling interests (Note 2)	**(220,200)**	–	–
Cash dividends paid and other changes to non-controlling interest	**(5,831,777)**	(3,077,223)	(4,434,075)
Cash dividends paid to equity holders of the parent (Note 24)	**(7,211,254)**	(7,492,944)	(5,887,523)
Interest paid	**(10,935,378)**	(8,858,875)	(5,002,512)
Payments of:			
Long-term debts (Note 19)	**(21,388,035)**	(51,545,504)	(4,232,593)
Finance lease obligations (Note 21)	**(7,804,460)**	(7,877,292)	(7,517,917)
Net cash flows from (used in) financing activities	**(13,223,355)**	(19,458,941)	52,848,445
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,568,261)**	1,473,597	193,493
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(268,924)**	(460,911)	82,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**64,870,214**	63,857,528	63,581,884
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱59,033,029**	₱64,870,214	₱63,857,528

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission (SEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 7, 2019.

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

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except as otherwise indicated, adoption of the following new and revised standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

- PFRS 9*, Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group has adopted this new standard without restating comparative information.

  As of January 1, 2018, the Group has reviewed and assessed all of its existing financial instruments. The table below illustrates the classification and measurement of financial instruments under PFRS 9 and PAS 39 at the date of initial application.

  The measurement category and the carrying amount of financial instruments in accordance with PAS 39 and PFRS 9 as of January 1, 2018 are compared as follows:

Financial Assets	**Original Measurement Category Under PAS 39**	**Original Carrying Amount Under PAS 39**	**New Measurement Category Under PFRS 9**	**New Carrying Amount Under PFRS 9**
Cash on hand and in banks	Loans and receivables	₱13,080,148	Financial assets at amortized cost	₱13,080,148
Cash equivalents	Loans and receivables	51,790,066	Financial assets at amortized cost	51,790,066
Investment in equity securities not held for trading	AFS investments	480,059	Financial assets at fair value through profit or loss (FVTPL)	480,059
Investment in debt securities not held for trading	AFS investments	292,735	Debt investments at amortized cost	292,735
Investment in debt securities not held for trading	HTM investments	189,216	Debt investments at amortized cost	189,216
Trade and other receivables				
Trade receivables	Loans and receivables	23,249,908	Debt instruments at amortized cost	23,122,774
Other receivables	Loans and receivables	1,523,802	Debt instruments at amortized cost	1,523,802
Derivative assets	Financial assets at fair value through profit or loss (FVPL)	341,941	Financial assets at FVTPL	341,941
Restricted cash	Loans and receivables	2,642,327	Financial assets at amortized cost	2,642,327

  As of December 31, 2018 and 2017, the Group does not hold financial liabilities designated at fair value through profit or loss.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018, and prior period's closing impairment allowance measured in accordance with PAS 39 and the provisions in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018:

	PAS 39 measurement		Reclassification	Remeasurement		PFRS 9
Financial assets	Category	Amount		ECL	Amount	Category
Cash and cash equivalents	L&R[1]	₱64,870,214	₱64,870,214	₱–	₱64,870,214	AC[2]
Trade and other receivables	L&R	24,773,710	24,773,710	(127,134)	24,646,576	AC
Restricted cash	L&R	2,642,327	2,642,327	–	2,642,327	AC
	L&R	₱92,286,251	₱92,286,251	(₱127,134)	₱92,159,117	AC
Financial investments - AFS		₱772,794	(₱772,794)	₱–	N/A	
To: *FVTPL*			(480,059)			
To: *Debt investments at amortized cost*			(292,735)			
	AFS	₱772,794	(₱772,794)	₱–	N/A	
Derivative assets	FVPL	₱341,941	₱341,941	₱–	₱341,941	FVTPL
Financial assets at fair value through profit or loss	FVPL	–	480,059	–	480,059	FVTPL
From: *Financial investments - AFS*		–	480,059	–		
	AFS	341,941	822,000	–	822,000	FVTPL
Debt instruments - HTM		₱189,216	(₱189,216)	₱–	N/A	
To: Debt investments at amortized cost			(189,216)			
	HTM	189,216	(189,216)	–	N/A	
Debt investments at amortized cost		N/A	₱481,951	₱–	₱481,951	AC
From: *Financial investments - AFS*			292,735		292,735	
From: *Debt instruments - HTM*			189,216		189,216	
		N/A	481,951	–	481,951	AC

[1]L&R: Loans and receivables
[2]AC: Amortized cost

The Group does not have financial assets and financial liabilities which had previously been designated FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or fair value through other comprehensive income (FVOCI) upon transition to PFRS 9.

Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except those measured at FVTPL and equity instruments at FVOCI are assessed for at least 12-month expected credit loss (ECL) and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting.

We determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under PFRS 9. As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 did not have a significant impact on the consolidated financial statements.

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

	As at January 1, 2018
Increase (decrease) in consolidated balance sheets:	
Trade and other receivables	(₱127,134)
AFS investments	(772,794)
Financial assets at FVTPL	480,059
HTM investments	(189,216)
Debt investments at amortized cost	481,951
Investments and advances (see Note 10)	4,248,654
Deferred income tax assets	22,508
Total Assets	₱4,144,028
Deferred income tax liabilities	(₱3,573)
Net unrealized mark-to-market gain on AFS investments	3,306,608
Retained earnings	857,957
Non-controlling interests	(16,964)
Total Liabilities and Equity	₱4,144,028

- PFRS 15*, Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation.

  Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  The Group adopted PFRS 15 using the modified retrospective method, effective January 1, 2018. The Group elected to apply the method to only those contracts that were not completed at the date of initial recognition.

Except for the Real Estate Group, the adoption of PFRS 15 has no significant impact on the operating performance and financial condition of the rest of the Group.

Real Estate Segment

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC &A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 7, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC Memorandum Circular Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of PIC Q&A Nos. 2018-12 and 2018-14 for a period of 3 years:

- Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E;
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D;
- Accounting to Common Usage Service Area (CUSA) charges discussed in PIC Q&A No. 2018-12-H; and,
- Accounting for Cancellation of Real Estate Sales discussed in PIC Q&A No. 2018-14

This deferral will only be applicable for real estate sales transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A Nos. 2018-12 and 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Real Estate Group availed of the deferral of the accounting for significant financing component and cancellation of real estate sales as provided in PIC Q&A Nos. 2018-12 and 2018-14, respectively. Had these provisions been adopted, it would have the following impact to the consolidated financial statements:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract would constitute a significant financing component. Interest income is recognized for contract assets and interest expense for contract liabilities using the effective interest rate method which would have an impact on retained earnings as at January 1, 2018 and the real estate sales in 2018; and
b. The repossessed real estate inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018.

Consistent with the chosen approach of the AEV Group, Real Estate Group applied the modified retrospective method only to those contracts that are not completed as at January 1, 2018.

The cumulative impact of the changes made, excluding the impact of significant financing component and cancellation of real estate sales, to the Group's consolidated balance sheet for the adoption of PFRS 15 is as follows:

	As at January 1, 2018
Increase (decrease) in consolidated balance sheet:	
Trade and other receivables	(₱2,827,104)
Contract assets	3,047,305
Inventories	188,010
Trade receivables - net of current portion	(350,249)
Total Assets	₱57,962
Trade and other payables	₱109,855
Contract liabilities	36,649
Customers' deposits	(36,649)
Retained Earnings	(47,914)
Non-controlling interests	(3,979)
Total Liabilities and Equity	₱57,962

The nature of the adjustments causing significant changes in some line items of the consolidated balance sheet as at January 1, 2018 and December 31, 2018, and the consolidated statement of income for the year ended December 31, 2018 are described below:

- *Sale of Real Estate.* The Real Estate Group determines the overall POC for revenue recognition purposes by adding all weighted POC specific to each construction activity. The weighted POC for each activity is arrived at by multiplying the relative weight of each activity to its POC determined on the basis of the estimated completion of physical proportion of the contract work.

  Under PFRS 15, the cost of the lot should be excluded for purposes of determining the POC since the cost to procure the lot is not proportionate to the Real Estate Group's progress in satisfying the performance obligation.

  As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to a decrease in retained earnings and trade and other receivables by ₱43.7 million and ₱130 million, respectively, and increase in real estate inventories by ₱86.4 million. As at and for the year ended December 31, 2018, the impact of excluding the cost of the lot in determining POC is impracticable to determine. This is considering that upon adoption of PFRS 15 in January 2018, the Real Estate Group has already excluded the cost of the lot in the computation for POC, and thus, has stopped monitoring the financial impact on the difference in the manner of POC computation.

- *Amounts Billed for Work Performed/Amount Billed in Advance for Construction Work.* PFRS 15 requires to present separately the contract asset (right to consideration in exchange for goods or services that has transferred), contract liability (obligation to transfer goods or services to a customer for which the entity has received consideration) and receivable (right to consideration is unconditional).

In the case of contracts wherein the recognized real estate sales determined based on POC exceed the amount billed, the difference shall be presented as "Contract Assets". In cases wherein the recognized sales based on POC are lower than the amount billed, the difference shall be presented as "Contract Liabilities".

As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to an increase in contract assets and contract liabilities by ₱3.0 billion and ₱36.6 million, respectively, and decrease in trade and other receivables, trade receivables - net of current portion and customers' deposits by ₱2.8 billion, ₱350.2 million and ₱36.6 million, respectively. As at December 31, 2018, the contract assets and contract liabilities have increased by ₱758.6 million and ₱146.9 million, respectively, and the trade and other receivables, trade receivables-net of current portion and customers' deposits in the consolidated balance sheet have decreased by ₱758.3 million, ₱0.3 million and ₱146.9 million, respectively.

- *Incremental Costs to Obtain Contracts.* The Real Estate Group incurs incremental sales commissions to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. Under PAS 18, the Real Estate Group recognized sales commission as expense when incurred.

  Under PFRS 15, these are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. The Real Estate Group concluded that these costs should be capitalized and amortized on a systematic basis that is consistent with the transfer of the related goods/services to the customer (i.e. POC). It also applied practical expediency wherein contract costs shall be immediately expensed when the asset that would have resulted from capitalizing such costs is to be amortized within one year or less.

  As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to a decrease in retained earnings by ₱8.2 million and increase in real estate inventories and trade and other payables by ₱101.6 million and ₱109.9 million, respectively. As at and for the period ended December 31, 2018, the commission expense recorded under cost of sales and the forfeitures under other income in the consolidated statement of income have decreased by ₱71.0 million and the real estate inventories and trade and other payables in the consolidated balance sheet have increased by ₱28.0 million and ₱11.0 million, respectively.

- Amendments to PFRS 2*, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met.

These amendments are not applicable to the Group since it has no share-based payment arrangements.

- Amendments to PFRS 4*, Insurance Contracts,* Applying PFRS 9*, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The Group's activities are not predominantly connected with insurance. These amendments do not have any significant impact on the Group's consolidated financial statements.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. Since the Group's current practice is in line with the clarifications issued, these amendments do not have an impact on its consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice is in line with the clarifications issued, this interpretation does not have any effect on its consolidated financial statements.

<u>New Standards and Interpretations Issued and Effective after December 31, 2018</u>
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective January 1, 2019

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group plans to adopt PFRS 16 on the required effective date using the modified retrospective method. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

In 2018, the Group performed a preliminary impact assessment of PFRS 16. Based on the initial assessment, the standard may have an impact on the Group's consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group expects that adoption of these amendments will not have any impact on its consolidated financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  Since the Group does not have such long-term interests in its associates and joint venture to which equity method is not applied, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

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

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

Deferred effectivity

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

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

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following subsidiaries as at December 31 of each year:

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	**76.98%**	**–%**	76.88%	–%
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Malvar Enerzone Corporation (MVEZ) *(A)*	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding	Philippines	**–**	**100.00**	–	100.00
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power	Philippines	**–**	**100.00**	–	100.00
AboitizPower International B.V. (formerly Sunedison Philippines Helios B.V.) (see Note 9)	Holding	Netherlands	**–**	**100.00**	–	100.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kalinga, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewable Energy Corporation	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Energy, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Cleanergy, Inc. (CI)*	Power	Philippines	**–%**	**100.00%**	–%	100.00%
Hydro Electric Development Corporation*	Power	Philippines	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	**–**	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Retensol, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation	Power	Philippines	**–**	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	**–**	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power-Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mariveles Holding Cooperatief U.A. *(B)*	Holding	Netherlands	**–**	**–**	–	100.00
Therma Mariveles B.V. *(B)*	Holding	Netherlands	**–**	**–**	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Netherlands	**–**	**100.00**	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power	Philippines	**–**	**66.07**	–	66.07
Therma Dinginin Holding Cooperatief U.A.	Holding	Netherlands	**–**	**100.00**	–	100.00
Therma Dinginin B.V.	Holding	Netherlands	**–**	**100.00**	–	100.00
Therma Dinginin Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	**–**	**80.00**	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	**–**	**60.00**	–	60.00
AboitizPower International Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	**–**	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	**–**	**60.00**	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	**–**	**60.00**	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**–**	**100.00**	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	**–**	**60.00**	–	60.00
Misamis Oriental Land Development Corporation (MOLDC)	Real estate	Philippines	**–**	**60.00**	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	**–**	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico Vietnam Feeds Joint Stock Company (Pilmico Feeds)	Food manufacturing	Vietnam	**–**	**100.00**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Pilmico Viet Nam Trading Company, Ltd. (PVTC)	Trading	Vietnam	**–%**	**100.00%**	–%	100.00%
Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food manufacturing	Vietnam	**–**	**70.00**	–	70.00
PT PILMICO Foods Indonesia (PFI)	Trading	Indonesia	**–**	**67.00**	–	67.00
Gold Coin Management Holdings Ltd. (GCMH)	Holding	British Virgin Island	**–**	**75.00**	–	–
GC Investment Holdings Limited (GCIH)	Holding	Hong Kong	**–**	**100.00**	–	–
Gold Coin (ZhangJiang) Company Ltd. (GCZJ)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin (Zhangzhou) Company Ltd. (GCZZ)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin (Zhuhai) Company Limited (GCZH)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Feedmill (Kunming) Co. Ltd. (GCKM)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Feedmill (Dongguan) Co. Ltd. (GCDG)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Management (Shenzhen) Co. Ltd. (GCSZ)	Holding	China	**–**	**100.00**	–	–
Gold Coin Malaysia Group Sdn. Bhd. (GCMG)	Holding	Malaysia	**–**	**70.00**	–	–
Gold Coin Feedmills (Malaysia) Sdn. Bhd. (GCFM)	Feedmills	Malaysia	**–**	**100.00**	–	–
Gold Coin Feedmill (Sabah) Sdn. Bhd. (GCFS)	Feedmills	Malaysia	**–**	**100.00**	–	–
Gold Coin Sarawak Sdn. Bhd. (GCS)	Feedmills	Malaysia	**–**	**72.80**	–	–
Bintawa Fishmeal Factory Sdn. Bhd. (BFF)	Feedmills	Malaysia	**–**	**72.80**	–	–
Golden Livestock Sdn Bhd (GLS)	Holding	Malaysia	**–**	**100.00**	–	–
Gold Coin Sabah Sdn. Bhd. (GCSAB)	Holding	Malaysia	**–**	**100.00**	–	–
Gold Coin Feedmill (Dong Nai) Co. Ltd. (GCFD)	Feedmills	Vietnam	**–**	**100.00**	–	–
American Feeds Company Limited (AFC)	Feedmills	Vietnam	**–**	**100.00**	–	–
Gold Coin Feedmill Ha Nam Co. Ltd. (GCFHN)	Feedmills	Vietnam	**–**	**100.00**	–	–
Gold Coin Feed Mills (Lanka) Ltd. (GCFL)	Feedmills	Sri Lanka	**–**	**60.00**	–	–
Comfez Limited (CFL)	Trading	Hong Kong	**–**	**100.00**	–	–
APAC Commodities Pte. Ltd. (APAC)	Trading	Singapore	**–**	**100.00**	–	–
Gold Coin Group Limited (GCG)	Holding	Hong Kong	**–**	**100.00**	–	–
Gold Coin Holdings Sdn Bhd (GCHSB)	Holding	Malaysia	**–**	**100.00**	–	–
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	**–**	**100.00**	–	–
Comfez Pte. Ltd. (CPL)	Trading	Singapore	**–**	**100.00**	–	–
Myanmar Gold Coin International Co. Ltd. (MGCI)	Feedmills	Myanmar	**–**	**100.00**	–	–
KLEAN Greentech Co. Ltd. (KGT)	Feedmills	Thailand	**–**	**49.00**	–	–
Gold Coin Aqua Feed Incorporated (FKA Syaqua Group Incorporated) (SYBVI)	Holding	British Virgin Island	**–**	**100.00**	–	–
Gold Coin Aqua Feed (Hong Kong) Ltd (FKA Syaqua Holdings (Hong Kong) Ltd) (SYHK)	Holding	Hong Kong	**–**	**100.00**	–	–
Gold Coin Aqua Feed (Singapore) Pte Ltd (FKA SYAQUA Singapore Pte Ltd) (SYSG)	Holding	Singapore	**–**	**100.00**	–	–
Gold Coin Specialities Sdn. Bhd. (GCSSB)	Feedmills	Malaysia	**–**	**70.00**	–	–
Gold Coin Specialities (Thailand) Co. Ltd. (GCST)	Feedmills	Thailand	**–**	**93.9**	–	–
P.T. Gold Coin Trading Indonesia (GCTI)	Feedmills	Indonesia	**–**	**100.00**	–	–
P.T. Gold Coin Specialities (GCSI)	Feedmills	Indonesia	**–**	**99.9**	–	–
P.T. Gold Coin Indonesia (GCI)	Feedmills	Indonesia	**–**	**100.00**	–	–

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
PT Ayam Unggul (PT Ayam)	Feedmills	Indonesia	**–%**	**60.00%**	–%	–%
FEZ Animal Nutrition Pte Ltd (FEZ)	Holding	Singapore	**–**	**100.00**	–	–
FEZ Animal Nutrition Philippines, Inc. (FEZ(PH))	Holding	Philippines	**–**	**40.00**	–	–
FEZ Animal Nutrition Pakistan (Private Limited (FEZ(PK))	Holding	Pakistan	**–**	**100.00**	–	–
FEZ Animal Nutrition (Malaysia) Sdn. Bhd. (FEZ(M))	Holding	Malaysia	**–**	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	**–**	100.00	–
PETNET, Inc. (PETNET)	Financial services	Philippines	**–**	**–**	51.00	–
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Holding	Philippines	**100.00**	**–**	100.00	–
Lima Water Corporation (LWC)	Water	Philippines	**–**	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Supply of treated bulk water	Philippines	**22.22**	**47.78**	22.22	47.78

**No commercial operations as of December 31, 2018.*
A) MVEZ was incorporated in 2017
B) Dissolved and liquidated in 2018 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Interest in Joint Operations

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

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

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, HTM investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

a. Financial assets and financial liabilities at FVPL
Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liability at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

The Group's derivative assets and derivative liabilities as at December 31, 2017 prior to adoption of PFRS 9 are classified as financial assets and financial liabilities at FVPL, respectively (see Note 36).

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial assets included in this classification as of December 31, 2017 are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

c. HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

The Group's HTM investments amounted to ₱189.2 million as of December 31, 2017.

d. AFS investments

AFS financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as "Interest income" using the effective interest method.

Dividends earned on holding AFS investments are recognized in the consolidated statement of income as "Other income" when the right of payment had been established. The losses arising from impairment of such investments are recognized as "Provision for credit and impairment losses" in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group's AFS investments as of December 31, 2017 include investments in quoted and unquoted shares of stock (see Note 36).

e. Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities as of December 31, 2017 are the Group's debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers' deposits, dividends payable, and long-term obligation on Power Distribution System (PDS) (see Note 36).

Financial Instruments - Classification and Measurement (upon adoption of PFRS 9)

Classification of financial assets

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

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

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

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

The Group's debt financial assets as of December 31, 2018 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheets. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

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

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

Dividends are recognized in profit or loss only when:

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

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

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

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

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

The Group's investments in quoted equity securities and in unquoted equity shares previously carried at cost under PAS 39 and classified as AFS investments are measured at FVTPL under PFRS 9 as of December 31, 2018.

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

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

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2018 include trade and other payables, customers' deposits, short-term loans, finance lease obligation, long-term obligation on PDS and long-term debts (see Note 35).

Reclassifications of financial instruments (upon adoption of PFRS 9)
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derivative Financial Instruments
Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are

subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

As of December 31, 2018 and 2017, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35).

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, as well as commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency forward contracts and the commodity contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated all of the foreign currency forward and commodity swap contracts as hedging instrument. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to the statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

<u>Classification of Financial Instruments Between Liability and Equity</u>
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

<u>Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)</u>

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash- settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets (prior to adoption of PFRS 9)
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether

significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.
Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

HTM investments
The Group reviews the age and status of HTM investments and assesses if it needs to be provided with allowance. The Group maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible investments.

Impairment of Financial Assets (upon adoption of PFRS 9)
PFRS 9 introduces the single, forward-looking “expected loss” impairment model, replacing the “incurred loss” impairment model under PAS 39.

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to "Trade and other receivables". The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Guarantees (prior to adoption of PFRS 9)
Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the present value of any expected payment (when a payment under the guaranty has become probable).

Financial Guarantee Contracts and Loan Commitments (upon adoption of PFRS 9)
Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model and
- the amount initially recognized less, when appropriate, the cumulative amount of income

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Redeemable Preferred Shares (RPS)
The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and trading inventories	-	purchase cost on a specific identification basis;
Other raw materials and production supplies, materials, parts and supplies	-	purchase cost on a moving average method
Finished goods	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;

NRV of wheat grains and other raw materials and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory losses and inventory shrinkage is provided, when necessary, based on management's review of inventory turnover in accordance with prescribed policies. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;

- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Property held for sale
The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Property, Plant and Equipment
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and

equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10 - 50
Power plant and equipment	2 - 50
Transmission, distribution and substation equipment	
Power transformers	30
Poles and wires	20 - 40
Other components	12 - 30
Machinery and equipment	2 - 30
Transportation equipment	2 - 10
Office furniture, fixtures and equipment	1 - 20
Leasehold improvements	3 - 20
Electrical equipment	5 - 25
Meters and laboratory equipment	25
Steam field assets	20 - 25
Tools and others	2 - 20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15 for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with

PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

<u>Intangible Asset</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right
The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land, land improvements and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation

The asset retirement obligation arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of asset retirement obligation" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations
Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any. If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Impairment of Nonfinancial Assets
Property, plant and equipment, intangible assets, investments and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment
The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is

the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares
The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Translation
The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the balance sheet date, the assets and liabilities of subsidiaries and associates whose functional currencies are not the Philippine peso, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of any of these subsidiaries or associates, the deferred cumulative amount recognized in other comprehensive income relating to the disposed entity is recognized in the consolidated statement of income.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Sale of Power
Contracts with customers for the Power Group generally include power generation and ancillary services and power distribution and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is generated. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Under PAS 18, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. Under PFRS 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time based on amounts billed.

Sale of Goods
Revenue from the sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of Real Estate
Contracts with customers for the Real Estate Group's real estate segment generally include sale of lot, sale of house and lot and sale of unfurnished and fully furnished condominium units.

For the sale of lot, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the development of lot is used as an input to deliver a combined output.

For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

If the sale of lot, house and lot and unfurnished and fully furnished condominium units occurs at completion, the Real Estate Group shall recognize revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Otherwise, if the sale occurs prior to completion, the Real Estate Group shall recognize over time, using the output method (i.e., POC) as the appropriate measure of progress, satisfying the criterion of which the Real Estate Group's performance does not create an asset with an alternative use and the Real Estate Group has an enforceable right to payment for performance completed to date.

The buyer could enforce its rights to the promised property if the developer seeks to sell the unit to another buyer. This contractual restriction on the developer's ability to direct the promised property for another use is considered substantive as the property is not interchangeable with other properties that the entity could transfer to the buyer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. The Real Estate Group also has enforceable right to payment for performance completed to date notwithstanding contract terminations.

In determining the transaction price for real estate sales, the Real Estate Group considers the existence of significant financing component. Contracts with real estate customers provide two alternative payment options, spot cash and installment payments, after the contracts are signed. For both payment options, the Real Estate Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Real Estate Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Real Estate Group also concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of property to the customer, as well as the prevailing interest rates in the market.

However, pursuant to the said SEC Memorandum Circular No. 14, series of 2018, the Real Estate Group opted to avail of the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.
Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:
- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:
- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT
Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currencies are the US dollar (US$), Singapore dollar, Vietnamese Dong, Indonesian Rupiah, Renminbi, Malaysian Ringgit, Sri Lanka Rupee, Pakistani Rupee, Myanmar Kyat, or Thai Baht. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2018 and 2017, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet (SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group does not consolidate MORE since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees. This is a result of the shareholders' agreement which, among others, stipulates the management and operation of MORE. Management of MORE is vested in its BOD and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). SEZ, MEZ and LHC's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2018 and 2017, the carrying value of the power plant amounted to ₱34.7 billion and ₱35.8 billion, respectively (see Note 13). The carrying value of the finance lease obligation amounted to ₱46.9 billion and ₱49.2 billion as of December 31, 2018 and 2017, respectively (see Note 22).

Identifying performance obligations
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation

For Power Group's power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

For Real Estate Group's sale of developed lots, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the lot development is used as an input to deliver a combined output. For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

Revenue recognition
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concludes that:

- revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power;
- when a contract is judged to be for the construction of a property, revenue is recognized using the POC method as construction progresses. The POC is made reference to the stage of completion of projects and contracts determined on the basis of the estimated completion of physical proportion of the contract work;
- for sale of goods, revenue is recognized at a point in time, generally on the delivery of goods.

Identifying methods for measuring progress of revenue recognized over time
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Power Group determines that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

The Real Estate Group recognizes revenues from real estate sales over time using output method in measuring progress. The use of output method is the best method in measuring progress since the entitlement of the customers to the output performed as of date is easily measured and observed on the basis that POC for the construction of real estate properties is determined using the estimated completion of physical proportion of the contract work.

Determining method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

For Power Group, some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. It is determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Allocation of variable consideration
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Distinction among real estate inventories, land and improvements, and investment properties
The Group determines whether a property is classified as real estate inventories, land and improvements or investment properties:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.
- Land and improvements comprise land and related improvements that are part of the Group's strategic land banking activities for development or sale in the medium or long-term. These properties are neither developed nor available for sale and therefore not yet considered as part of real estate inventories.
- Investment properties comprise land, land improvements and buildings (principally composed of offices, commercial warehouses and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits
In applying PAS 39 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.1 billion and ₱6.3 billion as of December 31, 2018 and 2017, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Contractual cash flows assessment (upon adoption of PFRS 9)
For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments (upon adoption of PFRS 9)
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

<u>Estimation Uncertainty</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2018 and 2017 based on management's assessment. The carrying amounts of the investments in and advances to associates amounted to ₱107.0 billion and ₱91.9 billion as of December 31, 2018 and 2017, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2018 and 2017 (see Note 10).

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2018 and 2017 amounted to ₱56.3 billion and ₱41.3 billion, respectively (see Note 12). Goodwill impairment recognized in 2018 and 2016 amounted to ₱45.9 million and ₱169.5 million, respectively. No impairment of goodwill was recognized in 2017.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2018 and 2017, the net book values of property, plant and equipment, excluding land, amounted to ₱219.1 billion and ₱211.1 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2018 and 2017, the net book values of property, plant and equipment, excluding land, amounted to ₱219.1 billion and ₱211.1 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2018 and 2017, the net book value of intangible asset - service concession rights amounted to ₱3.8 billion and ₱3.1 billion, respectively (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2018 and 2017, the net book values of intangible assets - customer contracts amounted to ₱27.4 million and ₱42.8 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2018 and 2017, the carrying value of franchise amounted to ₱2.6 billion and ₱2.7 billion, respectively (see Note 16).

Assessing impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse

impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2018	2017
Property, plant and equipment (see Note 13)	**₱221,430,841**	₱213,232,540
Other current assets (see Note 7)	**12,341,747**	8,882,626
Intangible asset - service concession rights (see Note 15)	**3,791,377**	3,062,307
Other noncurrent assets (see Note 16)	**14,597,734**	14,493,688
	₱252,161,699	₱239,671,161

Impairment losses recognized on these non-financial assets in 2018 amounted to ₱740.3 billion (see Note 13). No impairment loss was recognized in 2017 and 2016.

Estimating allowance for impairment of trade and other receivables (prior to adoption of PFRS 9)
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2017 ₱2.0 billion. Trade and other receivables, net of valuation allowance, amounted to ₱24.8 billion as of December 31, 2017 (see Note 5).

Measurement of ECL (upon adoption of PFRS 9)
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the

contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*
  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2018, allowance for ECL amounted to ₱2.5 billion. Trade and other receivables, net of allowance for ECL, amounted to ₱33.7 billion as of December 31, 2018 (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2018 and 2017, allowance for inventory obsolescence amounted to ₱103.4 million and ₱64.1 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱22.1 billion and ₱12.5 billion as of December 31, 2018 and 2017, respectively (see Note 6).

Estimating asset retirement obligation
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱3.7 billion and ₱3.0 billion as of December 31, 2018 and 2017, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱2.3 billion and ₱1.5 billion as of December 31, 2018 and 2017, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2018 and 2017 amounting to ₱802.8 million and ₱966.0 million, respectively, and on MCIT paid in 2018 and 2017 amounting to ₱31.9 million and ₱25.2 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱1.1 billion and ₱647.9 million as of December 31, 2018 and 2017, respectively, and on MCIT amounting to ₱49.1 million and ₱44.4 million as of December 31, 2018 and 2017, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱318.6 million in 2018, ₱350.9 million in 2017 and ₱320.5 million in 2016. The net benefit asset as at December 31, 2018 and 2017 amounted to ₱158.6 million and ₱177.0 million, respectively (see Note 30). Net pension liabilities as of December 31, 2018 and 2017 amounted to ₱486.2 million and ₱400.3 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2018 and 2017, the carrying value of the biological assets amounted to ₱1.17 billion and ₱1.06 billion, respectively (see Note 8).

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

4. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱14,866,870**	₱13,080,148
Short-term deposits	**44,166,159**	51,790,066
	₱59,033,029	₱64,870,214

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.5 billion, ₱1.3 billion and ₱1.4 billion in 2018, 2017, and 2016, respectively (see Note 35).

5. Trade and Other Receivables

	2018	2017
Trade receivables (see Note 35)		
Power	**₱14,717,574**	₱16,338,622
Real estate	**3,982,424**	3,654,299
Food manufacturing	**2,913,959**	2,344,307
Holding and others	**5,612,256**	646,368
Financial services	**–**	266,312
	27,226,213	23,249,908
Nontrade receivables	**6,967,769**	461,527
Accrued revenues	**3,493,246**	724,820
Dividends receivable (see Note 10)	**665,783**	792,000
Advances to contractors	**148,300**	105,690
Others	**1,191,295**	1,395,939
	39,692,606	26,729,884
Less allowance for expected credit losses	**2,455,396**	1,956,174
	37,237,210	24,773,710
Less noncurrent portion	**3,441,898**	580,925
	₱33,795,312	₱24,192,785

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Non-trade receivables include advances to partners in GMCP and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMCP and due to the partners. PSALM adjustment refers to the current and non-current portions of the amounts pertaining to Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) which, as granted by the ERC, are to be recovered from the customers and to be remitted to PSALM.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱3.0 billion and ₱258.8 million, respectively, as of December 31, 2018, and ₱3.1 billion and ₱580.9 million, respectively, as of December 31, 2017.

Trade receivables include contract assets amounting to ₱754.9 million as of December 31, 2018. Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage-of-completion, against amounts billed to customers. The movements of this account for the year ended December 31, 2018 are shown below:

Adjustments due to PFRS 15 adoption (see Note 3):	
Reclassification from trade and other receivables	₱2,827,104
Reclassification from trade receivables- net of current portion	350,248
Effect of exclusion of land costs in determination of POC rate	(130,048)
	3,047,304
Less allowance for impairment	3,534
At January 1	3,043,770
Movements for the year:	
Billed revenues recognized in prior years	(2,387,210)
Unbilled revenues for the year	98,479
Provision for expected credit losses for the year	(147)
At December 31	₱754,893

The rollforward analysis of allowance for expected credit losses as of December 31, 2018 and allowance for doubtful accounts under PAS 39 as of December 31, 2017 is presented below:

December 31, 2018

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	**₱1,774,838**	**₱102,360**	**₱62,033**	**₱16,943**	**₱1,956,174**
Add adjustment due to PFRS 9 adoption (see Note 2)	**86,936**	**–**	**40,198**	**–**	**127,134**
At beginning of year, as restated	**1,861,774**	**102,360**	**102,231**	**16,943**	**2,083,308**
Acquisition of a subsidiary	**–**	**–**	**–**	**615,964**	**615,964**
Provisions (see Note 27)	**235,818**	**14,668**	**2,556**	**50,336**	**303,378**
Write-off	**(347,601)**	**(3,953)**	**(216)**	**(17,611)**	**(369,381)**
Reversals/recovery	**–**	**(13,644)**	**(1,736)**	**(162,493)**	**(177,873)**
At end of year	**₱1,749,991**	**₱99,431**	**₱102,835**	**₱503,139**	**₱2,455,396**

December 31, 2017

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032
Provisions (see Note 27)	77,708	5,942	59,740	11,145	154,535
Write-off	(64,506)	(10,487)	–	–	(74,993)
Reversals/recovery	–	(2,400)	–	–	(2,400)
At end of year	₱1,774,838	₱102,360	₱62,033	₱16,943	₱1,956,174

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income (expense)- net" account in the consolidated statements of income.

6. Inventories and Land and Improvements

Inventories

	2018	2017
At cost:		
Fuel and lubricants	**₱3,521,390**	₱3,294,622
Materials, parts and supplies	**3,297,723**	2,362,186
Real estate inventories	**4,417,009**	2,257,682
Raw materials	**2,336,914**	984,614
Finished goods (see Note 27)	**1,752,729**	317,007
At NRV:		
Wheat grains and other raw materials	**5,670,435**	2,416,762
Materials, parts and supplies	**1,107,234**	820,462
	₱22,103,434	₱12,453,335

A summary of the movement in real estate inventories is set out below:

	2018	2017
Real estate inventories:		
At January 1	**₱2,257,682**	₱1,984,725
Add adjustment due to PFRS 15 adoption (see Note 2)	**188,010**	–
At January 1, as adjusted	**2,445,692**	1,984,725
Construction/development costs incurred	**2,252,236**	1,191,597
Land costs transferred from land and improvements	**1,423,378**	184,751
Borrowing costs capitalized	**127,482**	102,851
Contract cost asset related to capitalized sales commissions	**91,825**	–
Transfers to other noncurrent assets	**(2,665)**	–
Reversal of capitalized commission related to forfeited units	**(13,859)**	–
Transfers to investments properties	**(35,695)**	–
Amortization of capitalized contract cost asset (recognized as cost of real estate inventories sold)	**(77,656)**	–
Cost of real estate inventories sold	**(1,793,729)**	(1,825,570)
Transfers from property and equipment	**–**	422,649
Land acquired during the period	**–**	196,679
At December 31	**₱4,417,009**	₱2,257,682

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱29.4 billion in 2018, ₱22.3 billion in 2017 and ₱12.2 billion in 2016 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱286.7 million in 2018, ₱412.1 million in 2017 and ₱572.5 million in 2016 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.9 billion, ₱1.8 billion in 2018 and 2017, and ₱1.1 billion 2016.

Allowance for inventory obsolescence amounted to ₱103.4 million and ₱64.1 million as of December 31, 2018 and 2017, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱1.0 million in 2018, ₱11.9 million in 2017 and ₱11.1 million in 2016 (see Note 27).

Cost of inventories carried at NRV amounted to ₱6.8 billion and ₱3.2 billion as of December 31, 2018 and 2017, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱127.5 million and ₱102.9 million in 2018 and 2017, respectively (see Note 19). The general capitalization rates are 4.11% in 2018 and 3.83% in 2017.

Land and Improvements

	2018	2017
Cost		
At January 1	**₱3,689,677**	₱3,525,381
Additions	**387,780**	444,907
Transfers to real estate inventories	**(1,423,378)**	(184,751)
Transfers to investment properties	**(264,569)**	(94,349)
Other transfers/adjustments	**(47,873)**	(1,511)
Disposal	**(1,524)**	–
At December 31	**₱2,340,113**	₱3,689,677

7. **Other Current Assets**

	2018	2017
Restricted cash	**₱5,289,145**	₱2,642,327
Prepaid expenses	**4,896,331**	5,575,689
Input VAT	**3,043,641**	2,260,927
Advances to NGCP	**1,725,176**	–
Biological assets (see Note 8)	**1,033,992**	917,563
Others	**2,000,780**	1,046,010
	₱17,989,065	₱12,442,516

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

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

"Others" include prepayments to regulatory agencies and advances to suppliers.

8. **Biological Assets**

	2018	2017
Presented under Other Current Assets:		
Market hogs	**₱660,851**	₱585,216
Piglets	**251,825**	251,868
Growing stocks	**119,258**	75,269
Others	**2,058**	5,210
	1,033,992	917,563
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**134,144**	144,263
	₱1,168,136	₱1,061,826

As of December 31, 2018 and 2017, biological assets are measured at fair value under Level 3 input. Fair values are determined based on average market selling prices at balance sheet date. Market hogs, piglets, growing stocks, bearers (breeders), and others are measured at fair value less estimated costs to sell.

As of December 31, 2018 and 2017, the fair value of biological assets amounted to ₱1.17 billion and ₱1.06 billion, respectively (see Notes 7 and 16).

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount of consumable biological assets follows:

	2018	2017
At beginning of year	**₱1,061,826**	₱756,303
Additions	**1,968,022**	1,920,849
Additions due to acquisition of a subsidiary (see Note 9)	**56,050**	–
Sales at fair value	**(2,501,841)**	(2,410,542)
Transferred to breeding herd	**(168,481)**	(146,915)
Increase in fair value (see Note 29)	**752,560**	942,131
At end of year	**₱1,168,136**	₱1,061,826

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of Gold Coin Management Holdings Ltd. (GCMH)

On July 27, 2018, Pilmico International Pte. Ltd. (PILMICO International), a 100%-owned subsidiary of AEV, acquired 75% equity interest in GCMH at a cash consideration of USD333.8 million or ₱18.1 billion.

GCMH is engaged in the business of animal feeds manufacturing, which it carries out through various subsidiaries operating 21 feed mills situated in seven countries in the Asia Pacific.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱1,913,264
Trade and other receivables	3,929,490
Inventories	5,740,702
Other current assets	626,617
Property, plant, and equipment	4,779,721
Other noncurrent assets	2,605,214
	19,595,008
Liabilities:	
Trade and other payables	9,206,785
Bank loans	2,352,961
Long-term debt	2,366,786
Other noncurrent liabilities	773,759
	14,700,291
Total identifiable net assets at fair value	₱4,894,717
Total consideration	₱18,124,991
Fair value of noncontrolling interest	2,292,747
	20,417,738
Goodwill	₱15,523,021
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱1,913,264
Cash paid	(18,124,991)
Net cash outflow	(₱16,211,727)

The accounting for this business combination was determined provisionally as PILMICO International is still finalizing the fair valuation of the nonfinancial assets acquired.

The Group expects to recognize significant goodwill arising from this acquisition because of the business synergies that will materialize with one of the Group's subsidiaries engaged in similar business.

In 2018, GCMH contributed ₱18.1 billion to the consolidated revenue and ₱513.2 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2018, the Group's revenue would have been ₱211.2 billion and consolidated net income would have been ₱22.8 billion.

b. Acquisition PAN JSC

On July 29, 2017, PILMICO International acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

In 2017, PAN JSC contributed ₱131.8 million to the consolidated revenue and ₱1.5 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱154.8 billion and net income would have been ₱21.6 billion.

In 2018, the purchase price allocation in the acquisition of PAN JSC was finalized. No changes were made on the provisional accounting done in 2017.

c. Step-acquisition of Sacasun

In 2014, ARI, a 100%-owned subsidiary of AP, entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SunEdison Inc. (SEI), the ultimate parent company of SunE BV and Helios BV, and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 4, 2017, AboitizPower International Pte. Ltd. (API), signed a Share Purchase Agreement ("SPA") with SunE Solar B.V. (SunE BV) for the acquisition of 100% equity interest in Sunedison Philippines Helios BV (Helios BV). The offshore execution of the Deed of Transfer is subject to certain closing conditions under the SPA. These conditions were met on December 27, 2017.

The transaction resulted in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. MHSCI owns 25% of Sacasun. This allows AP to increase its indirect ownership interest in MHSCI and Sacasun to 100%. The transaction was accounted for as a business combination achieved in stages. The fair value of the of the previously-held interest as at the date of acquisition is ₱330.9 million.

The resulting bargain purchase gain of ₱328.7 million and the loss on remeasurement of previously held interest of ₱18.5 million are included in other income as "Bargain purchase gain" in the 2017 consolidated statement of income. The bargain purchase gain is mainly due to the purchase price reflecting the ongoing difficulty of SEI as confirmed by its bankruptcy declaration which affected its ability to fulfill loan obligations.

In 2017, Sacasun contributed nil to the consolidated revenue and a net loss contribution to the Group amounted to ₱399.7 million. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱150.4 billion and consolidated net income would have been ₱29.7 billion.

In 2018, the purchase price allocation in the step-acquisition of Sacasun was finalized. No changes were made on the provisional accounting done in 2017.

d. GNPower acquisition
On October 4, 2016, TPI finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which own indirectly the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively. The Philippine Competition Commission and the Board of Investments approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP
GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P (see Note 2).

The accounting for this business combination recognized in the December 31, 2016 consolidated financial statements was finalized in 2017. The business combination resulted to an increase in fair value of property, plant and equipment amounting to ₱342.8 million, increase in fair value of long-term debt amounting to ₱1.6 billion, decrease in the deferred tax asset of ₱434.1 million, a decrease in the derivative asset of ₱752.3 million, increase in the non-controlling interest of ₱579.8 million, and an increase in the goodwill recognized amounting to ₱3.08 billion. The goodwill can be attributed to GMCP's current workforce and operating capabilities.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱326.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱90.33 billion and consolidated net income would have been ₱28.28 billion.

GNPD
GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GNPD through its acquisition of Therma Dinginin L.P.

e. Step-acquisition of EAUC
EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company, which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by the Company and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of the Company. The transaction was accounted for as a business combination achieved in stages. In 2017, the purchase price allocation in the step- acquisition of EAUC was finalized. No changes were made on the provisional accounting done in 2016.

The resulting bargain purchase gain of ₱34.2 million and the gain on remeasurement of previously held interest of ₱316.7 million are included in other income as "Bargain purchase gain" in the 2016 consolidated statement of income.

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱92.5 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱74.32 billion and consolidated net income would have been ₱24.76 billion.

f. Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UnionBank), respectively. UnionBank is a banking associate of AEV. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

This acquisition by CitySavings and UPI was payable in cash, and required both approvals of the Philippine Competition Commission (PCC) and the Bangko Sentral ng Pilipinas (BSP).
On May 8, 2018, the PCC granted its approval.

After securing the BSP approval on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion. Accordingly, PETNET was deconsolidated from the December 31, 2018 consolidated financial statements of the Group, and a gain on sale of PETNET amounting to ₱166.89 million was reported under "Other income (expense) - net" in the 2018 consolidated statement of income.

10. **Investments and Advances**

	2018	2017 (As restated)
Acquisition cost:		
Balance at beginning of year	**₱63,458,834**	₱62,563,115
Additions during the year	**7,875,182**	1,773,729
Acquisition of a subsidiary (see Note 9)	**54,334**	–
Step acquisition of subsidiary (Note 9)	**–**	(878,010)
Balance at end of year	**71,388,350**	63,458,834
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	**32,020,150**	28,599,982
Share in restatement of an associate	**(312,784)**	(312,784)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**923,969**	–
Balances at beginning of year, as restated	**32,631,335**	28,287,198
Share in net earnings for the year	**7,727,663**	9,053,733
Step acquisition of subsidiary (see Note 9)	**–**	528,698
Cash dividends received and receivable	**(5,144,481)**	(6,162,263)
Balance at end of year, as restated	**35,214,517**	31,707,366
Gain on dilution (see Note 2)	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates		
At beginning of year, as previously reported	**–**	–
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**123,816**	–
At beginning of year, as restated	**123,816**	–
Additions during the year	**14,293**	–
Balance at end of year	**138,109**	–
Share in cumulative translation adjustments of associates and joint ventures	**319,631**	(144,508)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(457,017)**	(569,248)
Share in net unrealized mark-to-market losses on AFS investments of associates (see Note 2)		
At beginning of year, as previously reported	**(3,200,871)**	(3,200,871)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**3,200,871**	–
Share in net unrealized mark-to-market losses on AFS investments of associates at beginning of year, as restated	**–**	(3,200,871)
	107,617,726	92,265,709
Advances to associates	**22,562**	24,614
	107,640,288	92,290,323
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱106,959,557	₱91,609,592

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of associates follows:

	2018	2017
At January 1	**(₱3,200,871)**	(₱3,903,435)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**3,200,871**	–
Unrealized valuation losses	**–**	573,135
Realized valuation gains	**–**	129,429
At December 31	**(₱–)**	(₱3,200,871)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	**2018**	2017	2016
MORE* (see Note 3)	Holding	**83.33%**	83.33%	83.33%
AEV CRH (see Note 3)	Holding	**60.00**	60.00	60.00
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	50.00
Accuria, Inc.**	Holding	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**49.36**	48.83	48.83
Hijos	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87	44.87
Gold Coin Feed Mills (B) Sdn. Bhd. (see Note 9) ***	Feedmills	**20.00**	–	–
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
GNPD[1]**	Power generation	**45.00**	50.00	50.00
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	40.00
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00
Balibago Water Systems, Inc. (BWSI)	Water distribution	**11.14**	11.14	–
MHSCI (see Note 9)	Power generation	**–**	–	60.00
Sacasun (see Note 9)	Power generation	**–**	–	35.00

[1]*GNPD changed in ownership based on the Partnership Agreement.*

**Joint venture*

***No commercial operations as of December 31, 2018.*

****Registered in Malaysia and is part of GCMH Group that was acquired by Pilmico International in 2018.*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for SFELAPCO. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

As of December 31, 2018 and 2017, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

<u>2018</u>

UBP

In 2018, the Company purchased, through stock rights offer, 80.8 million shares at ₱62.97 per share in UBP for a total consideration of ₱5.1 billion. Additional shares were acquired at various dates in 2018 for 3.2 million shares for a total consideration of ₱289.9 million. As a result, its ownership in UBP increased from 48.83% in 2017 to 49.36% in 2018.

In 2018, UBP has changed the accounting for certain upfront fees on loans and discounts from outright income recognition as services charges, fees and commissions to amortizing the fees to interest income over the expected life of the loans using the effective interest rate method. The changes have been accounted for retroactively and resulted to a decrease in the investments and advances and retained earnings accounts in the consolidated financial statements amounting to

₱312.8 million as of December 31, 2017/January 1, 2018 and December 31, 2016/January 1, 2017. There is no material impact on net income of the Group for the years ended December 31, 2017 and 2016.

GNPD
In 2018, the Group, through TPI, made capital contributions to GNPD amounting to US$47.0 million (₱2.50 billion).

2017

RPEI
In January 2017, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱243.8 million.

GNPD
In 2017, the Group, through Therma Dinginin BV, made capital contributions to GNPD amounting to US$23.8 million (₱1.3 billion).

BWSI
In August 2017, the Group, through Aboitiz Infracapital, acquired an 11.14% ownership in BWSI from SFELAPCO. The consideration amounting to ₱274.7 million was paid in cash. BWSI is primarily engaged to build, operate and manage water system utilities of various local government units.

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

	2018	2017 (As restated)
UBP	**₱46,337,986**	₱33,658,026
AEV CRH	**24,450,287**	24,864,898
GNPD	**14,789,971**	12,251,529
MORE	**10,235,695**	9,926,376
STEAG	**4,185,758**	3,787,507
CEDC	**3,192,609**	3,019,192
CDPEI	**1,464,124**	1,476,052
SFELAPCO/PEVI	**857,368**	889,166
RP Energy	**528,383**	714,191
CRH ABOITIZ	**492,464**	311,511
BWSI	**295,889**	287,443
WMPC	**106,524**	112,420
SPPC	**81,856**	86,537
Others	**230,865**	200,132
	₱107,249,779	₱91,584,980

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱38.4 billion and ₱44.8 billion as of December 31, 2018 and 2017, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2018	2017	2016
UBP			
Total current assets	**₱90,653,142**	₱132,590,855	₱129,052,429
Total noncurrent assets	**583,129,543**	482,460,244	386,790,707
Total current liabilities	**(538,299,718)**	(515,959,783)	(449,645,054)
Total noncurrent liabilities	**(44,522,066)**	(32,165,000)	(7,200,000)
Equity attributable to equity holders of UBP Parent Company	**₱90,417,723**	₱66,871,569	₱58,977,766
Gross revenue	**₱31,629,220**	₱24,586,366	₱20,105,820
Operating profit	**8,497,725**	10,679,786	12,012,290
Net income attributable to equity holders of the parent	**7,316,102**	8,405,016	10,094,621
Other comprehensive income attributable to equity holders of the parent	**7,581,026**	9,904,656	9,452,512
Group's share in net income	**₱3,599,941**	₱4,103,964	₱4,913,926
AEV CRH			
Total current assets	**₱7,184,970**	₱8,777,452	₱5,885,378
Total noncurrent assets	**83,802,263**	79,788,878	74,560,302
Total current liabilities	**(29,392,890)**	(25,575,956)	(18,189,288)
Total noncurrent liabilities	**(21,384,054)**	(21,844,669)	(21,723,645)
Equity attributable to equity holders of AEV CRH Parent Company	**₱40,233,724**	₱41,145,705	₱40,508,670
Gross revenue	**₱25,810,769**	₱24,853,225	₱26,693,275
Operating profit	**2,775,116**	4,041,005	3,973,198
Net income (loss) attributable to equity holders of the parent	**(690,801)**	360,992	1,790,981
Group's share in net income (loss)	**(₱414,481)**	₱216,595	₱1,074,589
GNPD			
Total current assets	**₱1,705,863**	₱2,486,668	₱533,725
Total noncurrent assets	**40,707,048**	16,762,108	6,593,952
Total current liabilities	**(3,342,924)**	(539,651)	(131,137)
Total noncurrent liabilities	**(29,473,440)**	(14,242,279)	(4,537,895)
Equity	**₱9,596,547**	₱4,466,846	₱2,458,645
Operating loss	**(₱352,858)**	(₱251,703)	(₱185,945)
Net loss	**(68,174)**	(376,336)	(5,907)
Group's share in net loss	**(₱15,435)**	(₱188,167)	(₱2,953)
Additional information:			
Cash and cash equivalents	**₱911,642**	₱1,869,486	₱181,026
Noncurrent financial liabilities	**29,473,440**	14,019,562	4,489,160

(Forward)

	2018	2017	2016
MORE			
Total current assets	**₱141,293**	₱126,125	₱149,022
Total noncurrent assets	**12,196,002**	11,889,592	11,688,969
Total current liabilities	**(54,462)**	(56,336)	(96,106)
Total noncurrent liabilities	**–**	–	(5,190)
Equity	**₱12,282,833**	₱11,959,381	₱11,736,695
Gross revenue	**₱180,236**	₱170,236	₱170,236
Operating profit	**4,133,911**	4,893,753	2,601,566
Net income	**4,125,996**	4,891,630	2,573,164
Other comprehensive income	**96,116**	55,115	145,426
Group's share in net income	**₱3,439,589**	₱4,160,480	₱2,164,217
Additional information:			
Cash and cash equivalents	**₱31,873**	₱16,134	₱39,817
STEAG			
Total current assets	**₱3,459,931**	₱2,688,544	₱2,608,136
Total noncurrent assets	**10,477,098**	10,348,729	10,721,862
Total current liabilities	**(1,672,896)**	(1,394,855)	(2,018,724)
Total noncurrent liabilities	**(3,262,770)**	(3,453,496)	(3,651,920)
Equity	**₱9,001,363**	₱8,188,922	₱7,659,354
Gross revenue	**₱4,468,016**	₱4,502,920	₱4,626,910
Operating profit	**1,115,567**	1,020,846	1,205,122
Net income	**687,186**	516,893	928,891
Other comprehensive income (loss)	**(37,173)**	4,750	10,321
Group's share in net income	**₱87,508**	₱25,744	₱162,426
CEDC			
Total current assets	**₱4,986,619**	₱5,419,700	₱5,666,952
Total noncurrent assets	**13,371,586**	14,308,208	14,901,921
Total current liabilities	**(2,158,754)**	(2,444,036)	(3,840,126)
Total noncurrent liabilities	**(8,943,522)**	(10,422,073)	(9,751,438)
Equity	**₱7,255,929**	₱6,861,799	₱6,977,309
Gross revenue	**₱9,728,163**	₱8,751,540	₱7,965,518
Operating profit	**3,300,164**	3,183,144	3,433,767
Net income	**1,880,853**	1,686,941	2,546,339
Other comprehensive income	**13,277**	2,451	7,188
Group's share in net income	**₱827,576**	₱742,254	₱1,120,389
SFELAPCO*			
Total current assets	**₱1,104,307**	₱1,576,530	₱1,406,869
Total noncurrent assets	**2,567,663**	2,215,130	1,996,643
Total current liabilities	**(763,966)**	(770,041)	(710,301)
Total noncurrent liabilities	**(699,175)**	(751,789)	(618,579)
Equity	**₱2,208,829**	₱2,269,830	₱2,074,632

(Forward)

	2018	2017	2016
Gross revenue	**₱4,088,124**	₱4,211,674	₱4,255,286
Operating profit	**408,160**	366,492	310,511
Net income	**302,677**	671,268	272,756
Other comprehensive income (loss)	**(63,679)**	334,246	8,671
Group's share in net income	**₱168,307**	₱323,674	₱73,415

CRH ABOITIZ			
Total current assets	**₱1,641,152**	₱411,074	₱165,802
Total noncurrent assets	**947,134**	900,780	1,085,320
Total current liabilities	**(1,820,630)**	(889,385)	(633,968)
Total noncurrent liabilities	**(28,379)**	(85,308)	(203,785)
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱739,277**	₱337,161	₱413,361
Gross revenue	**₱11,606,618**	₱–	₱2,603,500
Operating profit (loss)	**882,680**	(1,443,313)	1,175,462
Net income attributable to equity holders of the parent	**402,116**	89,242	59,568
Group's share in net income	**₱180,952**	₱40,159	₱26,806

BWSI			
Total current assets	**₱809,074**	₱1,012,347	₱–
Total noncurrent assets	**1,843,428**	1,374,552	–
Total current liabilities	**(496,344)**	(140,734)	–
Total noncurrent liabilities	**(629,689)**	(639,673)	–
Equity	**₱1,526,470**	₱1,606,492	₱–
Gross revenue	**₱1,335,975**	₱1,191,595	₱–
Gross profit	**752,553**	705,341	–
Net income	**259,858**	465,737	–
Group's share in net income	**₱15,130**	₱17,763	₱–

WMPC			
Total current assets	**₱717,162**	₱695,571	₱555,637
Total noncurrent assets	**454,108**	418,807	305,394
Total current liabilities	**(551,781)**	(457,032)	(222,299)
Total noncurrent liabilities	**(74,341)**	(82,718)	(71,782)
Equity	**₱545,148**	₱574,628	₱566,950
Gross revenue	**₱1,393,417**	₱1,439,482	₱1,636,339
Operating profit	**13,006**	98,838	130,244
Net income	**20,521**	71,933	91,646
Other comprehensive loss	**–**	–	(9,634)
Group's share in net income	**₱4,104**	₱14,387	₱18,329

(Forward)

	2018	2017	2016
SPPC			
Total current assets	**₱182,303**	₱344,105	₱361,706
Total noncurrent assets	**311,472**	364,649	351,903
Total current liabilities	**(36,361)**	(221,096)	(42,285)
Total noncurrent liabilities	**(58,491)**	(68,326)	(66,430)
Equity	**₱398,923**	₱419,332	₱604,894
Gross revenue	**₱160,831**	₱523,854	₱632,504
Operating profit	**(19,307)**	133,508	204,593
Net income (loss)	**(23,407)**	272,756	272,756
Other comprehensive income	**–**	–	28,550
Group's share in net income (loss)	**(₱4,681)**	₱19,101	₱41,034
Sacasun			
Total current assets	**₱–**	₱–	₱838,410
Total noncurrent assets	**–**	–	3,642,924
Total current liabilities	**–**	–	(285,178)
Total noncurrent liabilities	**–**	–	(2,696,727)
Equity	**₱–**	₱–	₱1,499,429
Gross revenue	**₱–**	₱–	₱101,339
Operating loss	**–**	–	(112,596)
Net loss	**–**	–	(250,887)
Other comprehensive loss	**–**	–	–
Group's share in net loss	**₱–**	₱–	(₱87,810)
Additional information:			
Cash and cash equivalents	**₱–**	₱–	₱378,908
Noncurrent financial liabilities		–	2,696,727
Others**			
Total current assets	**₱453,445**	₱1,116,846	₱578,587
Total noncurrent assets	**2,842,300**	3,395,270	3,019,198
Total current liabilities	**(62,706)**	(16,405)	(214,628)
Total noncurrent liabilities	**(110,557)**	(5,497)	(104,248)
Gross revenue	**₱160,695**	₱133,022	₱129,808
Net income (loss)	**(727,830)**	13,318	(40,580)

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱952.8 million, ₱745.1 million and ₱361.8 million in 2018, 2017, and 2016, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. **Material partly - owned subsidiary**

As of December 31, 2018, the Company has 76.98% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2018 and 2017 of AP is provided below:

	2018	2017	2016
Summarized comprehensive income information			
Revenue	**₱131,572,084**	₱119,391,303	₱89,163,269
Cost of sales	**71,680,298**	63,949,850	46,226,259
Administrative expenses	**23,395,104**	21,267,724	16,626,710
Finance costs - net	**11,202,073**	10,320,768	6,620,476
Other income - net	**3,064,514**	2,993,864	5,310,422
Profit before tax	**28,359,123**	26,846,825	25,000,246
Income tax	**2,925,623**	3,858,398	3,496,140
Profit for the year from continuing operations	**₱25,433,500**	₱22,988,427	₱21,504,106
Total comprehensive income	**₱26,494,498**	₱23,366,919	₱21,575,328
Summarized other financial information			
Attributable to non-controlling interests	**₱3,892,404**	₱2,749,732	₱1,450,558
Dividends paid to non-controlling interests	**2,364,492**	2,313,460	2,823,782
Summarized balance sheet information			
Total current assets	**₱88,708,607**	₱67,961,596	
Total noncurrent assets	**300,953,569**	293,515,403	
Total current liabilities	**46,815,020**	49,312,291	
Total noncurrent liabilities	**206,270,489**	188,186,244	
Equity	**₱136,576,667**	₱123,978,464	
Summarized cash flow information			
Operating cash flows	**₱37,287,900**	₱30,235,931	
Investing cash flows	**(7,243,119)**	(9,452,925)	
Financing cash flows	**(19,155,753)**	(32,122,699)	

12. **Impairment Testing of Goodwill**

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit (CGU).

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2018 and 2017
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rate applied to cash flow projections are from 10.63% to 18.14% in 2018 and from 11.18% to 19.94% in 2017, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2018, revenue growth of 6% in year 1, 4% for the next two years, 3% in year 4 and 5% in year 5 was applied for LEZ; 9% in year 1, 5% in year 2 and 2% in the next three years for BEZ; 4% in year 1, 0% in year 2 , 2% in year 3, 7% in year 4 and 3% in year 5 for GMCP; and 45% in year 1, -1% in year 2, 0% in year 3, 11% I year 4, and -4% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-49% in year 1, -19% in year 2, 11% in year 3, 5% in year 4, and -6% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (26% in year 1, 6% in years 2 and 4, 11% in year 3, and 2% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (347% in year 1, and 4% in the next four years). GCMH revenue assumptions are based on forecast animal feeds sales (9% in year 1, and 7% in the next four years).

In 2017, revenue growth of -6% in year 1, 6% in year 2, 4% for the next two years and 3% in year 5 was applied for LEZ; -18% in year 1, 3% in the next two years, 1% in year 4 and 0% in year 5 was applied to BEZ; -1% in years 1, 2 and 4, -4% in year 3, and 7% in year 5 for GMCP; and 8% in year 1, 18% in year 2, 7% for the next two years, and -5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-38% in year 1, 3% in the next three years, and -54% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (15% in year 1, 19% in year 2, 12% in year 3, -8% in year 4 and 20% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (365% in year 1, 167% in year 2, and 2% in the next three years). PETNET revenue assumptions are based on income from money remittance and other allied services (no growth in years 1 and 5, and 7% in years 2 to 5).

Materials price inflation
In 2018, the assumption used to determine the value assigned to the materials price inflation is 3.47% in 2019, decreases to 3.37% in 2020 and 3.10% in 2021. It then settles at 3.00% for the next 2 years until 2023. The starting point of 2019 is consistent with external information sources.

In 2017, the assumption used to determine the value assigned to the materials price inflation is 3.17% in 2018 and increases to 3.20% in 2019. It then settles at 3.00% for the next 3 years until 2022.

Foreign exchange rates
In 2018, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱55.00 to a dollar from 2019 until 2023. In 2017, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱51.41 to a dollar from 2018 until 2022.

Based on the assumptions used in impairment testing, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized in 2018. No impairment of goodwill was recognized in 2017. Impairment loss on goodwill amounting to ₱169.5 million on the investment in MEZ was recognized in 2016.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The carrying amount of goodwill follows:

	2018	2017
GMCP	**₱39,345,126**	₱39,345,126
GCMH (see Note 9)	**15,523,021**	–
LEZ	**467,586**	467,586
PILMICO FEEDS	**394,217**	394,217
HI	**220,228**	220,228
BEZ	**191,471**	237,404
LLI	**61,202**	61,202
PAN JSC	**59,060**	59,060
PETNET (see Note 9)	**–**	523,866
	₱56,261,911	₱41,308,689

13. Property, Plant and Equipment

	December 31, 2018										
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost											
At January 1	**₱26,193,431**	**₱141,329,134**	**₱17,438,847**	**₱6,723,759**	**₱2,293,513**	**₱6,893,434**	**₱3,614,646**	**₱2,262,109**	**₱57,029,925**	**₱2,629,876**	**₱266,408,674**
Acquisition of a subsidiary											
(see Note 9)	**2,451,374**	**–**	**–**	**3,449,674**	**246,160**	**257,914**	**–**	**208,836**	**155,930**	**–**	**6,769,888**
Additions	**139,649**	**1,496,624**	**1,121,508**	**119,083**	**297,780**	**576,289**	**36,193**	**71,165**	**8,925,356**	**97,941**	**12,881,588**
Disposals	**(181,486)**	**(461,778)**	**(18,163)**	**(17,914)**	**(113,343)**	**(95,663)**	**(1,802)**	**(4,316)**	**–**	**(40)**	**(894,505)**
Reclassifications/transfers	**153,512**	**26,028,151**	**953,741**	**209,136**	**(20,628)**	**194,057**	**(130,109)**	**(84,434)**	**(26,868,475)**	**9,108**	**444,059**
At December 31	**28,756,480**	**168,392,131**	**19,495,933**	**10,483,738**	**2,703,482**	**7,826,031**	**3,518,928**	**2,453,360**	**39,242,736**	**2,736,885**	**285,609,704**
Accumulated depreciation and amortization											
At January 1	**5,304,436**	**31,991,703**	**4,671,132**	**2,927,918**	**1,149,352**	**3,090,014**	**729,448**	**132,107**	**(722,768)**	**1,254,632**	**50,527,974**
Acquisition of a subsidiary											
(see Note 9)	**649,567**	**–**	**–**	**987,389**	**147,931**	**199,671**	**–**	**5,609**	**–**	**–**	**1,990,167**
Depreciation and amortization	**1,085,407**	**5,958,157**	**585,036**	**426,263**	**288,111**	**639,303**	**135,520**	**16,363**	**–**	**108,434**	**9,242,594**
Disposals	**(154,943)**	**(225,945)**	**(24,020)**	**(17,914)**	**(86,190)**	**(55,551)**	**(1,492)**	**–**	**–**	**(562)**	**(566,617)**
Reclassifications/transfers	**197,597**	**(95,303)**	**903**	**(29,272)**	**(40,126)**	**(70,196)**	**(112,470)**	**(620)**	**–**	**(208)**	**(149,695)**
At December 31	**7,082,064**	**37,628,612**	**5,233,051**	**4,294,384**	**1,459,078**	**3,803,241**	**751,006**	**153,459**	**(722,768)**	**1,362,296**	**61,044,423**
Impairment (see Note 29)	–	486,280	–	–	2,088	792	251	–	2,645,029	–	3,134,440
Net Book Value	**₱21,674,416**	**₱130,277,239**	**₱14,262,882**	**₱6,189,354**	**₱1,242,316**	**₱4,021,998**	**₱2,767,671**	**₱2,299,901**	**₱37,320,475**	**₱1,374,589**	**₱221,430,841**

	December 31, 2017										
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost											
At January 1	₱25,605,389	₱137,519,744	₱16,043,761	₱5,997,681	₱1,893,621	₱4,498,864	₱3,562,062	₱2,054,603	₱44,469,761	₱2,852,534	₱244,498,020
Acquisition of subsidiaries											
(see Note 9)	92,197	1,688,302	–	48,396	6,297	1,884,927	16,185	–	225,053	(18,757)	3,942,600
Additions	140,538	2,225,275	1,293,991	150,788	536,736	515,762	33,119	203,699	15,201,339	110,150	20,411,397
Disposals	(2,687)	(129,841)	(33,439)	(7,895)	(141,507)	(39,007)	(3,660)	–	–	(318,432)	(676,468)
Reclassifications/transfers	357,994	25,654	134,534	534,789	(1,634)	32,888	6,940	3,807	(2,866,228)	4,381	(1,766,875)
At December 31	26,193,431	141,329,134	17,438,847	6,723,759	2,293,513	6,893,434	3,614,646	2,262,109	57,029,925	2,629,876	266,408,674
Accumulated depreciation and amortization											
At January 1	4,322,174	26,644,783	4,191,739	2,648,183	985,638	2,210,427	587,872	115,294	(722,768)	1,277,067	42,260,409
Acquisition of subsidiaries											
(see Note 9)	6,272	359,311	–	15,666	3,046	399,150	4,586	–	–	279	788,310
Depreciation and amortization	978,265	5,104,284	514,047	278,472	240,885	544,827	138,734	16,813	–	130,142	7,946,469
Disposals	(329)	(69,617)	(33,439)	(7,895)	(103,690)	(23,947)	(2,325)	–	–	(137,911)	(379,153)
Reclassifications/transfers	(1,946)	(47,058)	(1,215)	(6,508)	23,473	(40,443)	581	–	–	(14,945)	(88,061)
At December 31	5,304,436	31,991,703	4,671,132	2,927,918	1,149,352	3,090,014	729,448	132,107	(722,768)	1,254,632	50,527,974
Impairment (see Note 29)	–	–	–	–	2,088	792	251	–	2,645,029	–	2,648,160
Net Book Value	₱20,888,995	₱109,337,431	₱12,767,715	₱3,795,841	₱1,142,073	₱3,802,628	₱2,884,947	₱2,130,002	₱55,107,664	₱1,375,244	₱213,232,540

In 2018, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱5.44 billion. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 16.14% - 16.71% was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.

- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.

- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2018.

In 2018 and 2017, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560 million and ₱1.06 billion, respectively (see Note 21).

In 2018 and 2017, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits, amounting to ₱2.51 billion and ₱2.62 billion, respectively (see Note 19). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 4.9% to 9.4% and 4.9% to 7.79% which are the effective interest rate of the specific borrowings in 2018 and 2017, respectively.

Property, plant and equipment with carrying amounts of ₱126.9 billion and ₱125.41 billion as of December 31, 2018 and 2017, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱5.0 billion and ₱4.8 billion as of December 31, 2018 and 2017, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction-in-progress" as of December 31, 2018 and 2017, as shown below:

	Estimated Cost to Complete (in millions Php)		% of Completion	
Project Company	**2018**	2017	**2018**	2017
TVI	**₱7,246**	₱10,375	**81%**	73%
Hedcor Bukidnon	**–**	2,858	**100%**	75%
PEC (see Note 10)	**–**	2,294	**100%**	87%

As of December 31, 2018, the Group classifies its transmission assets as property held for sale as an ongoing negotiation for the sale of these assets with NGCP which is expected to be consummated in 2019. The property held for sale was recorded at its recoverable amount of ₱675.8 million and the related impairment loss amounting to ₱282.3 million presented as part of "Other income (expense) - net" (see Note 29).

Property held for sale of ₱675.8 million as of December 31, 2018 pertains to transmission assets that will be transferred and sold to NGCP.

14. Investment Properties

December 31, 2018

	Land	Land Improvements	Buildings	Construction-in-Progress	Total
At January 1	**₱4,895,188**	**₱245,690**	**₱895,258**	**₱808,497**	**₱6,844,633**
Additions	**5,301**	**6,034**	**559,123**	**–**	**570,458**
Gain on fair valuation	**–**	**–**	**511,820**		**511,820**
Transfers/ adjustments	**257,593**	**(1,364)**	**850,024**	**(808,497)**	**297,756**
At December 31	**₱5,158,082**	**₱250,360**	**₱2,816,225**	**₱–**	**₱8,224,667**

December 31, 2017

	Land	Land Improvements	Buildings	Construction-In-Progress	Total
At January 1	₱3,999,741	₱238,843	₱1,133,806	₱–	₱5,372,390
Additions	186	6,996	14	–	7,196
Gain (loss) on fair valuation	948,543	–	(86,325)	–	862,218
Disposals	–	–	(136,650)	–	(136,650)
Transfers/ adjustments	(53,282)	(149)	(15,587)	808,497	739,479
At December 31	₱4,895,188	₱245,690	₱895,258	₱808,497	₱6,844,633

Rental income earned from and direct operating expenses of investment properties amounted to ₱475.4 million and ₱68.9 million, respectively, in 2018; ₱445.6 million and ₱64.0 million, respectively, in 2017; and ₱419.3 million and ₱193.4 million, respectively, in 2016 (see Note 25).

As at December 31, 2018 and 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

  The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

  Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and buildings, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2018	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱5,158,082**	**Sales Comparison Approach**	**Price per square meter**	₱480 - ₱270,000
Buildings and land Improvements	**3,066,585**	**Cost Approach**	**Estimated cost, remaining economic life**	15 - 38 years

	Fair value at December 31, 2017	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱4,895,188	Sales Comparison Approach	Price per square meter	₱280 - ₱184,768
Buildings and land Improvements	1,140,948	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Intangible Asset - Service Concession Rights

	2018	2017
Cost:		
At January 1	**₱5,389,820**	₱5,199,074
Additions from internal development	**961,827**	175,607
Effect of translation	**128,727**	15,139
	6,480,374	5,389,820
Accumulated amortization:		
At January 1	**2,327,513**	1,976,951
Amortization (see Note 27)	**361,484**	351,541
Reclassifications	**–**	(979)
	2,688,997	2,327,513
	₱3,791,377	₱3,062,307

The amortization of intangible asset is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.
-

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱1.97 billion and ₱2.13 billion as of December 31, 2018 and 2017 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

  For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

  Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱720.3 million and ₱736.4 million as of December 31, 2018 and 2017, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱97.2 million and ₱105.3 million as of December 31, 2018 and 2017, respectively.

- Intangible asset - service concession rights consist of the costs of construction of the treated bulk water supply facility, required for the delivery of treated bulk water to the Davao City Water District, pursuant to the concession agreement.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱1.0 billion and ₱90.4 million as of December 31, 2018 and 2017, respectively.

16. **Other Noncurrent Assets**

	2018	2017
Input VAT and tax credit receivable, net of allowance for impairment loss of ₱253.2 million (see Note 29)	**₱5,462,983**	₱6,765,238
PSALM deferred adjustment - net of current portion (see Notes 5 and 41k)	**3,183,089**	–
Intangible assets:		
Franchise	**2,648,732**	2,725,693
Project development costs	**583,095**	395,419
Software and licenses	**365,007**	171,644
Customer contracts	**27,429**	42,838
Prepaid rent and other deposits (see Note 39)	**3,226,895**	1,171,570
Advances to contractors and projects	**1,098,747**	2,215,456
Biological assets (see Note 8)	**134,144**	144,263
Others	**1,184,846**	1,005,830
	₱17,914,967	₱14,637,951

“Others” include pre-operating costs and certain nonfinancial assets acquired (see Note 9).

The amortization of intangible assets is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income.

Rollforward of intangible assets follow:

December 31, 2018

	Franchise	Project development costs	Software and licenses	Customer contracts
Balances at beginning of year	**₱2,725,693**	**₱395,419**	**₱171,644**	**₱42,838**
Additions	**–**	**594,315**	**86,948**	**–**
Acquisition of a subsidiary (see Note 9)	**–**	**–**	**208,867**	**–**
Transfer from property and equipment	**–**	**(1,036)**	**(6,928)**	**–**
Write-off - net of reversal	**–**	**(405,603)**	**(861)**	**–**
Amortization	**(76,961)**	**–**	**(93,596)**	**(15,409)**
Effect of translation	**–**	**–**	**(1,067)**	**–**
Balances at end of year	**₱2,648,732**	**₱583,095**	**₱365,007**	**₱27,429**

December 31, 2017

	Franchise	Project development costs	Software and licenses	Customer contracts
Balances at beginning of year	₱2,802,654	₱411,499	₱168,712	₱63,968
Additions	–	127,655	60,097	–
Acquisition of a subsidiary (see Note 9)	–	–	141	24,468
Transfer from property and equipment	–	–	59	–
Write-off - net of reversal	–	(143,735)	–	(24,468)
Amortization	(76,961)	–	(57,365)	(21,130)
Balances at end of year	₱2,725,693	₱395,419	₱171,644	₱42,838

The amortization of intangible assets amounting to ₱214,353, ₱157,968 and ₱135,100 in 2018, 2017 and 2016, respectively, is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

17. **Bank Loans**

	2018	2017
Philippine peso loans	**₱24,567,200**	₱23,112,700
Chinese yuan loans	**906,726**	–
Vietnamese dong loans	**726,187**	463,615
US dollar loans	**341,770**	124,825
Indonesia rupia loans	**250,591**	–
Other foreign currency-denominated loans	**186,112**	–
	₱26,978,586	₱23,701,140

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 13.5% and 2.0% to 7.0% in 2018 and 2017, respectively. These loans will mature on various dates in 2019.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

The Chinese yuan, Indonesia rupia and a portion of the Vietnamese dong loans are loans of GCMH which was acquired by Pilmico International on July 27, 2018.

Total interest expense on bank loans recognized in 2018, 2017 and 2016 amounted to ₱765.3 million, ₱246.8 million and ₱137.7 million, respectively (see Note 35).

18. **Trade and Other Payables**

	2018	2017
Trade payables (see Notes 20 and 39)	**₱19,628,410**	₱11,508,221
Nontrade and other payables	**6,217,417**	4,595,565
Accrued expenses	**5,941,747**	4,295,309
Output VAT	**2,924,074**	3,003,191
Amounts due to contractors and other third parties	**2,626,792**	1,979,367
PSALM deferred adjustment (see Note 41k)	**1,042,861**	–
Unearned revenue	**39,770**	35,874
	38,421,071	25,417,527
Less noncurrent portion (see Note 34)	**3,695,261**	880,943
	₱34,725,810	₱24,536,584

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lubricant costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱4.4 billion and ₱4.0 billion of the total accrued expenses as of December 31, 2018 and 2017, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. **Long-term Debts**

	2018		2017	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**₱32,000,000**	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institutions - secured	**LIBOR + 1.7% - 4.85%**	**41,375,202**	LIBOR + 1.7% - 4.00%	30,706,949
TVI				
Financial institutions - secured	**5.50% - 9.00%**	**31,520,000**	5.50% - 6.91%	29,890,000
AP				
Financial and non-financial institutions - unsecured	**5.21% - 8.51%**	**23,200,000**	5.21% - 6.10%	13,000,000
TSI				
Financial institutions - secured	**5.05% - 5.69%**	**21,349,704**	4.50% - 5.15%	22,660,043
TPI				
Financial institutions - unsecured	**LIBOR + 1.10%**	**–**	LIBOR + 1.10%	15,153,755
APRI				
Financial institutions - secured	**4.48% to 5.20%**	**9,374,400**	4.53% to 5.20%	10,624,640
Hedcor Bukidnon				
Financial institutions - secured	**4.75% - 6.78%**	**9,327,700**	4.75% - 6.78%	9,327,700
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	**4.11% to 5.42%**	**3,900,400**	4.11% to 5.32%	4,097,000
PILMICO				
Financial institutions - secured	**4.18% - 4.50%**	**2,808,500**	4.50% - 4.75%	2,830,000
PANC				
Financial institutions - secured	**4.50%**	**2,680,000**	4.50% - 4.75%	2,690,000
VECO				
Financial institution - unsecured	**4.58% - 4.81%**	**975,000**	4.49% - 4.81%	1,176,000
LHC				
Financial institutions - secured	**2.00% to 2.75%**	**875,458**	2.00% to 2.75%	1,105,950
DLP				
Financial institution - unsecured	**4.58% - 4.81%**	**731,250**	4.49% - 4.81%	882,000
HI				
Financial institution - secured	**5.25%-7.41%**	**1,840,000**	5.25%	540,000
Financial institution - secured	**7.87%**	**1,390,000**	–	–
SEZ				
Financial institution - unsecured	**5.00%**	**169,500**	5.00%	226,000
CLP				
Financial institution - unsecured	**4.58% - 4.81%**	**146,250**	4.49% - 4.81%	176,400
Apo Agua				
Financial institutions:				
Philippine peso - secured	**8.26%**	**2,848,227**	–	–
AEV International				
Financial institutions:				
Foreign currency - secured	**3.26% - 3.72%**	**11,725,340**	–	–
GCMH and Subsidiaries				
Financial institutions:				
Foreign currency - unsecured	**LIBOR + 2.55%-3.50%**	**2,034,835**	–	–
PAN JSC				
Financial institutions:				
Foreign currency - secured	**–**	**–**	10.50%	18,560
Joint Operation:				
PEC				
Financial institution - secured	**5.50% - 8.31%**	**14,473,052**	5.50% - 7.38%	14,066,500
Total		**213,354,818**		192,411,209
Deferred financing costs		**(1,922,451)**		(3,324,162)
		211,432,367		189,087,047
Less current portion		**10,702,974**		20,722,330
Noncurrent portion		**₱200,729,393**		₱168,364,717

The Company
In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP
On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US$600.0 million was drawn from the NFA, out of which US$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of $200.0 million was drawn from the NFA.

GMCP also has an existing facility agreement with BDO to finance GMCP's working capital requirements.

Loans payable consist of the following dollar denominated loans as of December 31, 2018 and 2017 (in thousands):

	2018	2017	Interest Rate Per Annum	Payment Schedule
NFA				
Fixed Rate Loan	**$483,450**	$300,000	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	**288,450**	300,000	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
Working Capital				
BDO	**15,000**	15,000	LIBOR plus 1.7% applicable margin	Payable within three months
Total borrowings	**786,900**	615,000		
Less unamortized portion of deferred financing costs	**(4,049)**	(5,712)		
	782,851	609,288		
Less current portion	**70,229**	37,451		
Loans payable - net of current portion	**$712,622**	$571,837		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2018, ₱31.52 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱42.77 billion and ₱34.01 billion as of December 31, 2018 and 2017, respectively, and a pledge of TVI's shares of stock held by its shareholders.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, the Company issued a total of ₱10.20 billion bonds, broken down into a ₱7.70 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.50 billion 7-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

TSI
On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.41 billion and ₱36.14 billion as of December 31, 2018 and 2017, respectively, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

TPI
In December 2016, TPI executed and availed a US$623.5 million syndicated bridge loan facility to partially finance the GNPower acquisition. The loan bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The balance of the loan was fully paid in August 2018.

APRI
On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱26.14 billion and ₱25.64 billion as of December 31, 2018 and 2017, respectively, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2018, ₱9.3 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

HSI

On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC). On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 5.19% to 4.50%.

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the SRC Rules. On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 4.18% to 4.75%.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 28, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 17, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on their respective maturity dates at December 29, 2029 and September 27, 2026, respectively, at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75%.

Intangible asset arising from service concession arrangement with carrying value of ₱1.97 billion as of December 31, 2018, was used as collateral to secure LHC's long-term debts (see Note 15).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.39 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Apo Agua

On November 29, 2018, Apo Agua entered into an Omnibus Notes Facility and Security Agreement with various banks for a project loan facility in the aggregate principal amount of up to ₱9.0 billion to design, develop, procure, construct, operate and maintain a water treatment plant facility at Brgy. Gumalang, Davao City. Apo Agua had its first loan drawdown last December 4, 2018 amounting to ₱2.8 billion. The loan drawdown mode is staggered based on an agreed schedule.

The loan is secured by a mortgage of all the assets of Apo Agua and a pledge of Apo Agua's shares held by its pledgors: AEV, the Parent Company, JVACC and JVAGHC. The term of the loan is 15 years and the first principal payment will be made at the earlier of fifty-four (54) months after the date of issuance of the agreement or six (6) months after commercial operation date whichever comes earlier. The remaining principal balance shall be paid in semi-annual equal installments. No payment shall be made to the principal during the grace period.

AEV International

On July 20, 2018, AEV International availed of a syndicated loan facility with the amount of USD338 million (₱18.6 billion). The loan bears a floating interest rate computed based on applicable spread over libor and will mature in five (5) years.

On December 28, 2018, the loan was partially prepaid in the amount of USD 115 million (₱6.3 billion).

GCMH and Subsidiaries
GCMH obtained loans from various lenders with floating interest rates ranging from 2.55% to 3.50%.

PAN JSC
On December 11, 2014, Pilmico Animal Nutrition Joint Stock Company availed a loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Song Than Branch amounting to VND 19.22 billion (₱43.6 million). On March 21, 2018, the loan was fully paid.

Long-term debt of Joint Operation
This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱41.32 billion as of December 31, 2018 and 2017, and a pledge of the shares of stock held by the joint operators.

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

These restrictions and requirements were complied with by the Group as of December 31, 2018 and 2017.

20. Customers' Deposits

	2018	2017
Bill and load	**₱3,862,663**	₱3,663,917
Lines and poles	**1,101,664**	1,115,646
Transformers	**1,044,037**	1,315,127
Others	**119,424**	174,693
	₱6,127,788	₱6,269,383

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Interest expense on customers' deposits amounted to ₱2.1 million in 2018, ₱3.2 million in 2017, and ₱2.5 million in 2016 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts. The portion of customers' deposit to be refunded amounted to ₱6.6 million and ₱52.1 million as of December 31, 2018 and 2017, respectively, and are presented as part of "Trade and other payables" (see Note 18).

Other customer deposits pertain mainly to deposits from real estate buyers.

21. **Asset Retirement Obligation**

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2018	2017
Balances at beginning of year	**₱2,959,060**	₱1,821,577
Change in accounting estimate (see Note 13)	**559,996**	1,056,396
Accretion of decommissioning liability (see Note 35)	**159,754**	81,087
Balances at end of year	**₱3,678,810**	₱2,959,060

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. **Finance Lease**

TLI was appointed by PSALM as Administrator of the coal-fired power plant in Pagbilao, Quezon under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2018, 2017 and 2016 amounted to ₱4.8 billion (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2018 and 2017 are as follows:

December 31, 2018

	US dollar payments	Philippine peso equivalent of dollar payments[1]	Philippine peso payments	Total
Within one year	**$90,000**	**₱4,732,200**	**₱4,320,000**	**₱9,052,200**
After one year but not more than five years	**415,500**	**21,846,990**	**19,944,000**	**41,790,990**
More than five years	**155,000**	**8,149,900**	**7,440,000**	**15,589,900**
Total contractual payments	**660,500**	**34,729,090**	**31,704,000**	**66,433,090**
Unamortized discount	**193,770**	**9,516,320**	**10,022,415**	**19,538,735**
Present value	**466,730**	**25,212,770**	**21,681,585**	**46,894,355**
Less current portion				**4,131,059**
Noncurrent portion of finance lease obligation				**₱42,763,296**

December 31, 2017

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$90,000	₱4,493,700	₱4,320,000	₱8,813,700
After one year but not more than five years	397,500	19,847,175	19,080,000	38,927,175
More than five years	263,000	13,131,590	12,624,000	25,755,590
Total contractual payments	750,500	37,472,465	36,024,000	73,496,465
Unamortized discount	231,130	11,540,344	12,730,867	24,271,211
Present value	519,370	25,932,121	23,293,133	49,225,254
Less current portion				3,316,165
Noncurrent portion of finance lease obligation				₱45,909,089

[1]*USD1= ₱52.58*

[2]*USD1= ₱49.93*

23. **Capital Stock**

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2018	2017
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**61,807,064**	60,807,064
Balance at end of year	**5,632,792,557**	5,633,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2018 and 2017.

As of December 31, 2018, and 2017, the Company has 8,921 and 9,002 shareholders, respectively.

Treasury Shares

In November 2018, AEV purchased 1 million treasury shares amounting to ₱44.1 million. As of December 31, 2018 and 2017, treasury shares held by AEV totaled 61.8 million and 60.8 million, respectively with corresponding acquisition cost of ₱565.2 million and ₱521.1 million, respectively.

24. **Retained Earnings**

On March 8, 2018, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends were taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.

b. Appropriation of ₱4.20 billion of the retained earnings as of December 31, 2017 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infrastructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infrastructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

c. Reversal of ₱1.62 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua.

On March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,095,000

On March 8, 2016, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

b. Appropriation of ₱2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated ₱1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Apo Agua Infrastructura, Inc.	Plant construction	December 2015	July 2016	Start of first quarter of 2019	622,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,717,000

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱122.4 billion and ₱108.9 billion as at December 31, 2018 and 2017, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. **Revenues**

a. Power

Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.
Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

i. CLP: April 1, 2017 to March 31, 2021
ii. DLP and VECO: July 1, 2018 to June 30, 2022
iii. SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱44.88 billion, ₱43.53 billion and ₱44.59 billion in 2018, 2017 and 2016, respectively.

Sale from Generation of Power and Retail Electricity
Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.77 billion, ₱3.80 billion and ₱2.88 billion in 2018, 2017 and 2016, respectively.

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱54.94 billion in 2018, ₱53.40 billion in 2017 and ₱32.64 billion in 2016.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱24.14 billion, ₱18.03 billion and ₱8.48 billion in 2018, 2017 and 2016, respectively.

b. Real estate revenues consist of the following:

	2018	2017	2016
Real estate sales	**₱3,219,565**	₱2,915,830	₱1,700,479
Rental income	**475,429**	445,558	419,297
Service fees and others	**230,314**	252,000	321,078
	₱3,925,308	₱3,613,388	₱2,440,854

26. **Purchased Power**

Distribution
DLP and CLP entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	3 years; 2018 - 2021	815,666
CLP	3 years; 2018 - 2021	106,986

The Group's distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱8.82 billion in 2018, ₱9.08 billion in 2017 and ₱7.52 billion in 2016. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the "Trade and other payables" account in the consolidated balance sheets amounted to ₱736.3 million and ₱755.7 million as of December 31, 2018 and 2017, respectively (see Note 18).

Generation
Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of

power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱5.05 billion in 2018, ₱6.26 billion in 2017 and ₱1.42 billion in 2016.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱2.05 billion, ₱1.82 billion and ₱1.90 billion in 2018, 2017 and 2016, respectively.

27. **Costs and Expenses**

Cost of generated power consists of:

	2018	2017	2016
Fuel costs (see Note 6)	**₱29,423,013**	₱22,324,825	₱12,211,477
Steam supply costs (see Note 39)	**5,227,807**	4,981,187	4,108,576
Energy fees	**646,317**	668,558	627,751
Ancillary charges	**355,260**	547,291	340,869
Wheeling expenses	**21,821**	35,895	27,599
	₱35,674,218	₱28,557,756	₱17,316,272

Cost of goods sold consists of:

	2018	2017	2016
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱41,184,394**	₱19,406,752	₱17,065,443
Direct labor (see Note 28)	**302,993**	238,647	194,453
Manufacturing overhead			
Depreciation (see Note 13)	**763,488**	524,660	427,462
Power	**517,010**	344,656	299,942
Indirect labor (see Note 28)	**494,370**	240,484	203,257
Repairs and maintenance	**380,606**	254,772	216,502
Fuel and lubricants	**193,061**	94,775	80,142
Outside services	**185,932**	99,817	76,686
Employees' benefits (see Notes 28 and 30)	**86,863**	11,687	14,817
Taxes and licenses	**69,866**	55,253	35,547
Rental	**66,012**	33,931	9,992
Freight and handling	**60,075**	61,005	48,004
Insurance	**59,697**	29,859	32,178
Office and general supplies	**57,092**	35,506	9,476

(Forward)

	2018	2017	2016
Medicines and vaccines	**₱43,553**	₱39,707	₱28,397
Toll milling expenses	**26,873**	–	54,406
Pest control	**21,658**	21,026	15,342
Royalty fee	**11,472**	9,711	13,565
Others	**118,516**	153,164	114,778
	3,156,144	2,010,013	1,680,493
Cost of goods manufactured	**44,643,531**	21,655,412	18,940,389
Finished goods inventory (see Note 6)			
Beginning of year	**317,007**	361,857	307,657
Acquisition of subsidiaries	**486,098**	–	–
End of year	**(1,752,729)**	(317,007)	(361,857)
	₱43,693,907	₱21,700,262	₱18,886,189

Operating expenses consist of:

	2018	2017	2016
Depreciation and amortization (see Notes 13, 15 and 16)	**₱9,021,735**	₱7,869,255	₱6,357,313
Personnel costs (see Notes 28 and 30)	**7,183,608**	6,279,900	5,206,478
Taxes and licenses	**2,546,058**	2,196,046	1,613,411
Repairs and maintenance	**2,170,396**	1,704,853	954,531
Outside services (see Note 34)	**1,770,689**	2,383,152	1,736,952
Freight and handling	**1,143,709**	834,893	660,208
Insurance	**1,015,790**	1,058,377	876,943
Management and professional fees (see Note 34)	**724,422**	288,343	320,176
Transportation and travel	**562,220**	467,606	416,030
Rent	**548,715**	444,262	295,615
Advertising	**460,933**	425,617	349,366
Provision for impairment of trade receivables (see Note 5)	**309,820**	101,155	22,284
Utilities	**190,536**	149,682	116,685
Training and development	**172,237**	160,953	163,375
Fuel and lubricants	**86,437**	73,751	312,044
Commissions	**76,998**	145,140	132,469
Others	**2,414,391**	1,672,930	1,653,302
	₱30,398,694	₱26,255,915	₱21,187,182

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2018	2017	2016
Personnel costs (see Notes 28 and 30)	**₱54,037**	₱41,061	₱38,143
Depreciation and amortization (see Notes 13, 15 and 16)	**33,208**	40,837	44,615
Repairs and maintenance	**23,557**	16,986	9,630
Rent	**16,114**	2,042	1,940
Fuel	**4,893**	6,680	8,918
Insurance	**3,425**	4,049	4,106
Others	**1,359**	2,209	2,319
	₱136,593	₱113,864	₱109,671

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2018	2017	2016
Property, plant and equipment (see Note 13)	**₱9,242,594**	₱7,946,469	₱6,431,339
Intangible asset - service concession rights (see Note 15)	**361,484**	351,541	199,342
Bearer biological assets (see Notes 8 and 16)	**–**	–	63,614
Other intangible assets (see Note 16)	**214,353**	157,968	135,100
	₱9,818,431	₱8,455,978	₱6,829,395

28. **Personnel Costs**

	2018	2017	2016
Salaries and wages	**₱6,640,098**	₱5,041,341	₱4,107,494
Employee benefits (see Note 30)	**827,960**	1,296,940	1,160,292
	₱7,468,058	₱6,338,281	₱5,267,786

29. **Other Income (Expense) - Net**

	2018	2017	2016
Increase in fair value of biological assets (see Note 8)	**₱752,560**	₱942,131	₱388,218
Surcharges	**508,492**	435,428	403,730
Net unrealized fair valuation gains (see Note 14)	**295,294**	862,218	166,476
Non-utility operating income	**142,363**	145,948	94,916
Rental income (see Note 34)	**70,967**	10,617	1,499
Dividend income	**19,060**	5,946	250
Gain (loss) on sale of:			
Investment in a subsidiary (see Note 9)	**166,891**	–	–
Property, plant and equipment	**(292,194)**	(52,164)	(50,125)
AFS investments	**(8,550)**	289	25,105
Write off of project costs and other assets	**(179,225)**	(143,613)	(221,959)
Impairment loss on property, plant and equipment, goodwill and other assets (see Notes 13, 15 and 16)	**(847,620)**	(3,191,786)	(320,328)
Net foreign exchange gains (losses) (see Note 35)	**(1,252,608)**	70,221	(40,877)
Gain on redemption of shares (see Note 10)	**–**	–	16,051
Bargain purchase gain (see Note 9)	**–**	310,198	350,939
Others - net	**2,035,396**	578,433	1,687,131
	₱1,410,826	(₱26,134)	₱2,501,026

Included in "Net foreign exchange gains (losses)" are the net gains and losses relating to currency forward transactions (see Note 35).

Impairment losses on property, plant and equipment, goodwill and other assets:

(a) This includes the ₱486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of ₱282.3 million from recognizing the recoverable amount of transmission assets which were classified as property held for sale.

(b) This includes the ₱2.64 billion impairment loss of Aseagas biomas plant which temporarily ceased its operation to unavailability of the supply of organic effluent wastewater from source and in January 2018, Aseagas decided to make the plant shutdown permanent. As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser (see Note 13).

"Others" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions. In 2018, "Others" also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC's and TSI's power plant amounting to ₱340.7 million and ₱785.4 million in 2018 and 2016, respectively.

30. **Pension Benefit Plans**

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, pension benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2018	2017	2016
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱297,480**	₱338,596	₱287,743
Net interest cost	**26,015**	12,257	32,725
Remeasurement of other long-term employee benefits	**(4,842)**	–	–
	₱318,653	₱350,853	₱320,468

	2018	2017	2016
Remeasurement gains (losses) recognized in the consolidated statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**₱221,199**	₱53,381	(₱54,403)
Return (loss) on assets excluding amount included in net interest cost	**(197,855)**	65,865	77,411
	₱23,344	₱119,246	₱23,008

Net pension liabilities

	2018	2017
Present value of obligation	**₱3,577,859**	₱3,609,366
Fair value of plan assets	**(3,250,202)**	(3,386,012)
Pension liability	**₱327,657**	₱223,354

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
At January 1	**₱3,609,366**	₱3,386,386
Net benefit costs in the consolidated statements of income		
Current service costs	**306,434**	323,277
Interest cost	**192,498**	178,630
Transfers and others	**13,508**	(47,065)
Past service costs	**(8,954)**	15,319
Remeasurement of other long-term employee benefits	**(4,842)**	–
Benefits paid	**(412,283)**	(183,060)
Remeasurements in other comprehensive income:		
Actuarial losses (gain) due to experience adjustments	**(39,791)**	246,357
Actuarial gains due to changes in financial assumptions	**(181,408)**	(299,738)
	3,474,528	3,620,106
Acquisition of subsidiaries (see Note 9)	**103,331**	(10,740)
At December 31	**₱3,577,859**	₱3,609,366

Changes in the fair value of plan assets are as follows:

	2018	2017
At January 1	**₱3,386,012**	₱3,153,951
Actual contributions	**430,721**	256,329
Interest income included in net interest cost	**166,483**	166,373
Transfers and others	**13,500**	(47,062)
Disposal of a subsidiary (see Note 9)	**(142,336)**	–
Actual return excluding amount included in net interest cost	**(197,855)**	65,865
Benefits paid	**(406,323)**	(209,444)
At December 31	**₱3,250,202**	₱3,386,012

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2018	2017
At January 1	**₱223,354**	₱232,435
Contribution to retirement fund	**(430,721)**	(256,329)
Retirement expense for the year	**318,653**	350,853
Actuarial gain recognized for the year	**(23,344)**	(119,246)
Transfers and others	**7**	(3)
Benefits paid from Group operating funds	**(5,959)**	26,384
Acquisition and disposal of subsidiaries (see Note 9)	**245,667**	(10,740)
At December 31	**₱327,657**	₱223,354

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2018	2017
Cash and fixed-income investments	**₱1,909,787**	₱1,612,044
Equity instruments:		
Power	**409,991**	302,223
Holding	**295,117**	77,839
Financial institution	**59,325**	4,661
Others	**575,982**	1,389,245
Fair value of plan assets	**₱3,250,202**	₱3,386,012

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2018, 2017 and 2016 in determining pension benefit obligations for the Group's plans are shown below:

	2018	2017	2016
Discount rate	**4.87% - 8.31%**	5.01% - 5.31%	3.61% - 5.60%
Salary increase rate	**6% - 7%**	6%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2018 and 2017, assuming all other assumptions were held constant:

December 31, 2018

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	**100**	**(176,522)**
	(100)	**217,264**
Future salary increases	**100**	**254,503**
	(100)	**(212,771)**

December 31, 2017

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱206,159)
	(100)	240,006
Future salary increases	100	231,623
	(100)	(222,457)

The pension benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱284.9 million to the retirement benefit funds in 2019.

The average durations of the defined benefit obligation as of December 31, 2018 and 2017 are 2.70 - 28.76 years and 7.78 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2018	2017	2016
Current			
Corporate income tax	**₱4,312,349**	₱4,346,711	₱4,518,530
Final tax	**237,483**	159,077	240,238
	4,549,832	4,505,788	4,758,768
Deferred	**(650,634)**	77,267	(469,105)
	₱3,899,198	₱4,583,055	₱4,289,663

A reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Non-deductible interest expense	**4.77**	5.19	5.48
Non-deductible depreciation expense	**0.95**	0.97	1.00
Non-deductible impairment provisions	**0.03**	0.11	(0.07)
Gain on sale of investments already subjected to final tax	**(0.14)**	–	(0.12)
Interest income subjected to final tax at lower rates - net	**(0.91)**	(0.82)	(1.06)
Nontaxable share in net earnings of associates and joint ventures	**(6.60)**	(8.02)	(8.79)
Deductible lease payments	**(7.72)**	(7.84)	(7.84)
Income under ITH	**(10.04)**	(7.87)	(5.33)
Others	**0.75**	1.81	(0.25)
	11.09%	13.53%	13.02%

Net deferred income tax assets at December 31 relate to the following:

	2018	2017
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱152,129**	₱238,357
Unrealized foreign exchange losses	**1,326,013**	708,160
Allowances for impairment and probable losses	**350,689**	283,709
NOLCO	**298,477**	–
Unamortized contributions for past service	**118,810**	143,797
MCIT	**20,754**	–
Accrued retirement benefits	**(40,158)**	(108,489)
Others	**122,405**	426,091
	2,349,119	1,691,625
Deferred income tax liabilities:		
Pension asset	**22,064**	68,797
Consumable biological assets	**–**	90,971
Others	**2,282**	6,227
	24,346	165,995
	₱2,324,773	₱1,525,630

Net deferred income tax liabilities at December 31 relate to the following:

	2018	2017
Deferred income tax liabilities:		
Unrealized gain on investment property	**₱978,246**	₱826,254
Unamortized franchise	**794,620**	817,708
Percentage-of-completion recognition of real estate sales and related costs	**175,573**	245,893
Consumable biological assets	**96,400**	–
Unamortized customs duties and taxes capitalized	**9,008**	30,915
Unrealized foreign exchange gains	**2,749**	26,957
Pension asset	**(55,633)**	–
Others	**857,697**	11,374
	2,858,660	1,959,101
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**(114,135)**	(156,367)
NOLCO	**117,018**	179,572
Allowances for:		
Inventory obsolescence	**153,896**	20,050
Impairment and probable losses	**47,359**	47,376
Unrealized foreign exchange losses	**9,389**	8,835
MCIT	**6,157**	13,076
Unamortized past service cost	**–**	23,173
Others	**243,776**	199,471
	463,460	335,186
	₱2,395,200	₱1,623,915

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2018 and 2017 amounting to ₱802.8 million and ₱966 million, respectively, and on MCIT paid in 2018 and 2017 amounting to ₱31.9 million and ₱25.2 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱1.05 billion and ₱647.9 million as of December 31, 2018 and 2017, respectively, and on MCIT amounting to ₱49.1 million and ₱44.4 million as of December 31, 2018 and 2017, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2018	2017	2016
a. Net income attributable to equity holders of the parent	**₱22,232,977**	₱21,608,695	₱22,473,458
b. Weighted average number of common shares issued and outstanding	**5,633,543**	5,633,793	5,595,028
c. Earnings per common share (a/b)	**₱3.947**	₱3.836	₱4.017

There are no dilutive potential common shares as of December 31, 2018, 2017 and 2016.

33. **Operating Segment Information**

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

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

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

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

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

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

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 22%, 24% and 36% of the power generation revenues of the Group in 2018, 2017, and 2016, respectively.

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

	2018							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱131,354,643	₱644,566	₱50,252,875	₱3,925,308	₱96,021	₱669,407	₱–	₱186,942,820
Inter-segment	217,441	–	–	76,047	–	1,149,283	(1,442,771)	–
Total revenue	₱131,572,084	₱644,566	₱50,252,875	₱4,001,355	₱96,021	₱1,818,690	(₱1,442,771)	₱186,942,820
RESULTS								
Segment results	₱36,496,682	(₱38,554)	₱1,568,078	₱958,534	(₱60,669)	(₱42,613)	₱280,485	₱39,161,943
Unallocated corporate income (expenses) - net	(1,292,311)	5,973	1,545,976	(56,446)	(2,673)	1,490,792	(280,485)	1,410,826
INCOME FROM OPERATIONS								40,572,769
Interest expense	(12,082,158)	(8,135)	(974,879)	(76,019)	–	(1,553,542)	56,145	(14,638,588)
Interest income	880,085	1,588	173,102	13,703	3,312	466,420	(62,059)	1,476,151
Share in net earnings of associates and joint ventures	4,356,825	3,599,941	2,850	(11,928)	(218,399)	19,313,421	(19,315,048)	7,727,663
Provision for income tax	(2,925,623)	6,531	(532,076)	(123,380)	(4,096)	(320,554)	–	(3,899,198)
NET INCOME	₱25,433,500	₱3,567,344	₱1,783,052	₱704,463	(₱282,525)	₱19,353,925	(₱19,320,962)	₱31,238,797
OTHER INFORMATION								
Segment assets	₱91,891,697	₱–	₱24,346,718	₱12,535,860	₱1,657,628	₱8,978,434	(₱218,893)	₱139,191,444
Investments and advances	34,334,126	46,025,202	55,807	1,464,124	25,238,659	125,271,699	(125,430,060)	106,959,557
Unallocated corporate assets	263,436,354	–	31,453,948	6,066,913	1,901,742	6,178,277	(600,001)	308,437,233
Consolidated total assets								₱554,588,234
Segment liabilities	₱251,543,579	₱–	₱39,768,325	₱7,673,226	₱3,031,839	₱32,684,202	(₱793,134)	₱333,908,037
Unallocated corporate liabilities	1,541,930	–	855,594	655,099	745	363,298	–	3,416,666
Consolidated total liabilities								₱337,324,703
Capital expenditures	₱8,607,781	₱–	₱1,216,702	₱647,354	₱68,234	₱147,608	₱–	₱10,687,679
Depreciation and amortization	₱8,681,403	₱–	₱896,710	₱82,313	₱13,917	₱144,089	₱–	₱9,818,432

	2017 (As restated)							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱–	₱150,421,605
Inter-segment	257,212	–	–	60,608	–	978,922	(1,296,742)	–
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses) - net	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	–	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	–	(11,227)	274,517	18,284,670	(18,296,056)	9,053,732
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	–	(4,583,053)
NET INCOME	₱22,988,427	₱4,143,269	₱1,697,919	₱1,106,086	₱190,882	₱17,466,846	(₱18,314,408)	₱29,279,021
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,658,023	–	1,476,052	25,463,872	108,095,256	(108,332,207)	91,609,592
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱491,931,697
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	–	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱–	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱–	₱8,455,978

	2016 (As restated)							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱88,992,097	₱550,347	₱23,702,446	₱2,440,854	₱–	₱729,336	₱–	₱116,415,080
Inter-segment	171,172	–	–	–	–	851,413	(1,022,585)	–
Total revenue	₱89,163,269	₱550,347	₱23,702,446	₱2,440,854	₱–	₱1,580,749	(₱1,022,585)	₱116,415,080
RESULTS								
Segment results	₱26,310,300	(₱67,207)	₱2,101,337	₱245,577	(₱10,565)	₱88,458	₱253,139	₱28,921,039
Unallocated corporate income (expenses) - net	1,669,212	85,684	493,150	6,245	1	499,874	(253,139)	2,501,027
INCOME FROM OPERATIONS								31,422,066
Interest expense	(7,704,011)	(7,046)	(296,344)	(5,366)	–	(1,571,520)	16,290	(9,567,997)
Interest income	1,083,535	1,526	64,393	22,668	662	285,424	(21,276)	1,436,932
Share in net earnings of associates and joint ventures	3,641,210	4,913,926	–	(3,232)	1,101,394	17,384,303	(17,385,813)	9,651,787
Provision for income tax	(3,496,140)	(16,250)	(626,833)	(25,464)	(132)	(124,844)	–	(4,289,663)
NET INCOME	₱21,504,105	₱4,910,633	₱1,735,703	₱240,428	₱1,091,360	₱16,561,695	(₱17,390,799)	₱28,653,125
OTHER INFORMATION								
Segment assets	₱73,649,187	₱1,044,046	₱7,863,363	₱5,777,703	₱106,810	₱18,062,204	(₱924,487)	₱105,578,826
Investments and advances	30,595,989	30,183,220	–	1,487,299	24,919,655	97,268,613	(97,817,099)	86,637,677
Unallocated corporate Assets	252,761,718	181,305	7,165,361	8,042,819	108,058	5,355,296	163,865	273,778,422
Consolidated total assets								₱465,994,925
Segment liabilities	₱242,851,899	₱226,242	₱10,689,191	₱5,074,129	₱23,772	₱32,125,426	(₱1,258,683)	₱289,731,976
Unallocated corporate Liabilities	1,945,775	243,259	68,830	446,523	–	(104,062)	–	2,600,325
Consolidated tota Liabilities								₱292,332,301
Capital expenditures	₱28,203,292	₱35,693	₱1,792,762	₱593,616	₱83,358	₱316,078	₱–	₱31,024,799
Depreciation and amortization	₱6,043,527	₱31,253	₱534,042	₱66,845	₱355	₱153,373	₱–	₱6,829,395

34. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱745.2 million, ₱650.0 million and ₱655.1 million in 2018, 2017 and 2016, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱636.5 million, ₱316.4 million and ₱308.5 million in 2018, 2017 and 2016, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱18.4 million in 2018, ₱11.2 million in 2017 and ₱10.7 million in 2016.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱8.5 million in 2018, ₱8.1 million in 2017 and ₱6.7 million in 2016.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱47.8 million and ₱139.5 million, respectively, as at December 31, 2018, and to ₱36.2 million and ₱210.8 million, respectively, as at December 31, 2017 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

h. Interest-bearing advances from AEV availed by the Group. The annual interest rates are determined on arm's length basis.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2017 and 2016 are as follows:

a. Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱19,913**	₱10,966	₱19,145	**₱126**	₱227	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
CBM (see Note 10)	**339,201**	298,612	327,203	**108,954**	67,193	30-day; Interest-free	Unsecured; no impairment
SFELAPCO	**132,623**	72,158	58,119	**36,851**	41,266	30-day; interest-free	Unsecured; no impairment
CEDC	**71,880**	101,367	103,945	**–**	7,978	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**75,312**	69,780	76,462	**25,457**	15,701	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**49,019**	45,418	49,767	**16,569**	10,219	30-day; interest-free	Unsecured; no impairment
GNPD	**42,360**	40,556	–	**3,960**	40,556	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**5,137**	3,653	5,806	**1,050**	326	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**5,414**	2,027	5,630	**1,071**	308	30-day; interest-free	Unsecured; no impairment
MORE	**2,527**	2,825	2,863	**122**	445	30-day; interest-free	Unsecured; no impairment
UBP	**1,493**	1,050	67	**10**	613	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**278**	1,394	206	**8**	14	30-day; interest-free	Unsecured; no impairment
RP Energy	**–**	–	5,882	**–**	–	30-day; Interest-free	Unsecured; no impairment
RCSI	**–**	120	–	**30**	159	30-day; interest-free	Unsecured; no impairment
Total	**₱745,157**	₱649,926	₱655,095	**₱194,208**	₱185,005		

b. Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2018	2017	2016	**2018**	2017	Terms	Conditions
AP	**₱442,344**	₱195,457	₱251,694	**₱18,753,283**	₱12,366,610	90 days or less; interest-bearing	No impairment
AEV	**146,938**	90,082	33,942	**2,702,526**	8,789,407	90 days or less; interest-bearing	No impairment
PILMICO	**42,687**	14,380	11,935	**1,052,045**	6,530,729	90 days or less; interest-bearing	No impairment
AboitizLand	**2,099**	2,785	2,680	**434,613**	351,324	90 days or less; interest-bearing	No impairment
Aboitiz Infracapital	**1,628**	3,795	166	**234,865**	163,055	90 days or less; interest-bearing	No impairment
CPDC	**648**	1,099	439	**48,157**	38,857	90 days or less; interest-bearing	No impairment
AEV AVIATION	**189**	1,632	621	**29.437**	309,006	90 days or less; interest-bearing	No impairment
AIPL	**12**	6,982	4,728	**11,906**	141,960	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	**3**	–	–	**513**	2,500	90 days or less; interest-bearing	No impairment
Petnet	–	214	319	–	74,014	90 days or less; interest-bearing	No impairment
APO Agua	–	–	231	–	–	90 days or less; interest-bearing	No impairment
ASEAGAS	–	–	1,718	–	–	90 days or less; interest-bearing	No impairment
	₱636,548	₱316,426	₱308,473	**₱23,267,345**	₱28,767,462		

c. Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	**₱14,280**	₱5,735	₱6,511	**₱5,228**	₱–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**2,356**	1,234	2,363	–	–	30-day; interest-free	Unsecured; no impairment
UBP	**1,500**	1,500	1,633	–	–	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**285**	2,719	98	**147**	–	30-day; interest-free	Unsecured; no impairment
	₱18,421	₱11,188	₱10,605	**₱5,375**	₱–		

d. Revenue - Rental

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱4,218**	₱3,488	₱3,405	**₱805**	₱378	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**4,330**	3,507	3,340	**29**	13	30-day; interest-free	Unsecured; no impairment
RCSI	**–**	1,116	–	**15**	823	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	–	–	–	–	30-day; interest-free	Unsecured; no impairment
	₱8,548	₱8,111	₱6,745	**₱849**	₱1,214		

e. Land Acquisition

	Purchase			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱–**	₱–	₱–	**₱187,305**	₱246,930	Quarterly installment	Unsecured

f. Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,290,390**	₱2,487,557	₱2,669,036	**₱160,375**	₱150,888	30-day; interest-free	Unsecured; no impairment
RCBM	**1,341,456**	101,092	–	**129,905**	20,114	30-day; interest-free	Unsecured; no impairment
SNAP-RES	**19,442**	14,209	–	**1,583**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**9,193**	–	13,868	**–**	–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**–**	–	18,291	**–**	–	30-day; Interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc.	**351,946**	406,366	545,344	**39,478**	41,200	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	**11,218**	2,410	10,868	**1,263**	261	30-day; interest-free	Unsecured; no impairment
	₱4,023,645	₱3,011,634	₱3,257,407	**₱332,604**	₱212,463		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associates and Joint Ventures							
CEDC	**₱4,196,052**	₱4,540,798	₱4,552,650	**₱303,563**	₱383,308	30-day; interest-free	Unsecured
SPPC	**–**	–	219,272	**–**	–	30-day; interest-free	Unsecured
SNAP-Magat	**110,432**	158,015	–	**8,722**	8,252	30-day; interest-free	Unsecured
SFELAPCO	**14,287**	23,592	–	**–**	5,237	30-day; interest-free	Unsecured
WMPC	**–**	–	328,000	**–**	–	30-day; interest-free	Unsecured
SNAP-Benguet	**–**	126,731	136,500	**–**	–	30-day; interest-free	Unsecured
	₱4,320,771	₱4,849,136	₱5,236,422	**₱312,285**	₱396,797		

g. Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱399,105**	₱727,378	₱388,172	**₱–**	₱1,735	30-day; interest-free	Unsecured

h. Notes Receivable

	Interest Income			Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	**₱–**	₱151,040	₱847	**₱–**	₱–	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱643.0 million and ₱771.8 million as of December 31, 2018 and 2017, respectively. The assets and investments of the Fund are as follows:

	2018	2017
Equity investments at FVTPL	**₱601,262**	₱–
Financial assets at amortized cost	**26,100**	–
Debt investments at FVOCI	**15,594**	–
Cash and fixed-income investments	**–**	292,490
AFS investments	**–**	479,344
	₱642,956	₱771,834

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of

December 31, 2018 and 2017 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2018		2017	
	Carrying Value	**Loss**	Carrying Value	Gains
AEV common shares	**₱75,135**	**(₱19,724)**	₱77,795	₱20,959
AP common shares	**300,436**	**(43,461)**	192,261	12,506

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2018	2017	2016
Short-term benefits	**₱332,370**	₱305,642	₱239,477
Post-employment benefits	**17,658**	20,261	15,436
	₱350,028	₱325,903	₱254,913

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, AFS investments, bank loans, long-term debts, finance lease obligations and non-convertible, cumulative, redeemable preferred shares. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

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

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2018, 14.1% of the Group's long-term debt had annual floating interest rates ranging from 2.6% to 4.3%, and 85.9% are with fixed rates ranging from 4.0% to 9.0%. As of December 31, 2017, 16.5% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%.

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

December 31, 2018

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱2,779,079**	**₱22,686,231**	**₱4,352,737**	**₱29,818,047**

December 31, 2017

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱15,376,379	₱4,836,681	₱10,993,807	₱31,206,867

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

The interest expense recognized during the period is as follows:

	2018	2017	2016
Long-term debts (see Note 19)	**₱8,998,958**	₱8,059,734	₱4,583,953
Finance lease obligations (see Note 22)	**4,797,898**	4,757,379	4,794,801
Bank loans (see Note 17)	**765,276**	246,789	137,683
Long-term obligation on PDS and others	**74,313**	50,229	49,066
Customers' deposits (see Note 20)	**2,143**	3,231	2,494
	₱14,638,588	₱13,117,362	₱9,567,997

The interest income recognized during the period is as follows:

	2018	2017	2016
Cash and cash equivalents (see Note 4)	**₱1,451,344**	₱1,348,935	₱1,419,681
Others	**24,807**	26,760	17,252
	₱1,476,151	₱1,375,695	₱1,436,933

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2018, 2017 and 2016:

	Increase (decrease) in basis points	Effect on income before tax
2018	**200**	**(₱596,361)**
	(100)	**298,180**
2017	200	(₱624,137)
	(100)	312,069
2016	200	(₱800,284)
	(100)	400,142

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2018, 2017 and 2016 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2018 and 2017, foreign currency denominated borrowings account for 29.17% and 27.84%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	2018		2017	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$342,461**	**₱18,006,600**	$572,576	₱28,588,732
Trade and other receivables	**120,235**	**6,321,968**	49,715	2,482,288
Investments in FVTPL, FVOCI and HTM securities	**11,131**	**585,272**	–	–
AFS Investments	**–**	**–**	5,863	292,740
Total financial assets	**473,827**	**24,913,840**	628,154	31,363,760
Financial liabilities				
Bank loans	**57,861**	**3,042,346**	11,785	588,440
Trade and other payables	**164,911**	**8,671,016**	62,033	3,097,290
Long-term debts	**257,956**	**13,563,350**	303,872	15,172,315
Finance lease obligations	**479,512**	**25,212,741**	519,370	25,932,144
Total financial liabilities	**960,240**	**50,489,453**	897,060	44,790,189
Net foreign currency denominated liabilities	**($486,413)**	**(₱25,575,613)**	($268,906)	(₱13,426,429)

[1]$1= ₱52.58
[2]$1= ₱49.93

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2018, 2017 and 2016.

Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
US dollar strengthens by 5%	(₱1,245,676)
US dollar weakens by 5%	1,245,676
US dollar strengthens by 5%	(₱671,321)
US dollar weakens by 5%	671,321
US dollar strengthens by 5%	(₱2,894,587)
US dollar weakens by 5%	2,894,587

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2018		2017	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[2]
Financial assets:				
Cash and cash equivalents	**₱1,212,747**	**$23,065**	₱784,566	$15,713
Trade and other receivables	**801,466**	**15,243**	383,606	7,683
	2,014,213	**38,308**	1,168,172	23,396
Financial liabilities:				
Trade and other payables	**608,306**	**11,569**	487,004	9,754
Net foreign currency denominated assets (liabilities)	**₱1,405,907**	**$26,739**	₱681,168	$13,642

[1]US$1 = ₱52.58
[2]US$1 = ₱49.93

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

2018	Effect on income before tax
US dollar appreciates against Philippine peso by 5.0%	($1,337)
US dollar depreciates against Philippine peso by 5.0%	1,337
2017	
US dollar appreciates against Philippine peso by 5.0%	($682)
US dollar depreciates against Philippine peso by 5.0%	682

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

Equity price risk
Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of December 31, 2018 and 2017, the Group's exposure to equity price risk is minimal.

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

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2018 and 2017 is summarized in the following table:

	2018	2017
Power distribution:		
Industrial	**₱5,133,950**	₱4,573,703
Residential	**1,676,935**	1,083,524
Commercial	**778,623**	1,198,568
City street lighting	**30,006**	31,680
Power generation:		
Power supply contracts	**4,567,683**	7,815,795
Spot market	**2,533,211**	1,676,552
	₱14,720,408	₱16,379,822

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.75 billion and ₱1.77 billion as of December 31, 2018 and 2017, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2018			2017		
	Carrying Value	**Financial Effect of Collateral in Mitigating Credit Risk**	**Maximum Exposure to Credit Risk**	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	**₱7,619,514**	**₱7,619,514**	**₱–**	₱6,887,475	₱6,887,475	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality
The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2018

	Neither past due nor impaired			**Past due or individually impaired**	**Total**
	High grade	**Standard grade**	**Sub-standard grade**		
Cash and cash equivalents	**₱59,033,029**	**₱–**	**₱–**	**₱–**	**₱59,033,029**
Restricted cash	**5,289,145**	**–**	**–**	**–**	**5,289,145**
Trade and other receivables					
Trade receivables					
Power	**10,327,887**	**8,857**	**162**	**4,380,668**	**14,717,574**
Food manufacturing	**180,251**	**662,935**	**748,507**	**1,322,266**	**2,913,959**
Real estate	**1,707,695**	**258,809**	**–**	**2,015,920**	**3,982,424**
Holding and others	**638,742**	**3,663,119**	**11,172**	**1,299,223**	**5,612,256**
Other receivables	**12,313,635**	**14,864**	**–**	**137,894**	**12,466,393**
Debt investments at amortized cost	**453,871**	**–**	**–**	**–**	**453,871**
Financial assets at FVTPL					
Quoted shares of stock	**341,664**	**–**	**–**	**–**	**341,664**
Unquoted shares of stock	**12,070**	**–**	**–**	**–**	**12,070**
Financial assets at FVOCI	**225,552**	**–**	**–**	**–**	**225,552**
Derivative asset	**292,828**	**–**	**–**	**–**	**292,828**
	₱90,816,369	**₱4,608,584**	**₱759,841**	**₱9,155,971**	**₱105,340,765**

December 31, 2017

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱64,870,214	₱–	₱–	₱–	₱64,870,214
Restricted cash	2,642,327	–	–	–	2,642,327
Trade and other receivables					
Trade receivables					
Power	11,991,483	44,623	–	4,302,516	16,338,622
Food manufacturing	133,135	854,686	369,852	986,634	2,344,307
Real estate	1,491,846	505,713	–	1,656,740	3,654,299
Holding and others	605,144	169,196	14,456	123,884	912,680
Other receivables	3,179,071	58,876	–	242,029	3,479,976
AFS investments					
Quoted shares of stock	760,724	–	–	–	760,724
Unquoted shares of stock	12,070	–	–	–	12,070
HTM investments	189,216	–	–	–	189,216
Derivative asset	341,941	–	–	–	341,941
	₱86,217,171	₱1,633,094	₱384,308	₱7,311,803	₱95,546,376

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
High grade	₱90,816,369	₱–	₱–	₱90,816,369	₱86,217,171
Standard grade	–	4,608,584	–	4,608,584	1,633,094
Substandard grade	–	759,841	–	759,841	384,308
Default	–	7,655,159	1,500,812	9,155,971	7,311,803
Gross carrying amount	90,816,369	13,023,584	1,500,812	105,340,765	95,546,376
Loss allowance	–	964,584	1,500,812	2,455,396	(1,956,174)
Carrying amount	₱90,816,369	₱12,059,000	₱–	₱102,885,369	₱93,590,202

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2018

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Debt financial assets at amortized cost:							
Cash and cash equivalents	₱59,033,029	₱59,033,029	₱–	₱–	₱–	₱–	₱–
Restricted cash	5,289,145	5,289,145	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	14,717,574	10,336,906	949,185	1,681,492	–	–	1,749,991
Food manufacturing	2,913,959	1,591,693	621,213	601,622	–	–	99,431
Real estate	3,982,424	1,966,504	117,075	1,796,010	–	–	102,835
Holding and others	5,612,256	4,313,033	449,289	346,795	–	–	503,139
Other receivables	12,466,393	12,328,499	–	137,894	–	–	–
Debt investments at amortized cost	453,871	453,871	–	–	–	–	–
Financial assets at FVTPL:							
Quoted shares of stock	341,664	341,664	–	–	–	–	–
Unquoted shares of stock	12,070	12,070	–	–	–	–	–
Financial assets at FVOCI	225,552	225,552	–	–	–	–	–
Derivative asset	292,828	292,828	–	–	–	–	–
	₱105,340,765	₱96,184,794	₱2,136,762	₱4,563,813	₱–	₱–	₱2,455,396

December 31, 2017

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱64,870,214	₱64,870,214	₱–	₱–	₱–	₱–	₱–
Restricted cash	2,642,327	2,642,327	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	16,338,622	12,036,106	1,038,459	1,489,219	–	–	1,774,838
Food manufacturing	2,344,307	1,357,673	577,815	306,459	–	–	102,360
Real estate	3,654,299	1,997,559	255,975	1,338,732	–	–	62,033
Holding and others	912,680	788,796	–	107,264	–	–	16,620
Other receivables	3,479,976	3,237,947	127,831	113,875	–	–	323
AFS investments							
Quoted shares of stock	760,724	760,724	–	–	–	–	–
Unquoted shares of stock	12,070	12,070	–	–	–	–	–
HTM investments	189,216	189,216	–	–	–	–	–
Derivative asset	341,941	341,941	–	–	–	–	–
	₱95,546,376	₱88,234,573	₱2,000,080	₱3,355,549	₱–	₱–	₱1,956,174

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of December 31, 2018 and 2017, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 5.61% and 9.83%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱59.0 billion and ₱33.8 billion as of December 31, 2018, respectively and of ₱64.9 billion and ₱24.2 billion as of December 31, 2017, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

December 31, 2018

	Total carrying value	**Contractual undiscounted payments**				
		Total	**On demand**	**Less than 1 year**	**1-5 years**	**> 5 years**
Financial liabilities:						
Operating						
Trade and other payables*	**₱34,578,483**	**₱34,578,483**	**₱2,472,160**	**₱31,966,847**	**₱139,476**	**₱–**
Customers' deposits	**6,127,788**	**6,127,788**	**–**	**24,546**	**99,408**	**6,003,834**
Financing						
Bank loans	**26,978,586**	**27,027,903**	**–**	**27,027,903**	**–**	**–**
Long-term debts	**211,432,367**	**309,677,645**	**–**	**42,126,194**	**129,514,140**	**138,037,311**
Obligations under finance lease	**46,894,355**	**66,433,090**	**–**	**9,052,200**	**41,790,990**	**15,589,900**
Long-term obligation on PDS	**213,496**	**400,000**	**–**	**40,000**	**200,000**	**160,000**
Others						
Derivative liabilities	**161,565**	**159,926**	**–**	**159,926**	**–**	**–**
	₱326,386,640	**₱444,404,835**	**₱2,472,160**	**₱110,397,616**	**₱171,744,014**	**₱159,791,045**

**Excludes statutory liabilities*

December 31, 2017

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱21,636,503	₱21,636,503	₱1,573,803	₱19,465,764	₱596,936	₱–
Customers' deposits	6,269,383	6,269,383	–	600	89,703	6,179,080
Financing						
Bank loans	23,701,140	23,711,309	–	23,711,309	–	–
Long-term debts	189,087,047	240,997,376	–	26,867,224	117,503,925	96,626,227
Obligations under finance lease	49,225,254	73,496,465	–	8,813,700	38,927,175	25,755,590
Long-term obligation on PDS	226,071	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	47,577	47,577	–	47,577	–	–
	₱290,192,975	₱366,598,613	₱1,573,803	₱78,946,174	₱157,317,739	₱128,760,897

**Excludes statutory liabilities*

Capital Management

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

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

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2018 and 2017, these entities have complied with this requirement as applicable (see Note 38).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debts and obligations under finance lease) less cash and short-term deposits.

Gearing ratios of the Group as of December 31, 2018 and 2017 are as follows:

	2018	2017 (As restated)
Bank loans	**₱26,978,586**	₱23,701,140
Long-term obligations	**258,326,722**	238,312,301
Cash and cash equivalents (including restricted cash)	**(64,322,174)**	(67,512,541)
Net debt (a)	**220,983,134**	194,500,900
Equity	**217,263,531**	192,270,928
Equity and net debt (b)	**₱438,246,665**	₱386,771,828
Gearing ratio (a/b)	**50.42%**	50.29%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaces in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2018 and 2017 (see Note 19).

No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and 2017.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. **Financial Instruments**

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

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

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

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱4,225,900**	**₱3,889,099**	₱–	₱–
Financial liabilities				
Obligations under finance lease	**₱46,894,355**	**₱40,495,647**	₱49,225,254	₱43,462,850
Long-term debt - fixed rate	**181,614,320**	**174,822,840**	157,880,180	151,225,731
PSALM deferred adjustment	**4,225,950**	**3,889,099**	–	–
Long-term obligation on PDS	**213,496**	**278,801**	226,071	326,655
	₱232,948,121	**₱219,486,387**	₱207,331,505	₱195,015,236

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

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

Finance lease obligations
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 2.33% to 2.73% for dollar payments and 5.26% to 6.67% for peso payments in 2018; and 1.48% to 2.42% for dollar payments and 3.28% to 4.25% for peso payments in 2017.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.15% to 7.53% in 2018 and 3.10% to 6.17% in 2017. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS and PSALM deferred adjustment
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 4.32% to 7.49% in 2018 and 2.70% to 4.66% in 2017.

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

AFS investments in 2017
These are carried at cost less impairment because fair value cannot be determined reliably due to the unpredictable nature of cash flows and lack of suitable methods of arriving at reliable fair value.

Financial assets at FVTPL in 2018
These equity securities are carried at fair value.

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

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

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

Interest rate swaps (IRS)
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate

swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on

the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$16.6 million and ₱19.6 million respectively. As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$22.2 million and ₱15.8 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 19). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative liability amounting to US$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 19), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.
As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$288.5 million and ₱272.2 million, respectively. As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$300.0 million and ₱49.9 million, respectively.

Interest rate cap (IRC)
GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 19). The IRC has an outstanding notional amount of US$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP. The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRC agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative asset was derecognized in cumulative translation adjustments.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2017 and 2016, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €2.5 million and €6.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until April 25, 2018.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2017, the contract has an aggregate notional amount of US$2.6 million, respectively that will be fully settled within 2018.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
TLI entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2018 the aggregate notional amount of the par forward contract is US$ 4.83 million.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2018 and 2017, the aggregate notional amount of the par forward contracts is US$16.8 million and US$23.7 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2017, the aggregate notional amount of the par forward contracts is ₱254.3 million, these were fully settled in 2018.

AP enters into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2017, the aggregate notional amount of the par forward contract is US$39.0 million, these were fully settled in 2018.

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

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Company is holding the following hedging instruments designated as cash flow hedges as of December 31, 2018:

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
As at 31 December 2018						
IRS - Derivative Assets						
Notional amount (in PHP)	552,090	115,676	725,604	1,144,930	13,503,858	16,042,158
Average fixed interest rate (%)	2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	–	61,118	–	–	–	61,118
Average forward rate (in PHP)	54	55	55	56	57	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	975,740	752,345	933,916	1,372,435	798,837	4,833,273
Average forward rate (in PHP)	54	55	55	56	57	
Commodity swaps - Derivative Asset						
Notional amount (in metric tonnes)	47,000	103,000	161,000	150,000	70,000	531,000
Notional amount (in PHP)	212,949	484,425	749,278	695,381	330,607	2,472,640
Average hedged rate (in PHP per metric tonne)	4,531	4,703	4,654	4,636	4,723	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	86,000	44,000	289,000	150,000	151,000	720,000
Notional amount (in PHP)	486,652	248,709	1,608,393	800,799	775,024	3,919,577
Average hedged rate (in PHP per metric tonne)	5,659	5,652	5,565	5,339	5,133	

The impact of the hedging instruments on the consolidated balance sheet as of December 31, 2018 is, as follows:

	As at 31 December 2018			
	Notional amount	Carrying amount	Line Item in the consolidated balance sheet	Change in fair value used for measuring ineffectiveness for the period
IRS	₱16,042,158	₱291,763	Derivative asset	₱272,185
Forward exchange currency forwards	61,118	210	Derivative asset	(539)
Forward exchange currency forwards	4,833,273	(118,596)	Derivative liability	(228,658)
Commodity swaps	2,472,640	1,200	Derivative asset	22,141
Commodity swaps	3,919,576	(40,311)	Derivative liability	(154,829)

The impact of the hedged item on the consolidated balance sheet as at December 31, 2018 is as follows:

	31 December 2018	
	Change in fair value used for measuring ineffectiveness	Derivative asset (liability)
Highly probable forecasted purchases		
Foreign currency hedge	(₱229,658)	₱117,304
Commodity price hedge	(132,688)	39,923
Purchases		
Foreign currency hedge	(539)	–
Floating rate loans		
IRS	272,185	168,841

The effect of the cash flow hedge in the consolidated statement of income and other comprehensive income for the year ended December 31, 2018 is, as follows:

	Year ended 31 December 2018		
	Total hedging gain/(loss) recognized in other comprehensive income	Ineffectiveness recognized in profit or loss	Line item in the consolidated statement of income
Highly probable forecasted purchases			
Foreign currency hedge	(₱117,304)	(₱1,291)	Other income (expense) - net
Commodity price hedge	(39,923)	(7,138)	Other income (expense) - net
Highly probable forecasted purchases			
Foreign currency hedge	–	(539)	Other income (expense) - net
Floating rate loans			
IRS	168,841	2,095	Other income (expense) - net

The movements in fair value changes of all derivative instruments for the year ended December 31, 2018 and 2017 are as follows:

	2018	2017
At beginning of year	**₱294,364**	(₱69,016)
Net changes in fair value of derivatives designated as cash flow hedges	**(125,642)**	105,483
Net changes in fair value of derivatives not designated as accounting hedges	**(72,252)**	5,339
Derecognition recognized in cumulative translation adjustments	**–**	240,960
Fair value of settled instruments	**36,432**	11,598
At end of year	**₱132,902**	₱294,364

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as "Net foreign exchange gain (losses)" under "Other income (expense) - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2018	2017
Balance at beginning of year (net of tax)	**₱139,879**	(₱176,936)
Changes in fair value recorded in equity	**203,751**	75,935
	343,630	(101,001)
Derecognition	**–**	147,881
Transfers to construction in progress	**(77,180)**	(57,959)
Changes in fair value transferred to profit or loss	**(7,579)**	127,328
Balance at end of year before deferred tax effect	**258,871**	116,249
Deferred tax effect	**2,507**	23,630
Balance at end of year (net of tax)	**₱261,378**	₱139,879

The Group has not bifurcated any embedded derivatives as of December 31, 2018 and 2017.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly
Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

As of December 31, 2018 and 2017, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2018

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱353,734**	**₱353,734**	**₱–**	**₱–**
At FVOCI	**225,552**	**225,552**	**–**	**–**
Derivative asset	**292,828**	**–**	**292,828**	**–**
Derivative liability	**161,565**	**–**	**161,565**	**–**
Disclosed at fair value:				
Finance lease obligations	**33,469,188**	**–**	**–**	**33,469,188**
Long-term debt - fixed rate	**174,822,840**	**–**	**–**	**174,822,840**
Long-term obligation on PDS	**326,655**	**–**	**–**	**326,655**

December 31, 2017

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱760,724	₱760,724	₱–	₱–
Derivative asset	341,941	–	341,941	–
Derivative liability	47,577	–	47,577	–
Disclosed at fair value:				
Finance lease obligations	43,462,850	–	–	43,462,850
Long-term debt - fixed rate	151,225,731	–	–	151,225,731
Long-term obligation on PDS	326,655	–	–	326,655

During the years ended December 31, 2018 and 2017, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group’s financing liabilities in 2018 and 2017:

			Non-cash Changes						
	January 1, 2018	**Net cash flows**	**Amortized deferred financing costs**	**Foreign exchange movement**	**Changes in fair values**	**Accreted interest**	**First-time consolidated liabilities**	**Others**	**December 31, 2018**
Current interest-bearing loans and borrowings, excluding obligations under finance leases	**₱44,463,470**	**(₱20,333,648)**	**₱258,968**	**(₱48,560)**	**₱–**	**₱–**	**₱2,228,136**	**₱11,153,195**	**₱37,721,561**
Current obligations under finance leases	**3,316,165**	**(7,804,460)**	**–**	**–**	**–**	**–**	**–**	**8,619,354**	**4,131,059**
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	**168,550,788**	**39,157,476**	**198,372**	**1,800,851**	**–**	**–**	**2,366,786**	**(11,171,384)**	**200,902,889**
Non-current obligations under finance leases	**45,909,089**	**–**	**–**	**873,546**	**–**	**4,600,015**	**–**	**(8,619,354)**	**42,763,296**
Derivatives	**47,577**	**–**	**–**	**–**	**113,988**	**–**	**–**	**–**	**161,565**
Total liabilities from financing activities	**₱262,287,089**	**₱11,019,368**	**₱457,340**	**₱2,625,837**	**₱113,988**	**₱4,600,015**	**₱4,594,922**	**(₱18,189)**	**₱285,680,369**

			Non-cash Changes					
	January 1, 2017	Net cash flows	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2017
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱15,997,289	(₱36,121,212)	₱38,913	₱97,555	₱–	₱–	₱64,450,925	₱44,463,470
Current obligations under finance leases	2,968,491	(7,877,292)	–	–	–	–	8,224,966	3,316,165
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	189,381,881	43,968,605	504,732	727,105	(6,776)	28,823	(66,053,583)	168,550,787
Non-current obligations under finance leases	49,371,713	–	–	97,139	–	4,665,203	(8,224,966)	45,909,089
Derivatives	360,877	–	–	–	(313,300)	–	–	47,577
Total liabilities from financing Activities	₱258,080,251	(₱29,899)	₱543,645	₱921,799	(₱320,076)	₱4,694,026	(₱1,602,658)	₱262,287,088

38. Registrations with the Board of Investments (BOI)

a. Power Segment

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. The ITH shall be limited only to sales/revenue generated from sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2018 and 2017, these companies have complied with the requirements.

b. Food Manufacturing Segment

- *PILMICO*

  On October 9, 2015, the BOI approved the registration of Pilmico’s feedmill plant expansion as “Expanding Producer of Animal Feeds” (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Among others, said registration entitles PILMICO to three-year ITH from January 2016 or actual start of commercial operations, whichever is earlier, and importation of capital equipment at zero duty for a period of five years.

- *PANC*
  PANC has been registered with the BOI and granted the following incentives:
  - ITH for a period of three to four years;

Type of Registration	BOI Approval Date	Start of ITH Period	ITH Period
Expanding producer of hogs	March 19, 2014	July 2014[1]	3 years
Expanding Producer of Animal Feeds	June 24, 2016	July 2016[1]	3 years
New Producer of Table Eggs and By- Products	April 7, 2015	October 2015[1]	4 years
New Producer of Hogs and Pork Meat	July 16, 2017	July 2017[1]	3years

[1] *Or actual start of commercial operations, whichever is earlier, but not earlier than registration date,*

  - Importation of capital equipment at zero duty for a period of five years from date of registration;
  - Other tax and duty exemptions on purchase of certain inventories.

  As of December 31, 2018, PANC has complied with the terms and conditions indicated in the above BOI registrations.

c. Infrastructure Segment
On January 24, 2018, the BOI approved Apo Agua's application for registration as new operator of Bulk Water Supply (Davao City Bulk Water Project) under the 2017 IPP on a non-pioneer status under Omnibus Investments Code of 1987. The BOI issued the Certificate of Registration on April 12, 2018 which entitles Apo Agua to an ITH of four years from February 2022 or actual start of commercial operations, whichever is earlier but availment shall in no case be earlier than the date of registration.

39. **Rate Regulation, Power Supply and Other Agreements**

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. Steam Supply Agreement
On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018.

Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱5.23 billion in 2018, ₱4.98 billion in 2017 and ₱4.11 billion in 2016.

b. Coal Supply Agreements (CSA)
TLI enters into short-term CSA. Outstanding coal supply agreements as of December 31, 2018 have aggregate supply amounts of 1,840,000 MT (equivalent dollar value is estimated to be at US$210 million) which are due for delivery from January 2019 to December 2019. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019. In addition, a supply backstop deed was included in the CSA wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the CSA; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Lease Agreements

- *APRI*
  On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2018, 2017 and 2016.

- *GMCP*
  In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

  In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

- *Sacasun*
  Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱51.5 million and ₱50.8 million as of December 31, 2018 and 2017, respectively (see Note 7).

- *HI, HTI and HSI*
  HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants arelocated. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

- *Therma Mobile*
  On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

- *EAUC*
  Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

- *TPVI*
  TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱516.0 million as of December 31, 2018 (see Notes 7, 16 and 41g).

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile, EAUC and TPVI are as follows (amounts in millions):

	2018	2017
Not later than 1 year	**₱292.9**	₱252.3
Later than 1 year but not later than 5 years	**749.5**	736.7
Later than 5 years	**6,039.2**	5,619.7

Total lease charged to operations related to these contracts amounted to in ₱263.5 million in 2018, ₱163.7 million in 2017 and ₱38.5 million in 2016 (see Note 27).

e. Joint Venture Agreement
On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.

Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.

40. **Contingencies**

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱1.02 billion in 2018, ₱1.04 billion in 2017 and ₱1.15 billion in 2016.

41. **Other Matters**

a. Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001
RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2018, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA's Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2018, the petition is still pending resolution with the SC.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.
On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2018, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2018, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement (“NPPC-APA”), Land Lease Agreement (“NPPC-LLA”) and other documents to implement TPVI’s acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI’s Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC’s second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its “fallo” that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC’s right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI’s Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC’s October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC’s and PSALM’s motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on

July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

TPVI paid a total amount of ₱1.03 billion for the NPPC-APA and NPPC-LLA and ₱495.97 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.
On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2018.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2018.

j. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)
The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)
On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

42. **Events after the Reporting Period**

To comply with the requirements of Section 43 of the Corporation Code, on March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.44 billion) to all stockholders of record as of March 21, 2019. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2018, and will be paid on April 5, 2019. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

The Group received approval from the Philippine Competition Commission on February 28, 2019 for the acquisition of the 49% voting stake and 60% economic stake in AA Thermal, Inc. for a total cash consideration of $579.2 million (Base price, subject to adjustment at closing). The Group expects to close the acquisition shortly upon receipt of all conditions precedent.

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2018

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2018

NA: NOT APPLICABLE

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
ANZ	Not applicable	P 67,343	Not applicable	P -
Agri Bank, Song Than	Not applicable	2,617	Not applicable	2
Agriculutre Bank of China	Not applicable	152,493	Not applicable	121
Allied Bank	Not applicable	-	Not applicable	8
Asian United Bank	Not applicable	144	Not applicable	4
Banco de Oro	Not applicable	6,040,803	Not applicable	17,821
Bangkok Bank Public Company Limited	Not applicable	6,842	Not applicable	13
Bank Central Asia	Not applicable	52,662	Not applicable	241
Bank Mandiri	Not applicable	3,268	Not applicable	39
Bank Muamalat	Not applicable	8,570	Not applicable	-
Bank of China	Not applicable	56,377	Not applicable	88
Bank of Commerce	Not applicable	647	Not applicable	9
Bank of the Philippine Islands	Not applicable	788,212	Not applicable	16,257
BDO Private Bank, Inc.	Not applicable	906	Not applicable	11
BDO Unibank, Inc.	Not applicable	-	Not applicable	5,039
China Banking Corporation	Not applicable	-	Not applicable	37,488
China Merchants Bank	Not applicable	5,545	Not applicable	11
China Trust Banking Corporation	Not applicable	-	Not applicable	40,852
Citibank	Not applicable	5,047	Not applicable	-
City Savings Bank	Not applicable	943	Not applicable	75,534
Commerce International Merchant Bankers Berhad (CIMB)	Not applicable	58,939	Not applicable	2
Development Bank of the Philippines	Not applicable	10,828	Not applicable	1
Eastwest Banking Corporation	Not applicable	-	Not applicable	52
Hongkong Shanghai Banking Corporation	Not applicable	1,000,049	Not applicable	1,608
ING Bank N.V.	Not applicable	359,581	Not applicable	-
JP Morgan	Not applicable	3,151	Not applicable	34
Kasikom bank	Not applicable	1,942	Not applicable	32
Landbank of the Philippines	Not applicable	22,221	Not applicable	40
Malayan Banking Berhad	Not applicable	2,672	Not applicable	-
Maybank Corporation	Not applicable	157	Not applicable	139
MCB bank	Not applicable	3	Not applicable	-
Meezan Bank Limited	Not applicable	10,657	Not applicable	-
Metropolitan Bank and Trust Company	Not applicable	276,616	Not applicable	953
MFTB Bank	Not applicable	281	Not applicable	-
Mizuho Corporatet Bank, Ltd.	Not applicable	437	Not applicable	3
OCBC	Not applicable	914	Not applicable	-
One Network Bank	Not applicable	6,478	Not applicable	-
PB Com	Not applicable	182	Not applicable	9
Philippine Business Bank	Not applicable	-	Not applicable	7
Philippine National Bank	Not applicable	69,361	Not applicable	475

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Philippine Veterans Bank	Not applicable	455	Not applicable	-
PT Bank Permata	Not applicable	46	Not applicable	-
Rich Bank	Not applicable	277	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	71,399	Not applicable	361
Robinson's Bank	Not applicable	-	Not applicable	27
Rural Credit Cooperatives Association	Not applicable	311	Not applicable	1
Sacombank	Not applicable	47,663	Not applicable	95
Security Bank Corporation	Not applicable	316,850	Not applicable	48,784
Standard Chartered Bank	Not applicable	284,034	Not applicable	659
Sterling Bank of Asia	Not applicable	-	Not applicable	27
The Bank of China Construction	Not applicable	9,945	Not applicable	20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	879	Not applicable	2
The Siam Commercial Bank Public Company Limited	Not applicable	148	Not applicable	5
Union Bank of the Philippines	Not applicable	4,652,364	Not applicable	61,633
United Coconut Planters Bank	Not applicable	-	Not applicable	27
Vietcom Bank	Not applicable	84,099	Not applicable	173
Vietinbank	Not applicable	7,073	Not applicable	6
Vietnam Joint Stock Commercial Bank	Not applicable	130,984	Not applicable	85
T O T A L		**P 14,623,415**		**P 308,798**
Money Market Placements				
ANZ Bank	Not applicable	P -	Not applicable	P 61
Banco de Oro	Not applicable	3,246,735	Not applicable	48,481
BDO Private Bank, Inc.	Not applicable	50,000	Not applicable	3,903
Bangko Sentral ng Pilipinas	Not applicable	1,157,368	Not applicable	-
Bank of the Philippine Islands	Not applicable	1,957,088	Not applicable	25,277
Bank Muamalat Malaysia Berhad	Not applicable	22,897	Not applicable	1,453
China Trust Banking Corporation	Not applicable	1,730,028	Not applicable	56,308
City Savings Bank	Not applicable	10,833,126	Not applicable	205,965
Deutsche Bank Manila	Not applicable	-	Not applicable	957
Hongkong & Shanghai Banking Corporation	Not applicable	121,472	Not applicable	889
HSBC Bank Malaysia Berhad	Not applicable	7,501	Not applicable	91
First Metro Investment Corporation	Not applicable	-	Not applicable	1,402
JP Morgan	Not applicable	227,244	Not applicable	10,300
Metropolitan Bank and Trust Company	Not applicable	272,835	Not applicable	64,297
Philippine National Bank	Not applicable	7,991	Not applicable	65
Rizal Commercial Banking Corporation	Not applicable	9,161	Not applicable	-
Security Bank Corporation	Not applicable	4,277,323	Not applicable	104,340
Mizuho Corporate Bank, Ltd.	Not applicable	1,495,170	Not applicable	18,162
Sacombank, Dong Thap branch - VND	Not applicable	132,970	Not applicable	2,714
Vietinbank	Not applicable	-	Not applicable	22,817
Vietcombank	Not applicable	2,269	Not applicable	-

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Union Bank of the Philippines	Not applicable	18,614,981	Not applicable	574,915
T O T A L		**P 44,166,159**		**P 1,142,397**
Trade Receivables				
Power	Not applicable	P 14,717,574	Not applicable	Not applicable
Real estate	Not applicable	3,982,424	Not applicable	Not applicable
Food manufacturing	Not applicable	2,913,959	Not applicable	Not applicable
Holding and others	Not applicable	5,612,256	Not applicable	Not applicable
T O T A L		**P 27,226,213**		
Other Receivables				
Advances to contractors	Not applicable	P 148,300	Not applicable	Not applicable
Dividends receivable	Not applicable	665,783	Not applicable	Not applicable
Accrued revenues	Not applicable	3,493,246	Not applicable	Not applicable
Non-trade receivables	Not applicable	6,967,769	Not applicable	Not applicable
Others	Not applicable	1,191,295	Not applicable	Not applicable
T O T A L		**P 12,466,393**		
Financial assets at FVTPL				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 2,123	P 2,123	P -
Megaworld Properties, Inc.	1,842,750	8,753	8,753	-
Filinvest Development Corporation	160,316	1,892	1,892	12
Filinvest Land, Inc.	303,515	428	428	19
Others	623,303	12,754	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	1,002,882	57,217	-	-
Investment in Exchange Traded Funds/Unit Investment Trust Fund				
Union Bank of the Philippines	2,050,350	199,895	199,895	-
Banco de Oro	-	58,681	-	10,802
T O T A L		**P 353,734**	**P 213,091**	**P 10,833**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	**P 1,438**	P -	P (498)	P -	P 940	P -	**P 940**
Pilmico Foods Corporation	**-**	1,437	-	-	1,437	-	**1,437**
Cebu Praedia Development Corporation	**8**	-	(8)	-	-	-	**-**
Aboitiz Infracapital, Inc.	**4,127**	20,333	-	-	24,460	-	**24,460**
APO Agua Infrastructura Inc. Total	**-**	3,585	-	-	3,585	-	**3,585**
Lima Water Coporation	**571**	632	(571)	-	632	-	**632**
Weather Solutions, Inc.	**44**	3,243	-	-	3,287	-	**3,287**
PETNET, Inc.	**595**	-	(595)	-	-	-	**-**
Aboitizland, Inc.	**5,113**	17,844	(6,562)	-	16,395	-	**16,395**
Cebu Industrial Park Developers, Inc.	**44**	312	(244)	-	112	-	**112**
Lima Land, Inc.	**224**	825	-	-	1,049	-	**1,049**
Aboitiz Power Corporation	**34,354**	-	(28,495)	-	5,859	-	**5,859**
Aboitiz Energy Solutions, Inc.	**36**	40	(1)	-	75	-	**75**
Aboitiz Power Distributed Energy, Inc.	**-**	1,028	-	-	1,028	-	**1,028**
Aboitiz Power Distributed Renewables, Inc.	**-**	459	-	-	459	-	**459**
Aboitiz Renewables, Inc.	**43,211**	-	(43,211)	-	-	-	**-**
Advent Energy, Inc.	**-**	16		-	16	-	**16**
AP Renewables, Inc.	**(791)**	4,265	(750)	-	2,724	-	**2,724**
Aseagas Corporation	**-**	397		-	397	-	**397**
Balamban Enerzone Corp.	**20**	36	(24)	-	32	-	**32**
Cebu Private Power Corporation	**86**	32	-	-	118	-	**118**
Cotabato Ice Plant, Inc.	**(727)**	727	(732)	-	(732)	-	**(732)**
Cotabato Light and Power Company	**444**	56	(39)	-	461	-	**461**
Davao Light and Power Co., Inc.	**(297)**	2,664	(225)	-	2,142	-	**2,142**
East Asia Utilities Corp.	**399**	-	(267)	-	132	-	**132**
Hedcor Bukidnon, Inc.	**674**	254	-	-	928	-	**928**
Hedcor Sabangan, Inc.	**85**	-	(25)	-	60	-	**60**
Hedcor Sibulan, Inc.	**795**	1,975	-	-	2,770	-	**2,770**
Hedcor Tudaya, Inc.	**79**	108	-	-	187	-	**187**
Hedcor, Inc.	**2,543**	336	(19)	-	2,860	-	**2,860**
Lima Enerzone Corporation	**3,179**	-	(3,122)	-	57	-	**57**
Luzon Hydro Corporation	**387**	-	(98)	-	289	-	**289**
Mactan Enerzone Corporation	**297**	-	(252)	-	45	-	**45**
Manila-Oslo Renewable Enterprise, Inc.	**445**	-	(323)	-	122	-	**122**
Prism Energy, Inc.	**-**	554	-	-	554	-	**554**
San Carlos Sun Power, Inc.	**211**	80	-	-	291	-	**291**
SN Aboitiz Power - Benguet, Inc.	**634**	437	-	-	1,071	-	**1,071**
SN Aboitiz Power - Generation, Inc.	**14**	-	(6)	-	8	-	**8**
SN Aboitiz Power - Magat, Inc.	**-**	1,050	-	-	1,050	-	**1,050**
Steag State Power Inc	**-**	9	-	-	9	-	**9**
Subic Enerzone Corporation	**2,619**	-	(2,090)	-	529	-	**529**
Therma Luzon, Inc.	**(820)**	9,378	(1,001)	-	7,557	-	**7,557**
Therma Marine, Inc.	**839**	2,065	-	-	2,904	-	**2,904**
Therma Mobile, Inc.	**297**	-	(167)	-	130	-	**130**
Therma Visayas, Inc.	**4,536**	-	(1,154)	-	3,382	-	**3,382**
Therma Power, Inc.	**90**	-	(90)	-	-	-	**-**
Therma South, Inc.	**3,769**	-	(2,077)	-	1,692	-	**1,692**
Visayan Electric Co., Inc.	**99,759**	-	(20,860)	-	78,899	-	**78,899**
NON-TRADE							
AEV Aviation, Inc.	**-**	4,032	-	-	4,032	-	**4,032**
Cebu Praedia Development Corporation	**131,458**	814	(61,458)	-	60,814	10,000	**70,814**
Pilmico Foods Corporation	**295,812**	5,178	(5,812)	-	5,178	290,000	**295,178**
Adventenergy, Inc.	**300,000**	3,459	-	-	3,459	300,000	**303,459**
Therma Power, Inc.	-	631,574	-	-	631,574	-	**631,574**
Total	**P 936,601**	**P 719,234**	**P (180,776)**	**P -**	**P 875,059**	**P 600,000**	**P 1,475,059**

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2018
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 41,308,689	P 14,953,222	P -	P -	P -	P -	P 56,261,911
Intangible asset - service concession right	3,062,307	961,827	(361,484)	-	128,727	-	3,791,377
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	6,765,238	-	(1,302,255)	-	-	-	5,462,983
PSALM deferred adjustment - net of current portion	-	3,183,089					3,183,089
Intangible assets:							
Franchise	2,725,693	-	(76,961)	-	-	-	2,648,732
Project development costs	395,419	594,315	(405,603)	-	(1,036)	-	583,095
Software and licenses	171,644	86,948	(94,457)	-	200,872	-	365,007
Customer contracts	42,838	-	(15,409)	-	-	-	27,429
Prepaid rent and other deposits	1,171,570	450,992	(28,387)	-	1,632,720	-	3,226,895
Advances to contractors and projects	2,215,456	-	(1,116,709)	-	-	-	1,098,747
Biological assets	144,263	-	(10,119)	-	-	-	134,144
Others	1,005,830	179,016	-	-	-	-	1,184,846
Total	**P59,008,947**	**P20,409,409**	**(P3,411,384)**	**P0**	**P1,961,283**	**P0**	**P77,968,255**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,971,222	-	7,971,222	
BPI Capital Corporation	23,890,997	-	23,890,997	
Subsidiaries:				
Aboitiz Power Corporation	22,997,821	-	22,997,821	
AP Renewables, Inc.	9,207,164	1,209,185	7,997,979	
Hedcor, Inc.	1,827,786	88,414	1,739,372	
Hedcor Bukidnon, Inc.	9,213,643	534,379	8,679,264	
Hedcor Sibulan, Inc.	3,863,854	93,118	3,770,736	
Cotabato Light and Power Company	146,250	29,850	116,400	
Davao Light & Power Company, Inc.	731,250	149,250	582,000	
Subic Enerzone Corporation	169,500	56,500	113,000	
Pagbilao Energy Corporation	14,222,533	1,074,642	13,147,891	
Luzon Hydro Corporation	873,422	288,106	585,316	
Therma South, Inc.	21,175,346	1,282,338	19,893,008	
Therma Visayas, Inc.	31,193,746	-	31,193,746	
GNPower Mariveles Coal Plant Ltd. Co.	41,162,331	3,692,622	37,469,709	
Visayan Electric Company	973,045	199,000	774,045	
Pilmico Foods Corporation	2,800,893	1,322,144	1,478,749	
Pilmico Animal Nutrition Corp.	2,670,000	38,764	2,631,236	
AEV International and subsidiaries	13,563,350	644,662	12,918,688	
Aboitiz Infra Capital	2,778,214	-	2,778,214	
Total	**P211,432,367**	**P10,702,974**	**P200,729,393**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,632,793	-	2,737,173	280,228	2,615,392
PREFERRED SHARES	400,000	-	-	-	-	-

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Sales**	**Rental**	**Advances**	**Terms**
TRADE							
Pilmico Animal Nutrition Corporation	**P 940**	P -	P 940	P 13,883	P 3	P -	30 days
Pilmico Foods Corporation	**1,437**	-	1,437	349,624	596	-	30 days
Cebu Praedia Development Corporation	**-**	-	-	2,556	-	-	30 days
AEV Aviation, Inc.	**-**	-	-	2,462	1	-	30 days
Aboitiz Infracapital, Inc.	**24,460**	-	24,460	32,645	774	-	30 days
APO Agua Infrastructura Inc. Total	**3,585**	-	3,585	5,759	81	-	30 days
Lima Water Coporation	**632**	-	632	1,286	-	-	30 days
Weather Solutions, Inc.	**3,287**	-	3,287	1,607	-	-	30 days
PETNET, Inc.	**-**	-	-	2,554	24	-	30 days
Aboitizland, Inc.	**16,395**	-	16,395	50,923	70	-	30 days
Cebu Industrial Park Developers, Inc.	**112**	-	112	2,199	-	-	30 days
Lima Land, Inc.	**1,049**	-	1,049	3,987	-	-	30 days
Misamis Oriental Land Development Corporation	**-**	-	-	340	-	-	30 days
Aboitiz Power Corporation	**5,859**	-	5,859	55,310	3,207	-	30 days
Aboitiz Energy Solutions, Inc.	**75**	-	75	1,414	6	-	30 days
Aboitiz Power Distributed Energy, Inc.	**1,028**	-	1,028	1,841	-	-	30 days
Aboitiz Power Distributed Renewables, Inc.	**459**	-	459	418	-	-	30 days
Aboitiz Renewables, Inc.	**-**	-	-	1,529	-	-	30 days
Abovant Holdings, Inc.	**-**	-	-	357	-	-	30 days
Advent Energy, Inc.	**16**	-	16	1,155	-	-	30 days
AP Renewables, Inc.	**2,724**	-	2,724	30,141	18	-	30 days
Aseagas Corporation	**397**	-	397	372	-	-	30 days
Balamban Enerzone Corp.	**32**	-	32	2,397	-	-	30 days
Cebu Private Power Corporation	**118**	-	118	2,404	1	-	30 days
Cotabato Ice Plant, Inc.	**(732)**	-	(732)	-	-	-	30 days
Cotabato Light and Power Company	**461**	-	461	8,898	-	-	30 days
Davao Light and Power Co., Inc.	**2,142**	-	2,142	86,340	11	-	30 days
East Asia Utilities Corp.	**132**	-	132	2,085	-	-	30 days
Hedcor Bukidnon, Inc.	**928**	-	928	5,494	-	-	30 days
Hedcor Sabangan, Inc.	**60**	-	60	1,040	-	-	30 days
Hedcor Sibulan, Inc.	**2,770**	-	2,770	8,171	-	-	30 days
Hedcor Tudaya, Inc.	**187**	-	187	1,115	-	-	30 days
Hedcor, Inc.	**2,860**	-	2,860	13,370	4	-	30 days
Hijos De F. Escano, Inc.	**-**	-	-	94	-	-	30 days
Lima Enerzone Corporation	**57**	-	57	16,298	-	-	30 days
Luzon Hydro Corporation	**289**	-	289	3,330	-	-	30 days
Mactan Enerzone Corporation	**45**	-	45	7,253	-	-	30 days
Malvar Enerzone Corporation	**-**	-	-	639	-	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	**122**	-	122	2,527	-	-	30 days
Prism Energy, Inc.	**554**	-	554	1,094	-	-	30 days
San Carlos Sun Power, Inc.	**291**	-	291	1,973	-	-	30 days
SN Aboitiz Power - Benguet, Inc.	**1,071**	-	1,071	5,414	-	-	30 days
SN Aboitiz Power - Generation, Inc.	**8**	-	8	278	1	-	30 days
SN Aboitiz Power - Magat, Inc.	**1,050**	-	1,050	5,121	16	-	30 days
SN POWER Philippines, Inc.	**-**	-	-	184	-	-	30 days
Steag State Power Inc	**9**	-	9	-	-	-	30 days
Subic Enerzone Corporation	**529**	-	529	22,842	-	-	30 days
Therma Luzon, Inc.	**7,557**	-	7,557	47,345	57	-	30 days
Therma Marine, Inc.	**2,904**	-	2,904	17,641	79	-	30 days
Therma Mobile, Inc.	**130**	-	130	7,075	26	-	30 days
Therma Visayas, Inc.	**3,382**	-	3,382	16,972	4	-	30 days
Therma Power, Inc.	**-**	-	-	1,941	-	-	30 days
Therma South, Inc.	**1,692**	-	1,692	29,479	29	-	30 days
Visayan Electric Co., Inc.	**78,899**	-	78,899	307,355	6	-	30 days
NON-TRADE							
AEV Aviation, Inc.	-	**4,032**	4,032	-	-	-	30 days
Cebu Praedia Development Corporation	-	**70,814**	70,814	-	-	70,000	short & long term
Pilmico Foods Corporation	-	**295,178**	295,178	-	-	290,000	long term
Adventenergy, Inc.	-	**303,459**	303,459	-	-	300,000	long term
Therma Power, Inc.	-	**631,574**	631,574	-	-	630,960	on demand
Total	**P 170,002**	**P 1,305,057**	**P 1,475,059**	**P 1,188,531**	**P 5,014**	**P 1,290,960**	

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P 4,991	P 4,991	P -	P 53,374	P -	on demand
Cebu Praedia Development Corporation	-	84	84	-	9,356	-	on demand
Total	**P -**	**P 5,075**	**P 5,075**	**P -**	**P 62,730**	**P -**	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2018
(Amounts in Philippine Currency and in Thousands)

Unappropriated Retained Earnings, beginning	**26,668,038**
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: Effect of changes in accounting for employee benefits (PAS 19)	-
Effect of changes in accounting for financial instruments (PFRS 9)	7,577
Less: Adjustments directly made to retained earnings:	
Treasury Shares	521,132
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**26,154,483**
Net Income based on the face of audited financial statements	9,202,692
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**9,202,692**
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,211,254
Appropriations of Retained Earnings during the period	2,578,000
Treasury Shares purchased	44,114
Retained Earnings available for Dividend, as of year-end	**25,523,807**

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	AS RESTATED IN 2018 DEC 2017	DEC 2018
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	1.61	**1.76**
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	1.25	**1.27**
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.56	**1.55**
Asset to equity ratio	Total assets / Total equity	2.56	**2.55**
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	1.01	**1.02**
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	50.29%	**50.42%**
Interest coverage ratio	EBIT / Net interest expense	4.13	**3.86**
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	24.32%	**20.9%**
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	16.01%	**14.86%**

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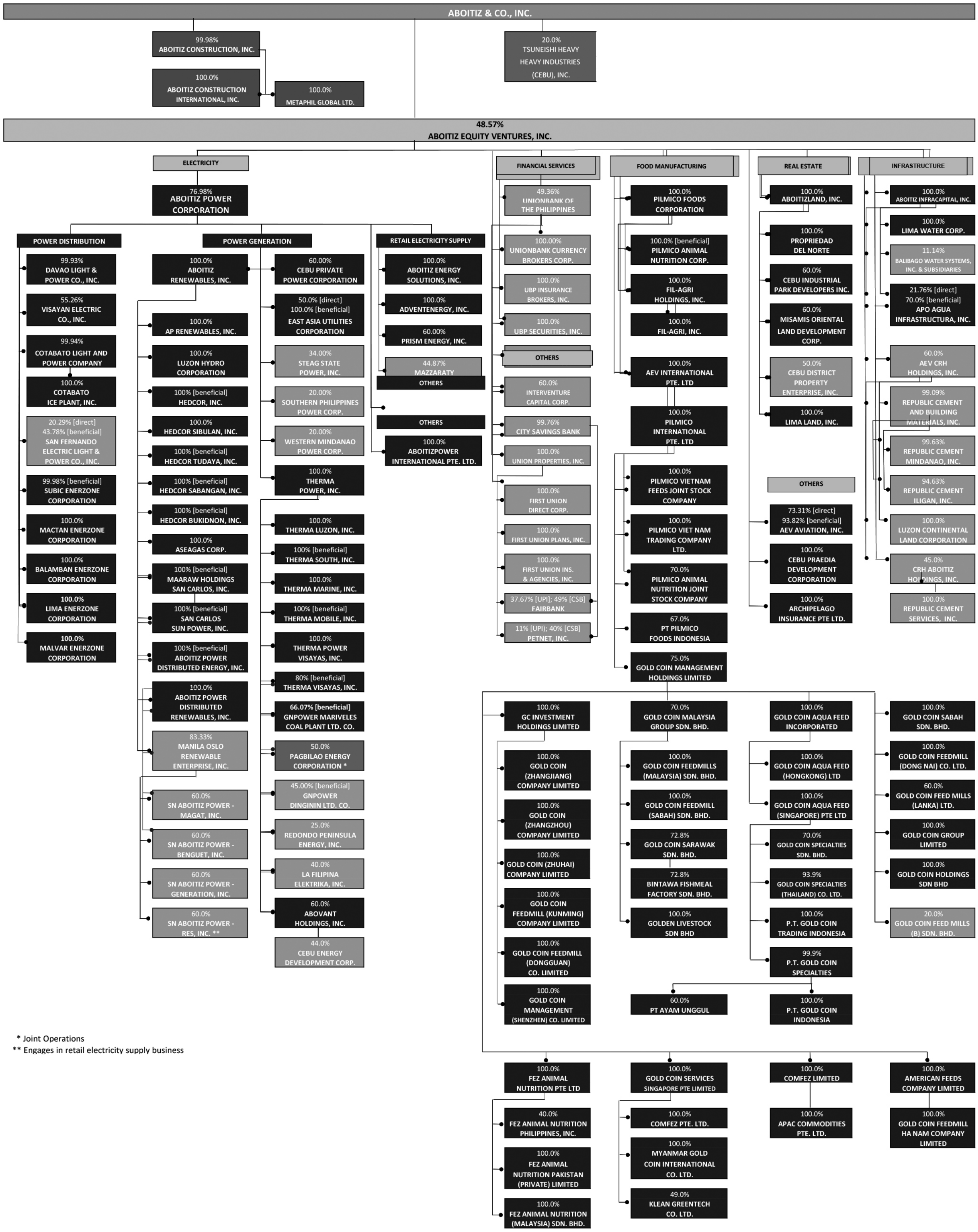
ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2018

Legend:
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



* Joint Operations
** Engages in retail electricity supply business

11

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	Adopted
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	Adopted
	PFRS 9, Financial Instruments (2014)	Adopted
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	See footnote[1]
PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted

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Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendment to PFRS 12, Clarification of the Scope of the Standard	Adopted
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable
PFRS 15	Revenue from Contracts with Customers	Adopted
PFRS 16	Leases	See footnote[1]

Philippine Accounting Standards (PAS)

PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendment to PAS 7: Disclosure Initiative	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted

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Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Adopted
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	Adopted
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted

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Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Adopted
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	Adopted
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted

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Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	Adopted
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	Scope of PFRS 2	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 11	Scope of PFRS 2	Not Applicable
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Adopted
IFRIC 23	Uncertainty over Income Tax Treatments	See footnote[1]

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 12	Consolidation - Special Purpose Entities	Adopted
	Amendment to SIC - 12: Scope of SIC 12	Adopted
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted
SIC 15	Operating Leases - Incentives	Adopted
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

[1] Effective subsequent to December 31, 2018

Statement of Management's Responsibility for Financial Statements

Aboitiz Equity Ventures, Inc.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Equity Ventures, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JON RAMON M. ABOITIZ
Chairman of the Board

ERRAMON I. ABOITIZ
President & Chief Executive Officer

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 8th day of March, 2018.

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

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

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	EB9718353	November 29, 2013, Cebu City
	11860761	February 09, 2018, Cebu City
Erramon I. Aboitiz	EB7151577	January 14, 2013, Cebu City
	26936151	January 15, 2018, Cebu City
Manuel R. Lozano	EC1926563	August 18, 2014, NCR South
	14226194	February 20, 2018, Taguig City

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

Witness my hand and seal this _____ day of ~~MAR 2 0 2018~~ 2018. TAGUIG CITY

ATTY. MELBIAN JEROME E. LARANO
Notary Public for Taguig, Roll No. 59294
Commission no. 26, until 31 Dec. 2019
PTR No. A-3893788/ 01.03.18 / Taguig City
IBP No. 1063530 / 11.23.17 / Cavite
MCLE Compliance No. V-0015571 / 03.14.16
3/F Bonifacio Technology Center 31st Street
corner 2nd Avenue Crescent Park West
Global City Taguig City, Philippines

Doc. No. 195;
Page No. 40;
Book No. LXXVI;
Series of 2018.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

COMPANY NAME

Form Type

Department requiring the report

Secondary License Type, if Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.aboitiz.com	(2)886-2800	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
		December 31

CONTACT PERSON INFORMATION

The designated contact person IUUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Timothy Joseph P. Abay	timothy.abay@aboitiz.com		Not available

CONTACT' PERSON's ADDRESS

c/o Aboitiz Equity Ventures, Inc., 32'd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

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

Z : All Boxes must be properly and compietely $1led-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, nan-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

aboitiz
Equity Ventures

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

ENRIQUE M. ABOITIZ JR
Chairman ot1;6e Board

a h.BINM
resident & Chief Executive Officer

Senior Vice Pregideht thief Financial Officer

APR t 3 28a
B
INITIAL.

Signed this 6th day of March, 2020.

NAC Tower, 32nd Street, Bonifacio Global City, Taguig 1634, Metro Manila, Philippines
Tel:(632) 886-2800 jFax: (632) 886-2404 awww.aboitiz.com

Republic ofthe Philippines)
Taguig City) S.S.

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

Name	Passport/CTC	Date/PlaceIssued
Enrique M. Aboitiz Jr.	P6213075A	february 28, 2018, Manila
	11046923	January24,2020,Cebu City
Sabin M. Aboitiz	P2003168A	february 23, 2017, Manila
	11079533	January29,2020,Cebu City
Manuel R. Lozano	P7066571A	May 6, 2018, Manila
	00859193	January16,2020,Taguig City

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

MAR0 6 20a

Witness my hand and seal this . day of 2020.

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Page No.
Book No. .!21'
Series of 2020.

IBP Lifetime OR No 061321
Roll No, 63289
MCLE Compliance No VI - 001 1090

BURmU OF INTERNAL REVENUE
LARA TAXPWERS DIVISION-CEBU

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stocldiolders
Aboitiz Equity Ventures, Inc.
32"d Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018. and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the ,4z£dffo'sRespo/zsfbi/fffeslorf/zeHud f of/he Canto/ida/edFf/zancfaS/afe/?ze/zfssection of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fuiHilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufEjcient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in foiling our opinion therein, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the Hzzdi/or's Responslbf/fffeslor fhe 4trd/fof/he Const/fda/ed /qna/leia/ .Sfaremen/section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2019, the goodwill amounted to P56.3 billion, which is attributable to several cash generating units, is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identi6lcation, discount and growth rates, revenue assumptions, and material price inflation.

The Group's disclosures about goodwill are included in Notes 3, 9 and 13 to the consolidated financial statements.

Audit Respome

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared signinlcant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accountingjor Busittess Combinations: Finalization of Purchase Price Allocation for the Acquisitioti of Gold Coin Management Holdings (GCMH)

In 2019, the Group finalized the fair value of the net assets acquired h-omits acquisition of ownership interest in GCMH on July 27, 2018. PFRS 3, B I/less Com6ilzaffons, allows the fair value of the net assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of P99.2 million. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about the finalization of the purchase price allocation for the acquisition of GCMH are included in Note 9 to the consolidated financial statements.

Audit Respome

We obtainedthe understandingon the Group's processof purchaseprice allocation which includesthe identification of the fair valueof the net assets. We reviewed the measurementof the fair value of the net assetsand adjustmentsmadeby the Group. Wherethe Group used an appraiserto perform valuation of its property, plant and equipment, we assessedthe competence, capabilities and objectivity of the Group's specialist.

We involved our intemal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revettue Recognitiolt ofDistribution Utilities

The Group's revenue from the sale of electricity accounts for 23% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 2 and 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the Hlnancial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements

Recoverability of Certain Segments of Property, Plant and Equipntent

Based on the assessment of the Group as of December 31, 2019, certain segments of its property, plant and equipment totaling P3.6 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 12 to the consolidated Hmancial statements.

Audit Respome

We involved our internal specialist in assessingthe methodology and the assumptions used by the Group in estimatingvalue-in-use. We comparedthe significant assumptions,suchasfuture electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discountratesusing market-basedparameters. Weperformed sensitivity analysesto understandthe impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about thoseassumptionsto which the outcomeof the impairment testing is most sensitive.

Accountingfor Investtnent itt an Associated Contpany

Aboitiz Equity Ventures,Inc. (AEV) exercisessignificant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investmentin UBP is accountedfor underthe equity method.UBP's incomeis significantly affectedby the level of provisioning of its loansand other receivables,which requiressigniHlcantmanagementjudgment.

The Group's disclosure on investments in associatesis in Notes 2 and 10 to the consolidated financial statements.

Audit Respon.se

We obtained the financial information of UBP for the year ended December 31, 2019 and recomputed the Group's sharein netincome of UBP and assessedthe disclosureson the investmentin associatein the consolidated financial statements.

We obtainedan understandingof the methodologiesand modelsusedfor UBP's different credit exposures of its loans and other receivables andassessedwhether these considered the requirements of PFRS 9, /1/zczncla//ns/mme/zfs, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected the results of the PFRS 9 model validation performed by management's specialist.

We (a) assessedUBP's segmentationof its credit risk exposuresbasedon homogeneityof credit risk characteristics;(b) testedthe definition of default and significant increasein credit risk criteria against historical analysisof accountsand credit risk managementpolicies and practicesin place; (c) tested UBP's application of internal credit risk rating systemby reviewing the ratings of samplecredit exposures;(d) testedloss given default by inspecting historical recoveriesandrelated costs,write-offs and collateral valuations; (e) testedexposureat default consideringoutstandingcommitmentsand repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lendingportfolios and broaderindustry knowledge; and, (g) testedthe elective interest rateused in discountingthe expectedloss.

Further, we checked the data used in the ECL models by reconciling data 6'om source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt Hlnancial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufblcient data. We recalculated impairment provisions on a sample basis. We involved our intcmal specialists in the performance of the above procedures.

Coitsotidatiott Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial infomlation to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identi&ing related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Denmitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report therein. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion therein.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

© identify and assess the risks of materia] misstatement of the conso]i(dated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting aom fraud is higher than for one resulting from error, as b'aud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of intemal control.

8 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's intemal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SGV

Building a better working world

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

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Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20. 2022
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31, 2019	December 31, 2018 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P46,424.663	P59.033.029
Trade and other receivables (Note 5)	35,195,594	35,099,504
Inventories (Note 6)	20,776,828	21,977,439
Land and improvements (Note 6)	2,570,892	2,340,113
Property held for sale (Notes 12 and 29)		675,819
Derivative asset (Note 36)	51,060	71,583
Other current assets (Notes 7 and 8)	19,406,255	18,290,868
Total Current Assets	124.425.292	137,488,355
Noncurrent Assets		
Property, plant and equipment (Notes 12 and 18)	225.558,765	221,689,945
Investments and advances (Note IO)	140,351,748	106,959,557
Intangible assets (Notes 9 and 13)	66,801,095	63,776,773
Investment properties (Notes 14 and 29)	11,291,880	8,224,667
Deferred income tax assets (Note 31)	3,127,072	2,324,773
Trade and other receivables - net of current portion (Note 5)	2,423,038	3,441,898
Derivative asset - net of current portion (Note 36)	82,327	221,245
Net pension assets (Note 30)	190,243	158,575
Other noncurrent assets (Notes 8 and 15)	14,134,641	l0,208,281
Total Noncurrent Assets	463,960,809	417,005,714
TOTAL ASSETS	P588,386,101	P554,494,069
LIABILITIES AND EQUITV		
Current Liabilities		
Trade and other payables lNotes 17, 34 and 39)	P36,440,163	P33,870,274
Bank loans (Note 16)	25,717,137	26,978,586
Current portions of:		
Long-term debts (Note 18)	27,126,918	l0,702,974
Long-term obligation on Power Distribution System (PDS) (Note t31	40,000	40,000
Lease liabilities (Notes 12 and 21)	5,656,226	4,131,059
Derivative liability (Note 36)	2,255,736	161,565
Income tax payable	776,596	535,233
Total Current Liabilities	98,012,776	76,419,691

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	December 31, 2019	December 31, 2018 (AsRestated; Note9)
NoncurrentLiabilities		
Noncurrentportionsof:		
Long-termdebts(Note18)	P212 452 620	P200,729,393
Leaseliabilities(Notes12and21)	39 637 536	42,763,296
Trade and other payables(Notes 17 and 34)	7. 206 837	3,695,261
Long-termobligationon PDS{Notet31	159 350	173,496
Customers'deposits(Note19)	6 721 156	6,127,788
Decommissioningliability(Note20)	3 567 492	3,678,810
Deferredincometax liabilities(Note31)	2 581 511	1,942,264
Netpensionliability(Note30)	639 155	486,232
Derivativeliability - net of current portion(Note 36)	212 588	
TotalNoncurrentLiabilities	273 178 245	259,596,540
TotalLiabilities	371 191 021	336,016,231
Equity Attributable to Equity Holdersof the Parent		
Capitalstock(Note22)	S,694,600	5,694,600
Additionalpaid-in capital lNote 22)	13,013,197	13,013,197
Other equity reserves:		
Gainon dilution(Note21	5,043,152	5,043,152
Excessof book value over acquisition cost of an acquiredsubsidiary(Note9}	469,540	469,540
Acquisitionof non-controllinginterests(Note2)	[U,590,375)	11,679,549)
Accumulatedother comprehensiveincome (Note24)	(2,648,022)	(27,076)
Retained earnings (Notes 10 and 23)		
Appropriated	4,200,000	4,200,000
Unappropriated	162,864,330	148,541,910
Treasury stock at cost (Note 22)	(565,246)	1565,246)
	176,481,176	174,690,528
Non-controlling Interests	40,713,904	43,787,310
TotalEquity	217,195,080	218,477,838
TOTALLIABILITIESANDEQUlm	P588,386,101	P554,494,069

Seeaccompanying Notes to ConsolidatedFinanciaiStatements.

ABOITIZ EQUiTV VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Sale of:			
Power Incite 25j	P124,605,660	P130,734,557	P118,759,149
Goods	69,625,434	47,751,035	23,819,250
Real estate (Notes 14 and 2SI	4,116,175	3,925,308	3,613,388
Sale of swine at fair value INote 81	1,529,743	2,S01,841	2,410,542
Service fees (Note 39)	1,153,570	1,883,506	1,620,401
Others (Note 34)	126,886	146,573	198,875
	201,157,468	186,942,820	150,421,605
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 26, 27, 34 and 39)	71,361,850	71,680,298	63,949,850
Cost of goods sold (Notes 6 and 27)	61,177,948	43,693,907	21,700,262
C)perating expenses (Notes 27, 34, 38 and 39)	33,546,426	30,398,694	26,255,915
Cost of real estate sales (Note 6)	2,305,141	1,871,385	1,825,570
Overhead expenses (Note 27)	111.213	136,593	113,864
	168,502,578	147,780,877	113.845.461
OPERATING PROFIT	32,654,890	39,161,943	36,576,144
Share in net earnings of associates and joint ventures INote IO)	11,502,090		9,053,733
Interest income (Notes 4, 34 and 35)	1,574,268	1,476,151	1,375,695
Interest expensej Notes 21 and 35)	(17,048,359)	I14,638,5881	(13,in,362)
Other income jexpensel - net Incites 5, 29 and 341	5,517,803	1,410,826	I26,134)
INCOME BEFORE INCOME TAX	34,200,692	35,137,995	33,862,076
PROVISION FOR INCOME TAX (Note 31)	4,758,404	3,899,198	4.583,055
NET INCOME	P29,442,288	P31,238,797	P29,279,021
ATTRIBUTABLE TO:			
Equity holders of the parent	P22.036.129	P22,232,977	P21,608,695
Non-controlling interests	7,406,159	9,005,820	7,670,326
	P29.442.288	P31,238,797	P29,279,021
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	P3.912	P3.947	P3.836

See accompanying Notes to Consolidate

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ABOITIZ EQUiTVVENTURES,INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
		Restated	
	2019	2018	2017
NETINCOMEA'nRIBUTABLETO			
Equity holders ofthe parent	P22,036,129	P22,232,977	P21,608,695
Non-controllinginterests	7,406,159	9.005.820	7,670,326
	29i,442,288	31,238,797	29,279,021
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statemerts ofincome:			
Movement in cumulative translation adjustments, netoftax	:,028,859)	639.746	199,556
Sharein movement in cumulative translation adjustments of associatesand joint ventures INote IO)	(505,502)	464,139	lt6,30sl
Sharein movement in net unrealized mark-to-market gains (losses)on FVOCIinvestments of associates (NoteIO)	(2,382)	14,295	
Movement in net unrealized mark-to-market losseson FVOCIinvestments	2,992	l17,1361	
Movement in net unrealized mark-to-market losseson AFSinvestments			l2,4t3)
Sharein movement in net unrealized mark-to-market gains (losses)oh AFSinvestments of associates Incite IO)			702,S64
	1,533,751)	1,101,044	883,402
Items that wilmot be reclassified to consolidated statements of income:			
Sharein movement in actuarial losseson defined benefit plansof associatesand joint ventures netoftax	(394,994)	112,229	l22,788)
Movement in actuarialgains(losses) on defined benefit plans,net oftax	(185,103)	ll0,633)	126,137
	(580,097)	101,596	103,349
TOTALCOMPREHENSIVEINCOME	P26,328,440	P32,441,437	P30.265.772
ATTRIBUTABLE TO:			
Equity holdersofthe parent	P19,415,184	P23,247,913	P22,562,144
Non-controllinginterests	6,913,256	9,193,524	7,703,628
	P26,328,440	P32,441,437	P30,265,772

See accompanying Notes to Consolidated Financial Statements

ABOITIZ EQUiTV VENTURES,INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQuim

FOR THE YEARS ENDED DECEMBER 31. 2019. 2018 AND 2017

[Amounts in Thousands, Except Dividends Per Share Amounts)

				butabl	holders of		Retained E					
	Stock: Common	.dditianal Paid-In Capital	Gain Dilutil	Excess of Book Value Over Acquisition Costofan Lcqulred Subsidiary	Acquisition of Nan- :ontrollng Intern	AccumulatedOthe Comprehensl	Appropriated	Unappropi	Treasury Stock		Non-controlling	
aces at .3nUaV 1. 2019. aS preVIoUSlY reported	FS.694.60a	F13.D13.197	FS,043.152	H469J40	EP1.679,S491	[PZ7.076)	P4.2aa.0a0	P141.S41.91a	[HS652461	P174.69a,528	PIZ,54G,792	F217237.320
:HECKaf adaption ar PFRS16tNates2 and 31								[278.423)		[Zr8.423)	I94.836)	[373.2S9)
RestatementQfa SUbSl[arrrNQte g]						114.6n)				14,613)	1,228.919	1.214,3Q6
Balances at lanUaV 1. 201g. aS restated	5,694.60a	13,D13.197	S.043,1SZ	q69.54D	I1.67g,54g	I41,68	q.20a,aDD	148.26].q87	565.246	174.397.49Z	q3.6Ba.B7S	ZIl.D78,367
NetIncamefnrtheya3r								2Z.Q36.12g		ZZ.036,1Z9	7.4a5.159	29.H42B8
DthercQmprPhPnsivelass										EZa,94S	49Z,903	11
raul comprehendve Income[la5sjfQr the year						Z,6Z0.945		ZZ.Q36.1Z9		19.41S.IB+	13.256	26.3Z8,4q0
Cashdividends-p1.32 persharetNnle 231								[7,43S.2861		I7p3S,28b}		[7.435,28E]
CashdiVIdendS paid tO nOn Cantrell nE interE£B											I3.261.QUOI	[3.261.0801
ACqUit an at namonUalllng interests					I9.91U.BZ61					I9.910.BZ6}	I1,39s,61s)	In.306,HI}
Changein nDn EPntra]]in! ntere5Ls											S.23S,]]	S.235.131
ICESat December31. 2a19	P5.634.60a	Pl].D13.197	P5.04],15Z	F469.54D	[P11.59a.37S)	PZ,66Z,634)	P4.20a,0DD	FISA.864.33a	[P565.246	F176.466.564	PqD.70ZJ05	FZ17.16B.B69
3a andesat)anUaV 1. 201B.as prWIQUSlYpQned	5.694.6Q0	?13.013.197	F5.04).1S2	P46g.S40	I[.S77.075]	P4.334.008}	P1 622.UID	IIls.288.14S	P5ZI.1321	P]54.698.419	p37.s7zsa9	P192.270.928
iHeEB af adOPtiOn OfneW aCCOUntIngstandards						3.306.m8		B10.043		+.116,651		4.11$.651
Balances at JanUaV 1. 201B. aS restated	i.694.6Da	3.D]3.197	5.043.1S2	469.54a	577.Q75	.D27	622.mO	36.Q98.188	521.1321	IS8.B15.D70	37,572.Sa9	196.387.S79
yetincamefortheYear								22,232.977		22.232.977	3.a05.820	31.23B.797
)thor comprehensive nCame						LOAD.324				I.U00.324	176.10S	1.176.429
talcamprelenslVelnEOmBfOrtheyear						I.DQa.324		22.23Z.977		Z].233j01	9.181.9ZS	32.41S226
cash dbidenas- R1.28 per sharefNoEe 231								[7,Z11.2551		[7.Z]].255)		r.211.255)
ACqUit t an Of trea5UV Shares									E44.114}	44.114)		[44.114)
wend 01apprOpr atl0n							1.622.000]	1.622.00a				
ApprQpriatl0nduringthe year							4.20a.a)0	20a.gaol				
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	;.694.60a	P13,Q13.197	i,376,176	P4Gg,S40	B1.5n.075)	P5,2B7.4S7)	FZ,717.0Q0	P120,077.394	rB521.132	P139,962,243	33,70a.381	173.66Z.6Z4
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SECTION INiTI.a

ABOITIZ EQUI'iV VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amountsin Thousands)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P34,200,692	P35,137,995	P33,862,076
Adjustments for:			
Interest expense Incite 35)	17,048,358	14,638,588	13,117,362
Depreciation and amortization (Note 27)	11,536,837	9,818,432	8,455,978
Net unrealized foreign exchange losses	ti,9sl,s09)	1,319,008	746,648
Impairment loss on property, plant and equipment, goodwill and other assets Incites 2, 12, 13 and 15)	[245,489}	847,620	3,191,786
Write-off of project costs and other assets	71,802	179,225	143,613
Loss(gain) on sale of:			
Property, p]ant and equipment (Note]-2)	301,228	292,194	52,164
FVTPL and FVOCI investments Incite 3)	[834)	8,830	
Investment in a subsidiary(Note 9)	[4,382)	Cigs,876)	
AFS investments (Note 3)			It,s49)
Unrealized mark-to-market losses(gains) on derivatives	3,889	196,096	(367,8681
Unrealized mark-to-market losses on fvTPL investments	[57,998)	13,518	
Dividend income Incite 29)	[10,651)	[19,060)	I5,946)
Net unrealized valuation gains on investment property Incites 14 and 29)	[1,829,732)	I5n,820)	1862,219)
Interest income Incite 35)	(1,574,268)	(1,476,151)	I1,375,695)
Share in net earnings of associates and joint ventures INote i01	[n,S02,090)	(7,727,663)	I9,0s3,733)
Unrealized excess of fair value over historical acquisition cost Incites 9 and 29)			(392,340)
Operating income before working capital changes	45,985,853	52,550,936	47,510,277
Decrease (increase) in:			
Trade and other receivables	(7,383,477)	(5,046,239)	I4,444,457)
Inventories	1,327,976	(2,404,398)	(1,565,400)
Land and improvements	[360,626)	(387,780)	(444,907)
Pension asset			I82,030)
Other current assets	960,381	I3,764,697)	(2,426,441)
Increase (decrease)in:			
Trade and otherpayables(Note 9)	6,339,594	1,840,197	(1,235,398)
Pension liability	t15,156)	It2,940)	(98,406)
Customers' deposits	513,105	(86,326)	1708,720)
Net cash generated from operations	47,367,650	42,688,753	36,504,518
Income and final taxes paid	[4,610,604)	(4,271,404)	(4,267,206)
Net cash flows from operating activities	42,757,046	38,417,349	32,237,312
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 101	4,948,019	5,355,297	6,060,299
Interest received	1,724,033	1,618,973	1,480,887
Proceeds from sale of:			
F\n'PL and FVOCI investments Incite 31	506,419	156,062	
Property, plant and equipment	85,015	35,694	414,606
AFS investments			26,731

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	Years Ended December 31		
	2019	2018	2017
Acquisition through business combination, net of cash acquired Incite 9)	(P368,169)	lp16,2n,727)	P747,150
Disposal of a subsidiary, net of cash disposed (Note 91		296,441	
Additions to:			
FVTPL and FVOCI	(554,485)	[276,062)	
Property, plant and equipment and investment properties (Notes 12 and 14)	l12,575,634)	ll0,687,6791	[18,317,445)
Investments in and advances to associates (Note IO)	[28,281,257)	(7,873,129)	l1,766,8191
AFS investments			(417,9871
Increase in intangible assets (Note 13)	[2,934,395)	(774,4411	1131,502)
Decrease (increase) in other noncurrent assets	(2,432,692)	(2,401,683j	599,306
Net cash flows used in investing activities	t39,883,146)	[30,762,254)	[11,304,7741
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs Incite 181	44,962,947	39,157,476	43,968,605
Net proceeds from (settlements of) bank loans	[1,261,449)	1,054,387	15,424,292
Proceeds from issuance (acquisition) of treasury shares (Note 22)		C44,ii4)	
Acquisition of non-controlling interests INote 21	l13,u4.048)	(220,200)	
Cash dividends paid and other changes to non-controlling interest	[5,235,131)	(5,831,777)	l3,077,223)
Cash dividends paid to equity holders of the parent Incite 23)	[7,43S,286)	(7,211,255)	(7,492,944)
Interest paid	li0,400,9s4)	ll0,935,378)	(8,858,875)
Payments of			
Long-term debts INote 18)	l15,494,718)	l21,388,035)	(51,545,504)
Lease liabilities (Note 21)	(7,638,946)	(7,804,4601	l7,877,292)
Net cash flows used in financing activities	[15,617,585)	(13,223,356)	l19,458,941)
NET INCREASE [DECREASE) IN CASH AND CASH EQUIVALENTS	(12,743,685)	(5,568,261)	1,473,597
EFFECT OF EXCHANGE RA'n CHANGES ON CASH AND CASH EQUIVALENTS	135,319	l26a,924)	1460,9n)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,033,029	64,870,214	63,857,528
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P46,424,663	P59,033,029	P64,870,214

See accompanying Notes to Consolidated Financial Statements

ABOITIZ EQUITYVENTURES,INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc.(the Company)was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission MSEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 22).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc (ACO)

The registered office address of the Company is 32'd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

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

2 Group Information, Basis of Preparation and Summary of Significant Accounting Policies

a. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and a joint operation that is subject to joint control jcollectively referred to as the Group). The following are the subsidiaries as of as of December 31 of each year:

			Percentage of Ownership			
			2019		2018	
	Nature of Business	Place of Incorporation	Direct	Indirect	Direct	ndirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	76.98		76.98	
Aboitiz Power International Pte.Ltd.	Holding	Singapore		100.00		100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines		100.00		100.00
Adventenergy, Inc. IAI)	Power	Philippines		100.00		100.00
Balamban Enerzone Corporation IBEZI	Power	Philippines		100.00		loo.oo
Mactan Enerzone Corporation (MEZ}	Power	Philippines		100.00		100.00
Malvar Enerzone Corporation (MVEZI	Power	Philippines		100.00		100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines		100.00		100.00
Lima Enerzone Corporation (LEZI	Power	Philippines		100.00		loo.oo
Sublc Enerzone Corporation (SEZI	Power	Philippines		100.00		100.00
Cotabato Light & Power Co., Inc. (CLPI	Power	Philippines		99.94		99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines		100.00		100.00
		Philippines		99.93		99.93
		Philippines		100.00		100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power	Philippines	–	100.00	–	100.00
AboitizPower International B.V. (see Note 9)	Holding	Netherlands	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	–	60.00	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power	Philippines	–	100.00	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power	Philippines	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc. *	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	–	100.00	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Retensol, Inc. *	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	100.00	–	100.00
Therma Power-Visayas, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) *(A,C)*	Power	Philippines	–	78.33	–	66.07
Therma Dinginin Holding Cooperatief U.A. *(B, D)*	Holding	Netherlands	–	–	–	100.00
Therma Dinginin B.V. *(B, D)*	Holding	Netherlands	–	–	–	100.00
Therma Dinginin Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	–	80.00	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	–	60.00	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	100.00	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	100.00	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	100.00	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	100.00	–	100.00	–
Lima Land, Inc. (LLI)	Real estate	Philippines	–	100.00	–	100.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	**60.00**	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	–	**100.00**	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	–	**60.00**	–	60.00
A2 Airports, Inc. (A2) and Subsidiaries	Real estate	Philippines	–	**50.00**	–	100.00
78 Point Blue, Inc.	Real estate	Philippines	–	**100.00**	–	–
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	–	**100.00**	–	–
Firmwall Systems, Inc.	Real estate	Philippines	–	**100.00**	–	–
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	–	**100.00**	–	100.00
Pilmico International Pte. Ltd. (PIPL)	Holding	Singapore	–	**100.00**	–	100.00
Pilmico Vietnam Company Limited (formerly, Pilmico Vietnam Feeds Joint Stock Company)	Food manufacturing	Vietnam	–	**100.00**	–	100.00
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	–	–	100.00
PT PILMICO Foods Indonesia	Trading	Indonesia	–	–	–	67.00
Gold Coin Management Holdings Ltd. (GCMH) *(E)*	Holding	British Virgin Island	–	**100.00**	–	75.00
GC Investment Holdings Limited	Holding	Hong Kong	–	**100.00**	–	100.00
Gold Coin (ZhangJiang) Company Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Management (Shenzhen) Co. Ltd.	Holding	China	–	**100.00**	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	–	**100.00**	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	–	**100.00**	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	–	**100.00**	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd.	Feedmills	Vietnam	–	**100.00**	–	100.00
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	–	**60.00**	–	60.00
Comfez Limited	Trading	Hong Kong	–	**100.00**	–	100.00
APAC Commodities Pte. Ltd.	Trading	Singapore	–	–	–	100.00
Gold Coin Group Limited	Holding	Hong Kong	–	**100.00**	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	–	**100.00**	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Feedmill Bing Duong Company (formerly, Pilmico Animal Nutrition Joint Stock Company (PAN JSC), see Note 9)	Feedmills	Vietnam	–	**100.00**	–	70.00
Comfez Pte. Ltd. (CPL)	Trading	Singapore	–	**100.00**	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	–	**100.00**	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	–	**49.00**	–	49.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	–	**100.00**	–	–
Gold Coin Aqua Feed Incorporated (formerly, Syaqua Group Incorporated)	Holding	British Virgin Island	–	**100.00**	–	100.00
Gold Coin Aqua Feed (Hong Kong) Ltd. (formerly, Syaqua Holdings (Hong Kong) Ltd)	Holding	Hong Kong	–	**100.00**	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd. (formerly, SYAQUA Singapore Pte Ltd)	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	–	**70.00**	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	–	**93.90**	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	–	**100.00**	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	–	**100.00**	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	–	**99.90**	–	99.90
PT Ayam Unggul	Feedmills	Indonesia	–	**60.00**	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	–	**100.00**	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	–	**40.00**	–	40.00
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	–	**100.00**	–	100.00
FEZ Animal Nutrition (Malaysia) Sdn. Bhd.	Holding	Malaysia	–	**100.00**	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	–	**70.00**	–	70.00
Gold Coin Feedmills (Malaysia) Sdn. Bhd.	Feedmills	Malaysia	–	**100.00**	–	100.00
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Feedmills	Malaysia	–	**100.00**	–	100.00
Gold Coin Sarawak Sdn. Bhd.	Feedmills	Malaysia	–	**72.80**	–	72.80
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	–	**72.80**	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	–	**100.00**	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	**–**	100.00	–
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Holding	Philippines	**100.00**	**–**	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	**–**	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	**22.22**	**47.78**	22.22	47.78

A) Part of Therma Mariveles Group
B) Part of Therma Dinginin Group
C) In 2019, ownership increased in relation to AA Thermal, Inc. (ATI) acquisition (see Note 10)
D) Dissolved and liquidated in 2019 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition
E) In 2019, ownership increased in relation to the acquisition of the noncontrollng interest in GCMH (see Note 10)
** No commercial operations as of December 31, 2019.*

b. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and joint operation that are subject to joint control. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

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

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

<u>Transactions with Non-controlling Interests</u>
Non-controlling interests represent the portion of total comprehensive income or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Changes in Accounting Policies and Disclosures

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

The Group applied PFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but did not have any significant impact on the Group's consolidated financial statements:

- PFRS 16*, Leases*

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

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

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information.

  The Group has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4. The Group also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

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

	As of January 1, 2019
Increase (decrease) in consolidated balance sheets:	
Property, plant and equipment	₱4,165,866
Investments in and advances in associates and joint ventures	(18,692)
Other noncurrent assets	(1,628,060)
Total Assets	₱2,519,114

	As of January 1, 2019
Lease liabilities	₱49,786,728
Finance lease obligation	(46,894,355)
Retained earnings	(278,423)
Non-controlling interests	(94,836)
Total Liabilities and Equity	₱2,519,114

Prior to adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the consolidated statement income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Other current assets" or "Other noncurrent assets" and "Trade and other payables", respectively.

Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 was applied to these leases from January 1, 2019. The Group reclassified amounts previously recognized under the "Finance lease obligations" account to "Lease liabilities" account in the consolidated balance sheet.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the following practical expedients provided by the standard:
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application,
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

Operating lease commitments as of December 31, 2018	₱8,431,080
Incremental borrowing rate as of January 1, 2019	3.40% to 14.51%
Discounted operating lease commitments at January 1, 2019	2,990,670
Less: Commitments relating to short-term leases and low-value assets	(96,869)
Others	(1,428)
Add: Commitments to leases previously classified as finance leases	46,894,355
Lease liabilities as of January 1, 2019	₱49,786,728

- IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, *Borrowing Costs*) for the Real Estate Industry

  In March 2019, the IFRS Interpretations Committee (the Committee) issued IFRIC Update summarizing the decisions reached by the Committee in its public meetings. The March 2019 IFRIC Update includes the Committee's Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development.

  Applying paragraph 8 of PAS 23, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Paragraph 5 of PAS 23 defines a qualifying asset as "an asset that necessarily takes a substantial period of time to get ready for its intended use or sale". Under the March 2019 IFRIC Update, the Committee clarified that the related assets that might be recognized in the real estate company's financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer be capitalized.

  The agenda decision did not have a significant effect on the consolidated financial statements as there were no material borrowing costs capitalized.

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

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

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

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

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

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

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

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

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

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

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

  Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its consolidated financial statements.

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

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

The interpretation specifically addresses the following:

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

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

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

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

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

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

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

- Amendments to PAS 23, *Income Tax Consequences of Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

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

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

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

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

Deferred effectivity

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

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

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

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each balance sheet date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents

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

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

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

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

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

Contractual cash flows characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially

recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the consolidated statement of income.

The Group's debt financial assets as of December 31, 2019 and 2018 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheet. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

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

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

Dividends are recognized in profit or loss only when:
- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

Financial assets at FVTPL
Financial assets at FVTPL are measured at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the

statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

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

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

The Group's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2019 and 2018.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at FVTPL
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate
- contingent consideration recognized by an acquirer in accordance with PFRS 3

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. The Group's financial liabilities measured at amortized cost as of December 31, 2019 and 2018 include trade and other payables, customers' deposits, bank loans, lease liabilities, long-term obligation on PDS and long-term debts (see Note 35).

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:
- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and

- There is a change in measurement on credit exposures measured at FVTPL.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments
AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the consolidated statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate.

Dividends earned on investments are recognized in the consolidated statement of income when the right of payment has been established.

(e) Other financial liabilities
This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of income when liabilities are derecognized, as well as through amortization process.

Derivative Financial Instruments
Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVTPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVTPL.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, as well as commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency forward contracts and the commodity contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Group designated all of the foreign currency forward and commodity swap contracts as hedging instrument. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a nonfinancial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or nonfinancial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to the statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash- settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

<u>Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)</u>
PFRS 9 introduces the single, forward-looking "expected loss" impairment model. The Group recognizes ECL for the following financial assets that are not measured at FVTPL:
- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the balance sheet date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each balance sheet date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost

or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade receivables. The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Guarantee Contracts and Loan Commitments

Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model; and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and trading inventories	-	purchase cost on a specific identification basis;
Other raw materials and production supplies, materials, parts and supplies	-	purchase cost on a moving average method
Finished goods	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel	-	purchase cost on a first-in, first-out basis;

NRV of wheat grains and other raw materials and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory losses and inventory shrinkage is provided, when necessary, based on management's review of inventory turnover in accordance with prescribed policies. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized. The costs of inventory recognized in the consolidated statement of income is determined with reference to the specific costs incurred on the real estate sold and an allocation on a pro-rata basis on any non-specific costs.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each balance sheet date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest (based on the proportionate share of the Group in the identifiable net assets of the acquiree) over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

<u>Property, Plant and Equipment</u>
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and

nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Cost also include decommissioning liability relating to the decommissioning of power plant, if any. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10 - 50
Power plant and equipment	2 - 50
Steam field assets	20 - 25
Transmission, distribution and substation equipment:	
Power transformers	30
Poles and wires	20 - 40
Other components	12 - 30
Machinery and equipment	2 - 40
Transportation equipment	2 - 15
Office furniture, fixtures and equipment	1 - 25
Office furnitures and fixtures	2 – 5
Communication and computer equipments	2-5
Electrical equipment	5 - 25
Meters and laboratory equipment	25
Leasehold improvements	3 - 20
Tools and others	2 - 30

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Leases (prior to adoption of PFRS 16)

Arrangement Containing a Lease
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance lease
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated balance sheet as lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the estimated useful life of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Land	10-50
Building	2-50
Power plant	20-25
Manufacturing Plant, Equipment and others	2-20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Service Concession Arrangements
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15 (PAS 18 in 2017) for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15 (PAS 18 in 2017). Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

<u>Intangible Asset</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right
The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties
Investment properties, which pertain to land, land improvements and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Decommissioning liability
The decommissioning liability arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding

of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of decommissioning liability" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Impairment of Nonfinancial Assets

Property, plant and equipment, intangible assets, investments and advances and other current andnoncurrent assets excluding restricted cash and PSALM deferred adjustment

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Translation

The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the balance sheet date, the assets and liabilities of subsidiaries and associates whose functional currencies are not the Philippine peso, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income as cumulative translation adjustment. On disposal of any of these subsidiaries or associates, the deferred cumulative amount recognized in other comprehensive income relating to the disposed entity is recognized in the consolidated statement of income.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Sale of Power
Contracts with customers for the Power Group generally include power generation and ancillary services and power distribution and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is generated. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Under PAS 18, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. Under PFRS 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time based on amounts billed.

Sale of Goods
Revenue from the sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of Real Estate
Contracts with customers for the Real Estate Group's real estate segment generally include sale of lot, sale of house and lot and sale of unfurnished and fully furnished condominium units.

For the sale of lot, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the development of lot is used as an input to deliver a combined output.

For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

If the sale of lot, house and lot and unfurnished and fully furnished condominium units occurs at completion, the Real Estate Group shall recognize revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Otherwise, if the sale occurs prior to completion, the Real Estate Group shall recognize over time, using the output method (i.e., POC) as the appropriate measure of progress, satisfying the criterion of which the Real Estate Group's performance does not create an asset with an alternative use and the Real Estate Group has an enforceable right to payment for performance completed to date.

The buyer could enforce its rights to the promised property if the developer seeks to sell the unit to another buyer. This contractual restriction on the developer's ability to direct the promised property for another use is considered substantive as the property is not interchangeable with other properties that the entity could transfer to the buyer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. The Real Estate Group also has enforceable right to payment for performance completed to date notwithstanding contract terminations.

In determining the transaction price for real estate sales, the Real Estate Group considers the existence of significant financing component. Contracts with real estate customers provide two alternative payment options, spot cash and installment payments, after the contracts are signed. For both payment options, the Real Estate Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Real Estate Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Real Estate Group also concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of property to the customer, as well as the prevailing interest rates in the market.

However, pursuant to the said SEC Memorandum Circular No. 14, series of 2018, the Real Estate Group opted to avail of the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in OCI is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Input VAT, which is presented as part of “Other current assets” and/or “Other noncurrent assets” in the consolidated balance sheet, is recognized as an asset and will be used to offset the Group’s current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate and infrastructure) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. **Summary of Significant Accounting Judgments, Estimates and Assumptions**

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

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

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

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements, except for those that relate to the adoption of PFRS 16.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currencies are the US dollar (US$), Singapore dollar, Vietnamese Dong, Indonesian Rupiah, Renminbi, Malaysian Ringgit, Sri Lanka Rupee, Pakistani Rupee, Myanmar Kyat, or Thai Baht. The Philippine peso is the currency of the primary economic environment in which most of the companies in the Group operate and it is the currency that mainly influences their revenues and costs.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2019 and 2018, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet

(SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group has 60% and 72.5% interest in AA Thermal and GNPD respectively.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD, and their respective investees. This is a result of the partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA); LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC) and Apo Agua's Treated Bulk Water concession agreement with Davao City Water District (DCWD). SEZ, MEZ, LHC and Apo Agua's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee, applicable under Philippine Interpretation IFRIC 4 and PAS 17 (see Note 2 on application of the transition relief)
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and lease liability at the present value of the agreed monthly payments to PSALM (see Note 21).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2019 and 2018, the carrying value of the power plant amounted to ₱33.6 billion and ₱34.7 billion, respectively (see Note 12). The carrying value of the lease liability amounted to ₱42.1 billion and ₱46.9 billion as of December 31, 2019 and 2018, respectively (see Note 21).

Identifying performance obligations under PFRS 15 applicable in 2019 and 2018
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

For sale of developed lots, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the lot development is used as an input to deliver a combined output. For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

Revenue recognition under PFRS 15 applicable in 2019 and 2018
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concludes that:
- revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power;
- when a contract is judged to be for the construction of a property, revenue is recognized using the POC method as construction progresses. The POC is made reference to the stage of completion of projects and contracts determined on the basis of the estimated completion of physical proportion of the contract work;
- for sale of goods, revenue is recognized at a point in time, generally on the delivery of goods.

Identifying methods for measuring progress of revenue recognized over time under PFRS 15 applicable in 2019 and 2018
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:
a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

The Group recognizes revenues from real estate sales over time using output method in measuring progress. The use of output method is the best method in measuring progress since the entitlement of the customers to the output performed as of date is easily measured and observed on the basis that POC for the construction of real estate properties is determined using the estimated completion of physical proportion of the contract work.

Determining method to estimate variable consideration and assessing the constraint under PFRS 15 applicable in 2019 and 2018
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

For Power Group, some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. It is determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Allocation of variable consideration under PFRS 15 applicable in 2019 and 2018
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Distinction among real estate inventories, land and improvements, and investment properties
The Group determines whether a property is classified as real estate inventories, land and improvements or investment properties:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.
- Land and improvements comprise land and related improvements that are part of the Group's strategic land banking activities for development or sale in the medium or long-term. These properties are neither developed nor available for sale and therefore not yet considered as part of real estate inventories.
- Investment properties comprise land, land improvements and buildings (principally composed of offices, commercial warehouses and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group considers each property separately in making its judgment.

Determining fair value of customers' deposits
In applying PFRS 9 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.7 billion and ₱6.1 billion as of December 31, 2019 and 2018, respectively (see Notes 19 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Contractual cash flows assessment
For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2019 and 2018 based on management's assessment. The carrying amounts of the investments in and advances to associates and joint ventures amounted to ₱140.4 billion and ₱107.0 billion as of December 31, 2019 and 2018, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2019 and 2018 (see Note 10).

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2019 and 2018 amounted to ₱56.3 billion and ₱56.4 billion, respectively (see Note 13). Goodwill impairment recognized in 2018 amounted to ₱45.9 million (see Note 29). No impairment of goodwill was recognized in 2019 and 2017.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of

December 31, 2019 and 2018, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱178.9 billion and ₱181.8 billion, respectively (see Note 12).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2019 and 2018, the net book values of property, plant and equipment, excluding land, amounted to ₱222.5 billion and ₱218.7 billion, respectively (see Note 12).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2019 and 2018, the net book value of intangible asset - service concession rights amounted to ₱6.5 billion and ₱3.8 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2019 and 2018, the net book values of intangible assets - customer contracts amounted to ₱14.9 million and ₱27.4 million, respectively (see Note 13).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2019 and 2018, the carrying value of franchise amounted to ₱2.6 billion (see Note 13).

Assessing impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible assets (excluding goodwill), and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible assets (excluding goodwill) and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheets and consolidated statements of income. The aggregate net book values of these assets as of December 31 are as follows:

	2019	2018
Property, plant and equipment (see Notes 12 and 21)	**₱225,558,765**	₱221,689,945
Other current assets (see Note 7)	**14,956,539**	13,001,723
Intangible assets (see Note 13)	**10,478,363**	7,415,640
Other noncurrent assets (see Note 15)	**8,319,366**	9,175,124
	₱259,313,033	₱251,282,432

Impairment losses recognized on these nonfinancial assets in 2019, 2018 and 2017 amounted to nil, ₱847.6 million and ₱3.2 billion, respectively.

Measurement of ECL under PFRS 9, applicable in 2019 and 2018
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the balance sheet date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the balance sheet date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques under PFRS 9, applicable in 2019 and 2018
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the

next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*
  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables and contract assets under PFRS 9, applicable in 2019 and 2018

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9, applicable in 2019 and 2018
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for ECL amounted to ₱2.8 billion and ₱2.5 billion, respectively. Trade and other receivables, net of allowance for ECL, amounted to ₱35.2 billion and ₱35.1 billion as of December 31, 2019 and 2018, respectively (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for

inventory obsolescence amounted to ₱103.1 million and ₱103.4 million, respectively. The carrying amount of inventories, net of valuation allowance, amounted to ₱20.8 billion and ₱22.0 billion as of December 31, 2019 and 2018, respectively (see Note 6).

Estimating the incremental borrowing rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The carrying amount of the lease liabilities amounted to ₱45.3 billion and ₱46.9 billion as of December 31, 2019 and 2018, respectively (see Note 21).

Estimating decommissioning liability
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statements of income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱3.6 billion and ₱3.7 billion as of December 31, 2019 and 2018, respectively (see Note 20).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱3.1 billion and ₱2.3 billion as of December 31, 2019 and 2018, respectively (see Note 31).

The Group did not recognize its deferred income tax assets on NOLCO generated in 2019 and 2018 amounting to ₱9.7 billion and ₱6.2 billion, respectively, and on MCIT paid in 2019 and 2018 amounting to ₱80.9 million and ₱90.2 million, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱315.8 million in 2019, ₱318.7 million in 2018 and ₱350.9 million in 2017. The net benefit asset as of December 31, 2019 and 2018 amounted to ₱190.2 million and ₱158.6 million, respectively (see Note 30). Net pension liabilities as of December 31, 2019 and 2018 amounted to ₱639.2 million and ₱486.2 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2019 and 2018, the carrying value of the biological assets amounted to ₱1.1 billion and ₱1.2 billion, respectively (see Note 8).

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree

of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each balance sheet date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.

4. **Cash and Cash Equivalents**

	2019	2018
Cash on hand and in banks	**₱18,151,459**	₱14,866,870
Short-term deposits	**28,273,204**	44,166,159
	₱46,424,663	₱59,033,029

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.5 billion in 2019 and 2018 and ₱1.4 billion in 2017 (see Note 35).

5. **Trade and Other Receivables**

	2019	2018 (As restated; see Note 9)
Trade receivables (see Note 35)		
Power	**₱14,931,949**	₱14,717,574
Food manufacturing	**7,492,861**	9,087,857
Real estate	**5,196,331**	3,982,424
Holding and others	**1,222,026**	742,550
	28,843,167	28,530,405
Nontrade receivables	**5,926,179**	6,967,769
Accrued revenues	**3,463,904**	3,493,246
Dividends receivable (see Note 10)	**1,199,068**	665,783
Advances to contractors	**63,339**	148,300
Others	**901,201**	1,191,295
	40,396,858	40,996,798
Less allowance for expected credit losses	**2,778,226**	2,455,396
	37,618,632	38,541,402
Less noncurrent portion	**2,423,038**	3,441,898
	₱35,195,594	₱35,099,504

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Non-trade receivables include advances to partners in GMCP and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMCP and due to the partners. PSALM adjustment refers to the current and non-current portions of the amounts pertaining to Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) which, as granted by the ERC, are to be recovered from the customers and to be remitted to PSALM.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱4.9 billion and ₱282.8 million, respectively, as of December 31, 2019, and ₱3.7 billion and ₱258.8 million, respectively, as of December 31, 2018.

Trade receivables include contract assets amounting to ₱1.1 billion and ₱754.9 million as of December 31, 2019 and 2018, respectively.

Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage-of-completion, against amounts billed to customers. The movements of this account are shown below:

	2019	2018
At January 1	**₱754,893**	₱3,043,770
Unbilled revenues for the year	**348,305**	98,479
Provision for expected credit losses for the year	**(3,681)**	(147)
Billed revenues recognized in prior years	**–**	(2,387,210)
At December 31	**₱1,099,517**	₱754,892

The rollforward analysis of allowance for expected credit losses as of December 31, 2019 and 2018 is presented below:

<u>December 31, 2019</u>

	Trade Receivables			
	Power	**Food Manufacturing**	**Real Estate**	**Total**
At beginning of year	**₱1,749,991**	**₱602,570**	**₱102,835**	**₱2,455,396**
Provisions (see Note 27)	**87,086**	**191,680**	**–**	**278,766**
Write-off	**(89,496)**	**(30,294)**	**–**	**(119,790)**
Reversals/recovery/others	**225,939**	**(62,085)**	**–**	**163,854**
At end of year	**₱1,973,520**	**₱701,871**	**₱102,835**	**₱2,778,226**

<u>December 31, 2018</u>

	Trade Receivables			
	Power	Food Manufacturing	Real Estate	Total
At beginning of year	₱1,861,774	₱114,813	₱102,231	₱2,078,818
Acquisition of a subsidiary	–	620,454	–	620,454
Provisions (see Note 27)	235,818	71,446	2,556	309,820
Write-off	(347,601)	(3,953)	(216)	(351,770)
Reversals/recovery/others	–	(200,190)	(1,736)	(201,926)
At end of year	₱1,749,991	₱602,570	₱102,835	₱2,455,396

Reversals of allowance for impairment losses are presented as part of “Others - net” under “Other income (expense) - net” account in the consolidated statements of income.

6. **Inventories and Land and Improvements**

Inventories

	2019	2018 (as restated; see Note 9)
At cost:		
Real estate inventories	**₱4,891,197**	₱4,417,009
Materials, parts and supplies	**4,245,715**	3,297,723
Fuel and lubricants	**2,514,447**	3,521,390
Raw materials	**2,058,603**	2,336,914
Finished goods (see Note 27)	**1,468,608**	1,752,729
At NRV:		
Wheat grains and other raw materials	**4,600,943**	5,544,440
Materials, parts and supplies	**997,315**	1,107,234
	₱20,776,828	₱21,977,439

A summary of the movement in real estate inventories is set out below:

	2019	2018 (as restated; see Note 9)
Real estate inventories:		
At January 1	**₱4,417,009**	₱2,445,692
Construction/development costs incurred	**2,086,632**	2,252,236
Land acquired during the year	**413,803**	–
Contract cost asset related to capitalized sales commissions	**165,123**	91,825
Land costs transferred from land and improvements	**130,466**	1,423,378
Cost of real estate inventories sold	**(2,234,746)**	(1,793,729)
Amortization of capitalized contract cost asset (recognized as cost of real estate inventories sold)	**(70,395)**	(77,656)
Reversal of capitalized commission related to forfeited units	**(16,695)**	(13,859)
Borrowing costs capitalized	**–**	127,482
Transfers to other noncurrent assets	**–**	(2,665)
Transfers to investments properties	**–**	(35,695)
At December 31	**₱4,891,197**	₱4,417,009

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱29.4 billion in 2019 and 2018 and ₱22.3 billion in 2017 (see Note 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱353.7 million in 2019, ₱286.7 million in 2018 and ₱412.1 million in 2017 (see Note 27).

Allowance for inventory obsolescence amounted to ₱103.1 million and ₱103.4 million as of December 31, 2019 and 2018, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱3.0 million in 2019, ₱1.0 million in 2018 and ₱11.9 million in 2017 (see Note 27).

Cost of inventories carried at NRV amounted to ₱5.6 billion and ₱6.8 billion as of December 31, 2019 and 2018, respectively.

Land and Improvements

	2019	2018
Cost		
At January 1	**₱2,340,113**	₱3,689,677
Additions	**360,626**	387,780
Transfers to real estate inventories	**(130,466)**	(1,423,378)
Transfers to investment properties	**(2,911)**	(264,569)
Disposal	**–**	(1,524)
Other transfers/adjustments	**3,530**	(47,873)
At December 31	**₱2,570,892**	₱2,340,113

7. Other Current Assets

	2019	2018 (as restated; see Note 9)
Restricted cash	**₱4,449,716**	₱5,289,145
Prepaid expenses	**4,874,810**	4,896,331
Input VAT	**2,722,595**	3,043,641
Insurance assets	**2,298,702**	534,947
Advances to NGCP	**1,727,028**	1,725,176
Deposits for land acquisition	**1,107,693**	43,440
Biological assets (see Note 8)	**942,820**	1,033,992
Advances to suppliers	**671,783**	662,760
Others	**611,108**	1,061,436
	₱19,406,255	₱18,290,868

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 18). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

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

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

"Others" include prepayments to regulatory agencies.

8. Biological Assets

	2019	2018
Presented under Other Current Assets (see Note 7):		
Market hogs	**₱498,722**	₱660,851
Piglets	**230,255**	251,825
Growing stocks	**196,250**	119,258
Others	**17,593**	2,058
	942,820	1,033,992
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 15)	**140,304**	134,144
	₱1,083,124	₱1,168,136

As of December 31, 2019 and 2018, biological assets are measured at fair value under Level 3 input. Fair values are determined based on average market selling prices at balance sheet date. Market hogs, piglets, growing stocks, bearers (breeders), and others are measured at fair value less estimated costs to sell.

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount of consumable biological assets follows:

	2019	2018
At beginning of year	**₱1,168,136**	₱1,061,826
Additions	**1,896,643**	1,968,022
Sales at fair value	**(1,529,743)**	(2,501,841)
Transferred to breeding herd	**(184,152)**	(168,481)
Changes in fair value (see Notes 27 and 29)	**(267,760)**	752,560
Additions due to acquisition of a subsidiary (see Note 9)	**–**	56,050
At end of year	**₱1,083,124**	₱1,168,136

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 15).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of AA Thermal, Inc. (ATI)

On May 2, 2019, AP completed its acquisition of a 49% voting stake and a 60% economic stake in ATI, AC Energy's thermal platform in the Philippines. Total consideration was USD572.9 million or ₱29.8 billion.

AA Thermal has interests in GMCP, the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan, and in GNPD, the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin, Mariveles, Bataan, which is currently under construction.

The completion of the transaction increased AP's economic interests in GMCP and GNPD to 78.3%, and 75.0%, respectively.

b. Acquisition of Gold Coin Management Holdings Ltd. (GCMH)

On July 27, 2018, Pilmico International Pte. Ltd. (PIPL), a 100%-owned subsidiary of AEV, acquired 75% equity interest in GCMH at a final cash consideration of USD333.8 million or ₱17.8 billion.

GCMH is engaged in the business of animal feeds manufacturing, which it carries out through various subsidiaries operating 21 feed mills situated in seven countries in the Asia Pacific.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The following are the final fair values of the identifiable assets and liabilities on acquisition date (in thousands):

Assets:	
Cash and cash equivalents	₱1,913,264
Trade and other receivables	8,903,080
Inventories	5,613,473
Other current assets	588,819
Property, plant, and equipment	5,020,582
Other noncurrent assets	674,576
	22,713,794
Liabilities:	
Trade and other payables	7,927,914
Bank loans	2,352,961
Other current liabilities	72,398
Long-term debt	2,366,786
Other noncurrent liabilities	316,387
	13,036,446
Total identifiable net assets at fair value	₱9,677,348
Total consideration	₱21,766,326
Fair value of noncontrolling interest	3,533,265
	25,299,591
Goodwill	₱15,622,243
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱1,913,264
Cash paid	(18,096,617)
Net cash outflow	(₱16,183,353)

The accounting for this business combination was determined provisionally as PIPL was still finalizing the fair valuation of the assets and liabilities acquired on the date the 2018 financial statements were approved for issue by the BOD.

In July 2019, the valuation was completed and several adjustments were made on the provisional values. Accordingly, the 2018 comparative information was restated to reflect the adjustments to the provisional amounts. In the Group's consolidated financial statements as of December 31, 2018, there was an increase in the trade and other receivables of ₱1.3 billion, a decrease in inventory of ₱126.0 million, a decrease in other current assets of ₱37.4 million, an increase in property, plant and equipment of ₱259.1 million, a decrease in other noncurrent assets of ₱1.9 billion, a decrease in trade and other payable of ₱1.2 billion, a decrease in deferred tax liabilities of ₱452.9 million, a decrease in cumulative translation adjustment of ₱14.6 million and an increase in the non-controlling interest of ₱1.2 billion. In addition, total consideration increased by ₱3.6 billion, and the goodwill arising from the acquisition amounted to ₱15.6 billion, an increase of ₱99.2 million from the provisional amount.

The goodwill arising from this acquisition is attributed to business synergies that will materialize with one of the Group's subsidiaries engaged in similar business.

In 2018, GCMH contributed ₱18.1 billion to the consolidated revenue and ₱513.2 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2018, the Group's revenue would have been ₱211.2 billion and consolidated net income would have been ₱22.8 billion.

Acquisition of additional interest in GCMH
On May 28, 2019, PIPL acquired the remaining 25% equity interest in GCMH for a total cash consideration of USD144.8 million or ₱7.6 billion. The carrying value of non-controlling interest acquired is ₱2.3 billion and as a result, PIPL recognized the ₱5.3 billion difference between the consideration and carrying value of the additional interest acquired as "Acquisition of non-controlling interests", an equity reserve account.

c. Dilution of Interest in A2 Airports, Inc. (A2) and Acquisition of Triplecrown Properties, Inc. (TCP) and 78 PointBlue, Inc. (PB)

Prior to 2019, A2 is a wholly-owned subsidiary of AboitizLand. In September 2019, E360, Inc. (E360) and AboitizLand contributed capital in A2, which resulted in the ownership interest of E360 and ALand to be at 50% each. The capital contribution of E360 resulted in AboitizLand's recognition of non-controlling interest.

On September 18, 2019, A2 acquired 100% equity interest in TCP and PB at a cash consideration of ₱340.0 million and ₱63.8 million, respectively. TCP and PB are engaged in the business of leasing microstudios located in the business districts of Makati and Taguig.

The following are the fair values of the identifiable assets and liabilities assumed on acquisition date (in thousands):

Assets:	
Cash and cash equivalents	₱35,582
Trade and other receivables	3,003
Other current assets	3,321
Investment properties	552,257
Property and equipment	32,690
Other noncurrent assets	13,066
	639,919
Liabilities:	
Trade and other payables	32,219
Long-term debt	207,941
Deferred income tax liabilities	9,098
	249,258
Total identifiable net assets at fair value	₱390,661
Total consideration	403,751
Goodwill	₱13,090

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱35,582
Cash paid	(403,751)
Net cash outflow	(₱368,169)

For the year ended December 31, 2019, TCP and PB have contributed ₱37.2 million and ₱11.0 million in revenues and net losses to the consolidated revenue and net income of the Group.

d. Acquisition PAN JSC

On July 29, 2017, PILMICO International acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

In 2018, the purchase price allocation in the acquisition of PAN JSC was finalized. No changes were made on the provisional accounting done in 2017.

e. Step-acquisition of Sacasun

In 2014, ARI and SunEdison Inc. (SEI), entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SEI, the ultimate parent company of SunE Solar B.V. (SunE BV) and Sunedison Philippines Helios B.V. (Helios BV), and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 27, 2017, API completed its acquisition of 100% equity interest in Helios BV from SunE BV. The transaction resulted in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. MHSCI owns 25% of Sacasun. This increased the Company's indirect ownership interest in MHSCI and Sacasun to 100%.

The transaction was accounted for as a business combination achieved in stages. The purchase price allocation in the step-acquisition of Sacasun was finalized in 2018. The fair value of the previously-held interest as at the date of acquisition is ₱330.9 million. The resulting bargain purchase gain of ₱328.7 million and the loss on remeasurement of previously held interest of ₱18.5 million are included in other income as "Bargain purchase gain" in the 2017 consolidated statement of income (see Note 29). The bargain purchase gain is mainly due to the purchase price reflecting the ongoing difficulty of SEI as confirmed by its bankruptcy declaration which affected its ability to fulfill loan obligations.

f. Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UnionBank), respectively. UnionBank is a banking associate of AEV. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

After securing the Bangko Sentral ng Pilipinas approval on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion, which was settled in cash. The sale was approved by the Philippine Competition Commission on May 8, 2018.

Accordingly, PETNET was deconsolidated from the December 31, 2018 consolidated financial statements of the Group, and a gain on sale of PETNET amounting to ₱166.9 million was reported under "Other income (expense) - net" in the 2018 consolidated statement of income (see Note 29).

10. **Investments and Advances**

	2019	2018
Acquisition cost:		
Balance at beginning of year	**₱71,388,350**	₱63,458,834
Additions during the year	**28,281,257**	7,875,182
Acquisition of a subsidiary (see Note 9)	**–**	54,334
Balance at end of year	**99,669,607**	71,388,350

(Forward)

	2019	2018
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	**₱35,214,517**	₱32,631,335
Cumulative share in adoption of new standards by associates	**(18,692)**	–
Balances at beginning of year, as restated	**35,195,825**	32,631,335
Share in net earnings for the year	**11,502,090**	7,727,663
Cash dividends received and receivable	**(5,469,585)**	(5,144,481)
Balance at end of year, as restated	**41,228,330**	35,214,517
Gain on dilution (see Note 2)	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates:		
At beginning of year	**138,109**	123,816
Additions during the year	**(2,381)**	14,293
Balance at end of year	**135,728**	138,109
Share in cumulative translation adjustments of associates and joint ventures	**(185,871)**	319,631
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(852,012)**	(457,017)
	141,009,917	107,617,726
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	140,329,186	106,936,995
Advances to associates	**22,562**	22,562
	₱140,351,748	₱106,959,557

The Group's investees and the corresponding equity ownership are as follows:

		Percentage of ownership	
	Nature of Business	2019	2018
MORE[1] (see Note 3)	Holding	**83.33**	83.33
AEV CRH (see Note 3)	Holding	**60.00**	60.00
ATI[3] (see Note 3)	Holding	**60.00**	–
Cebu District Property Enterprise, Inc. (CDPEI) [1] **	Real estate	**50.00**	50.00
Cebu Homegrown Developers, Inc. (CHDI) [1]**	Real estate	**50.00**	–
AA Infrastructure Projects Corp. [4]	Holding	**–**	50.00
Accuria, Inc. [4]	Holding	**–**	49.54
Union Bank of the Philippines (UBP)	Banking	**49.34**	49.36
Hijos de F. Escaño, Inc.	Holding	**46.73**	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87
Gold Coin Feed Mills (B) Sdn. Bhd. (see Note 9) ***	Feedmills	**20.00**	20.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84
GNPD[2]**	Power generation	**72.50**	45.00
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00
STEAG	Power generation	**34.00**	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00
SPPC	Power generation	**20.00**	20.00
WMPC	Power distribution	**20.00**	20.00
Balibago Water Systems, Inc. (BWSI) [5]	Water infrastructure	**15.94**	11.14
Singapore Life (Philippines), Inc. (SLPI) [5], **	Insurance	**15.00**	–

[1]*Joint ventures.*
[2]*GNPD change in ownership based on the Partnership Agreement and acquisition of ATI in 2019 (see Notes 3 and 9)*
[3]*Economic interest.*
[4]*Liqudated.*
[5]*Significant influence by virtue of the board seat held by the Group*
***No commercial operations as of December 31, 2019.*
****Registered in Malaysia and is part of GCMH Group that was acquired by PIPL in 2018.*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for GNPD and SFELAPCO. As of December 31, 2019, ATI has an indirect ownership in GNPD of 50% while the Group's direct ownership in GNPD is 42.50% resulting to the Group's effective ownership in GNPD of 72.50%. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

As of December 31, 2019 and 2018, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 23).

<u>2019</u>

GNPD
In 2019, the Group, through TPI and ATI, made capital contributions to GNPD amounting to US$81.5 million (₱4.2 billion).

CHDI
In December 2019, CHDI was incorporated as a joint venture vehicle with certain companies and individuals. Aboitizland made an initial capital contribution to CHDI amounting to ₱230.0 million.

SLPI
In December 2019, the Company purchased 1.95 million shares of SLPI from Singapore Life Pte. Ltd. and Di-Firm Capital Pte. Ltd. for a total consideration of ₱195.0 million. As a result, AEV owns 15% of the outstanding shares of SLPI.

<u>2018</u>

UBP
In 2018, the Company purchased, through stock rights offer, 80.8 million shares at ₱62.97 per share in UBP for a total consideration of ₱5.1 billion. Additional shares were acquired at various dates in 2018 for 3.2 million shares for a total consideration of ₱289.9 million. As a result, its ownership in UBP increased from 48.83% in 2017 to 49.36% in 2018.

In 2018, UBP has changed the accounting for certain upfront fees on loans and discounts from outright income recognition as services charges, fees and commissions to amortizing the fees to interest income over the expected life of the loans using the effective interest rate method. The changes have been accounted for retroactively and resulted to a decrease in the investments and advances and retained earnings accounts in the consolidated financial statements amounting to ₱312.8 million as of December 31, 2017/January 1, 2018 and December 31, 2016/January 1, 2017.

GNPD
In 2018, the Group, through TPI, made capital contributions to GNPD amounting to US$47.0 million (₱2.5 billion).

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

	2019	2018
UBP	**₱51,837,773**	₱46,025,202
AEV CRH	**23,853,892**	24,450,287
GNPD/ATI	**41,257,477**	14,789,971
MORE	**10,180,552**	10,235,695
STEAG	**4,032,405**	4,185,758
CEDC	**3,447,491**	3,192,609
CDPEI	**1,443,212**	1,464,124
CRH ABOITIZ	**1,411,852**	492,464
SFELAPCO/PEVI	**881,812**	857,367
BWSI	**567,451**	295,889
RP Energy	**525,769**	528,383
CHDI	**230,000**	–
WMPC	**142,577**	106,524
SPPC	**61,497**	81,856
Others	**455,426**	230,866
	₱140,329,186	₱106,936,995

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱34.7 billion and ₱38.4 billion as of December 31, 2019 and 2018, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2019	2018	2017
UBP			
Total current assets	**₱164,085,694**	₱90,653,142	₱132,590,855
Total noncurrent assets	**611,326,747**	583,129,543	482,460,244
Total current liabilities	**(623,292,442)**	(538,299,718)	(515,959,783)
Total noncurrent liabilities	**(49,373,397)**	(44,522,066)	(32,165,000)
Equity attributable to equity holders of UBP Parent Company	**₱102,224,491**	₱90,417,723	₱66,871,569
Gross revenue	**₱38,355,155**	₱31,629,220	₱24,586,366
Operating profit	**15,082,156**	8,497,725	10,679,786
Net income attributable to equity holders of the parent	**14,492,636**	7,316,102	8,405,016
Other comprehensive income attributable to equity holders of the parent	**14,089,679**	7,581,026	9,904,656
Group's share in net income	**₱7,150,667**	₱3,599,941	₱4,103,964
AEV CRH			
Total current assets	**₱7,641,829**	₱7,184,970	₱8,777,452
Total noncurrent assets	**88,563,173**	83,802,263	79,788,878
Total current liabilities	**(10,153,092)**	(29,392,890)	(25,575,956)
Total noncurrent liabilities	**(46,636,497)**	(21,384,054)	(21,844,669)
Equity attributable to equity holders of AEV CRH Parent Company	**₱39,457,293**	₱40,233,724	₱41,145,705

(Forward)

	2019	2018	2017
Gross revenue	**₱23,937,863**	₱25,810,769	₱24,853,225
Operating profit	**1,760,626**	2,775,116	4,041,005
Net income (loss) attributable			
to equity holders of the parent	**(756,190)**	(690,801)	360,992
Group's share in net income (loss)	**(₱453,714)**	(₱414,481)	₱216,595
GNPD			
Total current assets	**₱1,612,549**	₱1,705,863	₱2,486,668
Total noncurrent assets	**67,043,356**	40,707,048	16,762,108
Total current liabilities	**(5,623,202)**	(3,342,924)	(539,651)
Total noncurrent liabilities	**(48,514,482)**	(29,473,440)	(14,242,279)
Equity	**₱14,518,221**	₱9,596,547	₱4,466,846
Operating loss	**(₱1,161,098)**	(₱352,858)	(₱251,703)
Net loss	**(1,160,004)**	(68,174)	(376,336)
Group's share in net loss	**(841,003)**	(₱15,435)	(₱188,167)
Additional information:			
Cash and cash equivalents	**₱1,093,991**	₱911,642	₱1,869,486
Noncurrent financial liabilities	**48,514,482**	29,473,440	14,019,562
MORE			
Total current assets	**₱681,925**	₱141,293	₱126,125
Total noncurrent assets	**12,222,826**	12,196,002	11,889,592
Total current liabilities	**(610,443)**	(54,462)	(56,336)
Total noncurrent liabilities	**(75,721)**	–	–
Equity	**₱12,218,587**	₱12,282,833	₱11,959,381
Gross revenue	**₱198,636**	₱180,236	₱170,236
Operating profit	**3,750,522**	4,133,911	4,893,753
Net income	**3,732,874**	4,125,996	4,891,630
Other comprehensive income (loss)	**(152,630)**	96,116	55,115
Group's share in net income	**₱3,110,603**	₱3,439,589	₱4,160,480
Additional information:			
Cash and cash equivalents	**₱34,480**	₱31,873	₱16,134
STEAG			
Total current assets	**₱3,107,046**	₱3,459,931	₱2,688,544
Total noncurrent assets	**9,967,406**	10,477,098	10,348,729
Total current liabilities	**(1,379,138)**	(1,672,896)	(1,394,855)
Total noncurrent liabilities	**(2,840,129)**	(3,262,770)	(3,453,496)
Equity	**₱8,855,185**	₱9,001,363	₱8,188,922
Gross revenue	**₱4,812,414**	₱4,468,016	₱4,502,920
Operating profit	**1,250,028**	1,115,567	1,020,846
Net income	**1,150,501**	687,186	516,893
Other comprehensive income (loss)	**(29,106)**	(37,173)	4,750
Group's share in net income	**₱249,432**	₱87,508	₱25,744

(Forward)

	2019	2018	2017
CEDC			
Total current assets	**₱5,199,140**	₱4,986,619	₱5,419,700
Total noncurrent assets	**12,842,201**	13,371,586	14,308,208
Total current liabilities	**(2,496,096)**	(2,158,754)	(2,444,036)
Total noncurrent liabilities	**(7,672,244)**	(8,943,522)	(10,422,073)
Equity	**₱7,873,001**	₱7,255,929	₱6,861,799
Gross revenue	**₱8,578,452**	₱9,728,163	₱8,751,540
Operating profit	**3,017,831**	3,300,164	3,183,144
Net income	**2,317,071**	1,880,853	1,686,941
Other comprehensive income	**29,483**	13,277	2,451
Group's share in net income	**₱611,707**	₱827,576	₱742,254
SFELAPCO*			
Total current assets	**₱1,135,431**	₱1,104,307	₱1,576,530
Total noncurrent assets	**2,691,104**	2,567,663	2,215,130
Total current liabilities	**(868,787)**	(763,966)	(770,041)
Total noncurrent liabilities	**(784,368)**	(699,175)	(751,789)
Equity	**₱2,173,380**	₱2,208,829	₱2,269,830
Gross revenue	**₱4,448,624**	₱4,088,124	₱4,211,674
Operating profit	**479,553**	408,160	366,492
Net income	**342,199**	302,677	671,268
Other comprehensive income (loss)	**(51,500)**	(63,679)	334,246
Group's share in net income	**₱149,815**	₱168,307	₱323,674
CRH ABOITIZ			
Total current assets	**₱2,282,852**	₱1,641,152	₱411,074
Total noncurrent assets	**2,018,183**	947,134	900,780
Total current liabilities	**(1,207,635)**	(1,820,630)	(889,385)
Total noncurrent liabilities	**(311,037)**	(28,379)	(85,308)
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱2,782,363**	₱739,277	₱337,161
Gross revenue	**₱22,381,756**	₱11,606,618	₱–
Operating profit (loss)	**2,006,089**	882,680	(1,443,313)
Net income attributable to equity holders of the parent	**2,123,380**	402,116	89,242
Group's share in net income	**₱955,521**	₱180,952	₱40,159
BWSI			
Total current assets	**₱873,394**	₱809,074	₱1,012,347
Total noncurrent assets	**1,985,934**	1,843,428	1,374,552
Total current liabilities	**(376,229)**	(496,344)	(140,734)
Total noncurrent liabilities	**(655,607)**	(629,689)	(639,673)
Equity	**₱1,827,492**	₱1,526,470	₱1,606,492
Gross revenue	**₱1,542,971**	₱1,335,975	₱1,191,595
Gross profit	**879,122**	752,553	705,341
Net income	**287,131**	259,858	465,737
Group's share in net income	**₱44,129**	₱15,130	₱17,763

(Forward)

	2019	2018	2017
WMPC			
Total current assets	**₱643,983**	₱717,162	₱695,571
Total noncurrent assets	**348,174**	454,108	418,807
Total current liabilities	**(193,157)**	(551,781)	(457,032)
Total noncurrent liabilities	**(83,804)**	(74,341)	(82,718)
Equity	**₱715,196**	₱545,148	₱574,628
Gross revenue	**₱1,157,772**	₱1,393,417	₱1,439,482
Operating profit	**280,417**	13,006	98,838
Net income	**196,693**	20,521	71,933
Other comprehensive loss	**–**	–	–
Group's share in net income	**₱31,353**	₱4,104	₱14,387
SPPC			
Total current assets	**₱148,228**	**₱182,303**	₱344,105
Total noncurrent assets	**265,422**	**311,472**	364,649
Total current liabilities	**(39,137)**	**(36,361)**	(221,096)
Total noncurrent liabilities	**(76,324)**	**(58,491)**	(68,326)
Equity	**₱298,189**	**₱398,923**	₱419,332
Gross revenue	**₱–**	**₱160,831**	₱523,854
Operating profit	**(88,013)**	**(19,307)**	133,508
Net income (loss)	**(77,296)**	**(23,407)**	272,756
Other comprehensive income	**–**	**–**	–
Group's share in net income (loss)	**(₱15,459)**	**(₱4,681)**	₱19,101
ATI			
Total current assets	**₱75,243**	**₱–**	₱–
Total noncurrent assets	**14,827,626**	**–**	–
Total current liabilities	**(7,762)**	**–**	–
Total noncurrent liabilities	**–**	**–**	–
Equity	**₱14,895,107**	**₱–**	₱–
Gross revenue	**₱–**	**₱–**	₱–
Operating loss	**(1,264,626)**	**–**	–
Net loss	**(1,263,317)**	**–**	–
Other comprehensive loss	**–**	**–**	–
Group's share in net loss	**₱–**	**₱–**	₱–
Additional information:			
Cash and cash equivalents	**₱75,215**	**₱–**	₱–
Others**			
Total current assets	**₱777,850**	**₱757,343**	₱1,371,605
Total noncurrent assets	**10,180,503**	**7,402,800**	7,235,633
Total current liabilities	**(910,703)**	**(157,380)**	(467,440)
Total noncurrent liabilities	**(3,591,416)**	**(1,952,041)**	(697,480)
Gross revenue	**₱154,018**	**₱163,497**	₱137,560
Net income (loss)	**(57,732)**	**(751,707)**	(9,136)

* *Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱374.8 million, ₱952.8 million and ₱745.1 million in 2019, 2018, and 2017, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. **Material partly - owned subsidiary**

As of December 31, 2019, the Company has 76.98% interest in AP, a holding company incorporated in the Philippines.

The summarized consolidated financial information of AP as of December 31, 2019, 2018 and 2017 is provided below:

	2019	2018	2017
Summarized comprehensive income information			
Revenue	**₱125,635,157**	₱131,572,084	₱119,391,303
Cost of sales	**71,361,850**	71,680,298	63,949,850
Operating expenses	**25,417,433**	23,395,104	21,267,724
Finance costs - net	**12,755,943**	11,202,073	10,320,768
Other income - net	**7,297,349**	3,064,514	2,993,864
Profit before tax	**23,397,280**	28,359,123	26,846,825
Income tax	**3,215,498**	2,925,623	3,858,398
Profit for the year from continuing operations	**₱20,181,782**	₱25,433,500	₱22,988,427
Total comprehensive income	**₱17,566,603**	₱26,494,498	₱23,366,919
Summarized other financial information			
Attributable to non-controlling interests	**₱2,619,313**	₱3,892,404	₱2,749,732
Dividends paid to non-controlling interests	**2,490,288**	2,364,492	2,313,460

Summarized balance sheet information		
Total current assets	**₱76,896,785**	₱88,708,607
Total noncurrent assets	**333,572,572**	300,953,569
Total current liabilities	**51,390,469**	46,815,020
Total noncurrent liabilities	**225,435,877**	206,270,489
Equity	**₱133,643,011**	₱136,576,667
Summarized cash flow information		
Operating cash flows	**₱39,356,962**	₱37,287,900
Investing cash flows	**(34,060,584)**	(7,243,119)
Financing cash flows	**(14,376,055)**	(19,155,753)

12. **Property, Plant and Equipment**

	2019	2018
Property, plant and equipment	**₱187,974,887**	₱221,689,945
Right-of-use asset (see Note 21)	**37,583,878**	–
	₱225,558,765	₱221,689,945

December 31, 2019

	Building, Warehouses and Improvements	Power Plant Equipment and Steam Field Assets (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land and Land Improvements	Construction in Progress	Tools and others	Total
Cost											
At January 1, as previously stated	**₱28,738,498**	**₱168,443,359**	**₱19,458,140**	**₱9,354,817**	**₱2,702,556**	**₱9,831,153**	**₱3,033,342**	**₱3,489,652**	**₱39,193,075**	**₱2,440,081**	**₱286,684,673**
Effect of adoption of PFRS 16 (see Note 2)	**–**	**(34,669,713)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,669,713)**
At January 1, 2019, as restated	**28,738,498**	**133,773,646**	**19,458,140**	**9,354,817**	**2,702,556**	**9,831,153**	**3,033,342**	**3,489,652**	**39,193,075**	**2,440,081**	**252,014,960**
Acquisition of subsidiaries (see Note 9)	**274**	**–**	**–**	**17,525**	**2,110**	**29,132**	**–**	**–**	**–**	**–**	**49,041**
Additions	**273,584**	**1,032,129**	**–**	**181,900**	**314,534**	**243,057**	**9,528**	**209,599**	**9,435,565**	**42,696**	**11,742,592**
Disposals	**(8,045)**	**(413,521)**	**(29,432)**	**(22,586)**	**(194,668)**	**(47,422)**	**(170)**	**–**	**(4,763)**	**(1,510)**	**(722,117)**
Reclassifications/transfers	**16,253,758**	**7,556,007**	**1,867,104**	**99,244**	**(28,202)**	**2,603,084**	**13,178**	**55,313**	**(40,529,024)**	**(137,173)**	**(12,246,711)**
At December 31	**45,258,069**	**141,948,261**	**21,295,812**	**9,630,900**	**2,796,330**	**12,659,004**	**3,055,878**	**3,754,564**	**8,094,853**	**2,344,094**	**250,837,765**
Accumulated depreciation and amortization											
At January 1	**7,046,812**	**37,378,911**	**5,227,736**	**4,573,573**	**1,508,023**	**4,293,735**	**677,765**	**127,847**	**–**	**1,025,886**	**61,860,288**
Acquisition of a subsidiary (see Note 9)	**249**	**–**	**–**	**2,469**	**1,653**	**5,216**	**–**	**–**	**–**	**–**	**9,587**
Depreciation and amortization	**1,152,650**	**5,970,481**	**598,759**	**622,172**	**298,587**	**650,865**	**147,394**	**19,544**	**–**	**124,985**	**9,585,437**
Disposals	**(6,475)**	**(70,556)**	**(29,432)**	**(22,353)**	**(157,806)**	**(46,794)**	**(141)**	**–**	**–**	**(2,072)**	**(335,629)**
Reclassifications/transfers	**(311,387)**	**(11,181,920)**	**(58,465)**	**(98,304)**	**(6,631)**	**425,031**	**(45,250)**	**(289)**	**–**	**(114,030)**	**(11,391,245)**
At December 31	**7,881,849**	**32,096,916**	**5,738,598**	**5,077,557**	**1,643,826**	**5,328,053**	**779,768**	**147,102**	**–**	**1,034,769**	**59,728,438**
Impairment (see Note 29)	**–**	**486,280**	**–**	**–**	**2,088**	**792**	**251**	**–**	**2,645,029**	**–**	**3,134,440**
Net Book Value	**₱37,376,220**	**₱109,365,065**	**₱15,557,214**	**₱4,553,343**	**₱1,150,416**	**₱7,330,159**	**₱2,275,859**	**₱3,607,462**	**₱5,449,824**	**₱1,309,325**	**₱187,974,887**

December 31, 2018 (as restated; see Note 9)

	Building, Warehouses and Improvements	Power Plant Equipment and Steam Field Assets (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land and Land Improvements	Construction in Progress	Tools and others	Total
Cost											
At January 1	₱26,193,431	₱141,329,134	₱17,438,847	₱6,723,759	₱2,293,513	₱6,893,434	₱3,614,646	₱2,262,109	₱57,029,925	₱2,629,876	₱266,408,674
Acquisition of subsidiaries (see Note 9)	2,475,003	–	–	4,404,924	246,160	257,914	–	1,068,451	155,930	–	8,608,382
Additions	139,649	1,496,624	1,121,508	119,083	297,780	576,289	36,193	71,165	8,925,356	97,941	12,881,588
Disposals	(181,486)	(461,778)	(18,163)	(17,914)	(113,343)	(95,663)	(1,802)	(4,316)	–	(40)	(894,505)
Reclassifications/transfers	111,901	26,079,379	915,948	(1,875,035)	(21,554)	2,199,179	(615,695)	92,243	(26,918,136)	(287,696)	(319,466)
At December 31	28,738,498	168,443,359	19,458,140	9,354,817	2,702,556	9,831,153	3,033,342	3,489,652	39,193,075	2,440,081	286,684,673
Accumulated depreciation and amortization											
At January 1	5,304,436	31,991,703	4,671,132	2,927,918	1,149,352	3,090,014	729,448	132,107	(722,768)	1,254,632	50,527,974
Acquisition of subsidiaries (see Note 9)	1,008,387	–	–	2,192,329	181,804	199,671	–	5,609	–	–	3,587,800
Depreciation and amortization	1,085,407	5,958,157	585,036	426,263	288,111	639,303	135,520	16,363	–	108,434	9,242,594
Disposals	(154,943)	(225,945)	(24,020)	(17,914)	(86,190)	(55,551)	(1,492)	–	–	(562)	(566,617)
Reclassifications/transfers	(196,475)	(345,004)	(4,412)	(955,023)	(25,055)	420,298	(185,711)	(26,232)	722,768	(336,617)	(931,463)
At December 31	7,046,812	37,378,911	5,227,736	4,573,573	1,508,023	4,293,735	677,765	127,847	–	1,025,886	61,860,288
Impairment (see Note 29)	–	486,280	–	–	2,088	792	251	–	2,645,029	–	3,134,440
Net Book Value	₱21,691,686	₱130,578,168	₱14,230,404	₱4,781,244	₱1,192,445	₱5,536,626	₱2,355,326	₱3,361,805	₱36,548,046	₱1,414,195	₱221,689,945

In 2019 and 2018, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱3.6 billion and ₱5.4 billion respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 9.83% in 2019 and 13.00% - 16.14% in 2018 was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.

- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.

- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2019 and 2018.

In 2019 and 2018, movements to power plant equipment and steam field assets include adjustments in the decommissioning liability due to change in accounting estimates amounting to ₱321.9 million (decrease) and ₱560.0 million (increase), respectively (see Note 20).

In 2019 and 2018, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits, amounting to ₱890.0 million and ₱2.5 billion, respectively (see Note 18). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 5.7% to 9.4% and 4.9% to 9.4% which are the effective interest rate of the specific borrowings in 2019 and 2018, respectively.

Property, plant and equipment with carrying amounts of ₱124.0 billion and ₱126.9 billion as of December 31, 2019 and 2018, respectively, are used to secure the Group's long-term debts (see Note 18).

Fully depreciated property, plant and equipment with cost amounting to ₱5.9 billion and ₱5.0 billion as of December 31, 2019 and 2018, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction-in-progress" as of December 31, 2019 and 2018, as shown below:

	Estimated Cost to Complete (in millions Php)		% of Completion	
Project Company	**2019**	2018	**2019**	2018
TVI	**₱114**	₱7,246	**99.7%**	81.0%

As of December 31, 2018, the Group classifies its transmission assets as property held for sale as an ongoing negotiation for the sale of these assets with NGCP which is expected to be consummated in 2019. The property held for sale was recorded at its recoverable amount of ₱675.8 million. In 2019, the Deed of Sale was signed and executed.

13. **Intangible Assets**

December 31, 2019

	Goodwill	**Service concession rights**	**Franchise**	**Project development costs**	**Customer contracts**	**Software and licenses**	**Total**
Cost:							
Balances at beginning of year	**₱56,361,133**	**₱6,480,374**	**₱3,078,431**	**₱583,095**	**₱99,746**	**₱678,887**	**₱67,281,666**
Additions during the year	**–**	**3,187,814**	**–**	**419,637**	**–**	**191,312**	**3,798,763**
Acquisition of subsidiaries	**13,089**	**–**	**–**	**–**	**–**	**–**	**13,089**
Impairment (see Note 29)	**–**	**–**	**–**	**(40,371)**	**–**	**–**	**(40,371)**
Exchange differences	**(51,490)**	**(82,316)**	**–**	**(50,761)**	**–**	**(2,370)**	**(186,937)**
Balances at end of year	**56,322,732**	**9,585,872**	**3,078,431**	**911,600**	**99,746**	**867,829**	**70,866,210**
Accumulated amortization:							
Balances at beginning of year	**–**	**2,688,997**	**429,699**	**–**	**72,317**	**313,880**	**3,504,893**
Amortization	**–**	**361,599**	**76,960**	**–**	**12,550**	**109,113**	**560,222**
Balances at end of year	**–**	**3,050,596**	**506,659**	**–**	**84,867**	**422,993**	**4,065,115**
Net book values	**₱56,322,732**	**₱6,535,276**	**₱2,571,772**	**₱911,600**	**₱14,879**	**₱444,836**	**₱66,801,095**

December 31, 2018

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱41,308,689	₱5,389,820	₱3,078,431	₱395,419	₱99,746	₱382,024	₱50,654,129
Additions during the year	–	961,827	–	593,279	–	86,949	1,642,055
Acquisition of a subsidiary	15,622,243	–	–	–	–	208,867	15,831,110
Disposal of a subisidiary	(523,866)	–	–	–	–	–	(523,866)
Impairment (see Note 29)	(45,933)	–	–	(405,603)	–	–	(451,536)
Exchange differences	–	128,727	–	–	–	1,047	129,774
Balances at end of year	56,361,133	6,480,374	3,078,431	583,095	99,746	678,887	67,281,666
Accumulated amortization:							
Balances at beginning of year	–	2,327,513	352,738	–	56,908	219,952	2,957,111
Amortization	–	361,484	76,961	–	15,409	93,928	547,782
Balances at end of year	–	2,688,997	429,699	–	72,317	313,880	3,504,893
Net book values	₱56,361,133	₱3,791,377	₱2,648,732	₱583,095	₱27,429	₱365,007	₱63,776,773

Goodwill
Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit (CGU).

The carrying amount of goodwill follows:

	2019	2018 (as restated; see Note 9)
GMCP	**₱39,996,797**	₱39,345,126
GCMH (see Note 9)	**14,898,432**	15,622,243
LEZ	**467,586**	467,586
PILMICO FEEDS	**416,225**	394,217
HI	**220,228**	220,228
BEZ	**191,471**	191,471
LLI	**61,202**	61,202
PAN JSC	**57,702**	59,060
TCP and PB	**13,089**	–
	₱56,322,732	₱56,361,133

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2019 and 2018
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rate applied to cash flow projections are from 9.87% to 16.82% in 2019 and from 10.63% to 18.14% in 2018, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2019, revenue growth of 10% in year 1, 0% in year 2 and 4% in the next three years was applied for LEZ; 4% in year 1, -6% in year 2, 1% in year 3, -3% in year 4 and -2% in year 5 for BEZ; 0% in year 1, 2% in year 2 , 7% in year 3, 3% in year 4 and 10% in year 5 for GMCP; and -6% in year 1, 16% in year 2, 15% in year 3, 12% in year 4, and 5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (47% in year 1, -17% in year 2, -3% in year 3, 1% in year 4, and 12% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (23% in year 1, 11% in year 2, 6% in year 3, and 3% in years 4 and 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (10% in the first 4 years, and 8% in the last year). GCMH revenue assumptions are based on forecast animal feeds sales (19% in year 1, 9% in the next two years, 7% in year 4 and 5% in year 5).

In 2018, revenue growth of 6% in year 1, 4% for the next two years, 3% in year 4 and 5% in year 5 was applied for LEZ; 9% in year 1, 5% in year 2 and 2% in the next three years for BEZ; 4% in year 1, 0% in year 2 , 2% in year 3, 7% in year 4 and 3% in year 5 for GMCP; and 45% in year 1, -1% in year 2, 0% in year 3, 11% I year 4, and -4% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-49% in year 1, -19% in year 2, 11% in year 3, 5% in year 4, and -6% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (26% in year 1, 6% in years 2 and 4, 11% in year 3, and 2% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (347% in year 1, and 4% in the next four years). GCMH revenue assumptions are based on forecast animal feeds sales (9% in year 1, and 7% in the next four years).

Materials price inflation
In 2019, the assumption used to determine the value assigned to the materials price inflation is 3.30% in 2020, decreases to 3.20% in 2021 and settles at 3.00% for the next 3 years until 2024. The starting point of 2020 is consistent with external information sources.

In 2018, the assumption used to determine the value assigned to the materials price inflation is 3.47% in 2019 and decreases to 3.37% in 2020 and 3.10% in 2021. It then settles at 3.00% for the next 2 years until 2023.

Foreign exchange rates
In 2019, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱54.70 to a dollar in 2020 and depreciates annually at an average of 2.67% until 2024. In 2018, the assumption used to determine foreign exchange rate is a a steady Philippine peso at a rate of ₱55.00 to a dollar from 2019 until 2023.

Based on the impairment testing, no impairment of goodwill was recognized in 2019 and 2017. In 2018, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

<u>Service Concession Rights</u>

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.
The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period in accordance with Philippine Interretation IFRIC 12. The intangible asset with a carrying value of ₱1.6 billion and ₱2.0 billion as of December 31, 2019 and 2018 was used as collateral to secure LHC'slong-term debt (see Note 18).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

  For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

  Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱700.3 million and ₱720.3 million as of December 31, 2019 and 2018, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱85.4 million and ₱97.2 million as of December 31, 2019 and 2018, respectively.

- Service concession rights consist of the costs of construction of the treated bulk water supply facility that is still in construction phase, required for the delivery of treated bulk water to the DCWD, pursuant to the concession agreement.

The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱4.1 billion and ₱1.0 million as of December 31, 2019 and 2018, respectively.

The amortization of intangible assets is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 27).

14. **Investment Properties**

December 31, 2019

	Land	**Buildings**	**Land Improvements**	**Construction-in-Progress**	**Total**
At January 1	**₱5,158,082**	**₱2,816,225**	**₱250,360**	**₱–**	**₱8,224,667**
Acquisition of subsidiaries	**156,407**	**178,711**	**–**	**210,556**	**545,674**
Additions	**400,597**	**9,923**	**2,896**	**419,626**	**833,042**
Gain on fair valuation	**1,916,027**	**(86,295)**	**–**	**–**	**1,829,732**
Transfers/ adjustments	**156,341**	**(231,901)**	**–**	**(65,675)**	**(141,235)**
At December 31	**₱7,787,454**	**₱2,686,663**	**₱253,256**	**₱564,507**	**₱11,291,880**

December 31, 2018

	Land	Buildings	Land Improvements	Construction-In-Progress	Total
At January 1	₱4,895,188	₱895,258	₱245,690	₱808,497	₱6,844,633
Additions	5,301	559,123	6,034	–	570,458
Gain on fair valuation	–	511,820	–	–	511,820
Transfers/ adjustments	257,593	850,024	(1,364)	(808,497)	297,756
At December 31	₱5,158,082	₱2,816,225	₱250,360	₱–	₱8,224,667

Rental income earned from and direct operating expenses of investment properties amounted to ₱539.8 million and ₱71.8 million, respectively, in 2019; ₱475.4 million and ₱68.9 million, respectively, in 2018; and ₱445.6 million and ₱64.0 million, respectively, in 2017 (see Note 25).

As of December 31, 2019 and 2018, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group’s investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and buildings, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2019	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱7,787,454**	**Sales Comparison Approach**	**Price per square meter**	**₱7,600 - ₱33,400**
Buildings and land Improvements	**2,939,919**	**Cost Approach**	**Estimated cost, remaining economic life**	**15 - 38 years**

	Fair value at December 31, 2018	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱5,158,082	Sales Comparison Approach	Price per square meter	₱480 - ₱270,000
Buildings and land Improvements	3,066,585	Cost Approach	Estimated cost, remaining economic life	15 - 38 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Other Noncurrent Assets

	2019	2018 (as restated; see Note 9)
Restricted cash	**₱4,672,031**	₱–
Input VAT and tax credit receivable, net of allowance for impairment loss of ₱253.2 million (see Note 29)	**4,501,086**	5,462,983
Financial assets at FVTPL	**731,797**	353,734
Financial assets at FVOCI	**176,479**	225,552
Debt investments at amortized cost	**234,968**	453,871
Prepaid rent and other deposits	**1,291,152**	1,979,024
Advances to contractors and projects	**1,452,272**	1,098,747
Biological assets (see Note 8)	**140,304**	134,144
Others	**934,552**	500,226
	₱14,134,641	₱10,208,281

Restricted cash pertains to the amount drawn by TVI on June 11, 2019 on the performance securities under its Engineering, Procurement and Construction agreement with the contractors. The contractors have disputed the draw on the securities in dispute resolution proceedings.

16. Bank Loans

	2019	2018
Philippine peso loans	**₱23,026,701**	₱24,567,200
Chinese yuan loans	**1,175,412**	906,726
Vietnamese dong loans	**715,950**	726,187
US dollar loans	**455,715**	341,770
Indonesia rupia loans	**25,876**	250,591
Other foreign currency-denominated loans	**317,483**	186,112
	₱25,717,137	₱26,978,586

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.69% to 8.55% and 2.4% to 13.5% in 2019 and 2018, respectively. These loans will mature on various dates within 12 months after each balance sheet date.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

The Chinese yuan, Indonesia rupia and a portion of the Vietnamese dong loans are loans of GCMH.

Total interest expense on bank loans recognized in 2019, 2018 and 2017 amounted to ₱1.2 billion, ₱765.3 million and ₱246.8 million, respectively (see Note 35).

17. Trade and Other Payables

	2019	Restated 2018
Trade payables (see Notes 20 and 39)	**₱19,517,546**	₱19,628,410
Nontrade and other payables	**3,252,202**	2,178,792
Accrued expenses		
Interest	**2,735,860**	2,402,919
Taxes and fees	**1,288,214**	1,205,416
Energy fees and fuel purchase	**1,508,801**	725,406
Others	**1,677,452**	1,608,006
Output VAT	**3,129,901**	2,924,074
Amounts due to contractors and other third parties	**7,312,999**	2,626,792
PSALM deferred adjustment (see Note 41k)	**3,183,080**	4,225,950
Unearned revenue	**40,945**	39,770
	43,647,000	37,565,535
Less noncurrent portion (see Note 34)	**7,206,837**	3,695,261
	₱36,440,163	₱33,870,274

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lubricant costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months.

Amounts due to contractors and other third parties include liabilities arising from construction projects (see Notes 12 and 13).

18. **Long-term Debts**

	2019		2018	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	**4.41% - 6.32%**	**₱37,000,000**	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institutions - unsecured	**LIBOR + 1.7% - 4.00%**	**37,247,830**	LIBOR + 1.7% - 4.85%	41,375,202
TVI				
Financial institutions – secured	**5.56% - 9.00%**	**31,520,000**	5.50% - 9.00%	31,520,000
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	**5.21% - 8.51%**	**35,450,000**	5.21% - 8.51%	23,200,000
Financial and nonfinancial institutions - Foreign currency - unsecured	**LIBOR + 1.20%**	**15,190,500**	–	–
TSI				
Financial institutions - secured	**5.05% - 5.70%**	**20,039,365**	5.05% - 5.69%	21,349,704
APRI				
Financial institutions - secured	**4.48% to 5.20%**	**8,124,160**	4.48% to 5.20%	9,374,400
Hedcor Bukidnon				
Financial institutions - secured	**4.75% - 7.36%**	**9,416,666**	4.75% - 6.78%	9,327,700
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	**4.05% to 5.42%**	**3,801,400**	4.05% to 5.42%	3,900,400
PILMICO				
Financial institutions - secured	**4.18% - 5.16%**	**2,885,000**	4.18% - 4.50%	2,808,500
PANC				
Financial institutions - secured	**4.50%**	**2,640,000**	4.50%	2,680,000
VECO				
Financial institution - unsecured	**4.59% - 4.81%**	**776,000**	4.58% - 4.81%	975,000
LHC				
Financial institutions - secured	**3.94% to 4.81%**	**564,580**	3.63% to 4.81%	875,458
DLP				
Financial institution - unsecured	**4.59% - 4.81%**	**582,000**	4.58% - 4.81%	731,250
HI				
Financial institution - secured	**5.25%-7.87%**	**1,750,000**	5.25%-7.87%	1,840,000
SEZ				
Financial institution - unsecured	**5.00%**	**113,000**	5.00%	169,500
CLP				
Financial institution - unsecured	**4.59% - 4.81%**	**116,400**	4.58% - 4.81%	146,250
TPVI				
Financial institution - unsecured	**5.06% - 5.25%**	**1,300,000**	–	–
Apo Agua				
Financial institutions:				
Philippine peso - secured	**6.50% - 8.26%**	**5,999,773**	8.26%	2,848,227
AEV International				
Financial institutions:				
Foreign currency - secured	**3.24% - 6.00%**	**13,550,225**	3.46% - 3.72%	11,725,340
GCMH and Subsidiaries				
Financial institutions:				
Foreign currency - unsecured	**–**	**–**	LIBOR + 2.55%-3.50%	2,034,835
TCP				
Financial institution - secured	**7.80% - 9.18%**	**248,680**	–	–
Joint Operation - PEC				
Financial institution - secured	**5.50% - 8.31%**	**13,380,097**	5.50% - 8.31%	14,473,052
Total		**241,695,676**		213,354,818
Deferred financing costs		**(2,116,138)**		(1,922,451)
		239,579,538		211,432,367
Less current portion		**27,126,918**		10,702,974
Noncurrent portion		**₱212,452,620**		₱200,729,393

The Company

In June 2019, the Company issued a total of ₱5.0 billion bonds, broken down into ₱3.4 billion 5-year and ₱1.6 billion 10-year bonds at fixed interest rates ranging from 6.02% to 6.32%.

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US$600.0 million was drawn from the NFA, out of which US$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of $200.0 million was drawn from the NFA.

Loans payable consist of the following dollar denominated loans as of December 31, 2018 and 2017 (in thousands):

	2019	2018	Interest Rate Per Annum	Payment Schedule
NFA				
Fixed Rate Loan	**$448,164**	$483,450	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	**267,450**	288,450	Six-month LIBOR plus 1.70% margin	
Working Capital				
BDO	**20,000**	15,000	LIBOR plus 1.7% applicable margin	Payable within 3 months
Total borrowings	**735,614**	786,900		
Less unamortized portion of deferred financing costs	**(4,017)**	(4,049)		
	731,597	782,851		
Less current portion	**63,583**	70,229		
Loans payable - net of current portion	**$668,014**	$712,622		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱32.0 billion. As of December 31, 2019, ₱31.5 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱26.0 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.0 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱50.8 billion as of December 31, 2019, and a pledge of TVI's shares of stock held by its shareholders.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.0 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, AP issued a total of ₱10.20 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.5 billion 7-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2019, AP issued ₱7.3 billion 7-year bond due 2026 at an annual fixed rate equivalent to 5.28%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

In April 2019, AP executed and availed a US$300.0 million syndicated bridge loan facility loan agreement with foreign banks to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on applicable LIBOR plus 1.2%. The loan will mature on the 5th anniversary of the first utilization date.

In November 2019, AP obtained a ₱5.0 billion 7-year long term loan from a local bank at an annual fixed rate of 5.28%.

TSI
On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.7 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.4 billion as of December 31, 2019, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

APRI
On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:
a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.2 billion as of December 31, 2019, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon
On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2019, ₱9.3 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount.

Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

Hedcor Sibulan
On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.1 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	96.8 million
3	Three (3) years from issue date	84.0 million
4	Four (4) years from issue date	84.0 million
5	Five (5) years from issue date	284.0 million
6 (Series A&B)	Six (6) years from issue date	388.4 million
7 (Series A&B)	Seven (7) years from issue date	445.8 million
8	Eight (8) years from issue date	451.4 million
9	Nine (9) years from issue date	508.1 million
10 (Series A&B)	Ten (10) years from issue date	1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO
PILMICO availed ₱1.0 billion and ₱500.0 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines (LBP) as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC) (“exempt security”).

In October 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes issued as an exempt security. In October 2019, PILMICO made a final repayment of ₱1.3 billion.

In October 2019, PILMICO availed ₱1.4 billion from the NFA it signed with LBP as the Note Holder. The NFA provided for the issuance of 10-year corporate notes issued as an exempt security.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC
On December 28, 2016, PANC availed of a total of ₱700.0 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 17, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on their respective maturity dates at December 29, 2029 and September 27, 2026, respectively, at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

VECO
On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the LBP. The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC
On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually.

Intangible asset arising from service concession arrangement with carrying value of ₱1.6 billion as of December 31, 2019, was used as collateral to secure LHC's long-term debts (see Note 13).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at annual fixed rates and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900.0 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.4 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates.

Principal is amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Apo Agua

On November 29, 2018, Apo Agua entered into an Omnibus Notes Facility and Security Agreement with various banks for a project loan facility in the aggregate principal amount of up to ₱9.0 billion to design, develop, procure, construct, operate and maintain a water treatment plant facility at Brgy. Gumalang, Davao City. Apo Agua's loan drawdown amounted to ₱3.2 billion and ₱2.8 billion in 2019 and 2018, respectively. The loan drawdown mode is staggered based on an agreed schedule.

The loan is secured by a mortgage of all the assets of Apo Agua and a pledge of Apo Agua's shares held by its pledgors: AEV, the Parent Company, JVACC and JVAGHC. The term of the loan is 15 years and the first principal payment will be made at the earlier of fifty-four (54) months after the date of issuance of the agreement or six (6) months after commercial operation date whichever comes earlier. The remaining principal balance shall be paid in semi-annual equal installments. No payment shall be made to the principal during the grace period.

AEV International

On July 20, 2018, AEV International availed of a syndicated loan facility with the amount of US$338.0 million (₱18.6 billion). The loan bears a floating interest rate computed based on applicable spread over libor and will mature in five (5) years.

On December 28, 2018, the loan was partially prepaid in the amount of US$115.0 million (₱6.3 billion).

TCP

TCP entered into a various loan agreement with a local bank whereby the latter agreed to provide TCP an aggregate principal amount of loan up to ₱250.0 million to finance the construction of TCP's real estate projects. Interest is payable quarterly and was initially set at 8.65% per annum for the first 3 months, subject to reset thereafter.

Drawdown Date	Maturity Date	Outstanding as of December 31, 2019
July 26, 2019	October 12, 2028	₱20,000
September 17,2019	October 12, 2028	20,000
July 25, 2019	September 11, 2028	24,700
September 30, 2019	September 11, 2028	19,760
August 20, 2019	December 27, 2028	20,000
March 6, 2019	December 27, 2028	25,000
February 7, 2019	February 2, 2029	10,000
September 27, 2019	February 2, 2029	20,000
June 19, 2018	June 16, 2028	19,520
September 13, 2018	September 11, 2028	24,700
October 15, 2018	October 12, 2028	20,000
December 27, 2018	December 27, 2028	25,000
		₱248,680

GCMH and Subsidiaries

GCMH Group obtained loans from various lenders with floating interest rates ranging from 3.24% to 6.00% and from 2.55% to 3.50% in 2019 and 2018, respectively.

Long-term debt of Joint Operation

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.3 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱38.7 billion as of December 31, 2019, and a pledge of the shares of stock held by the joint operators.

Loan covenants

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

These restrictions and requirements were complied with by the Group as of December 31, 2019 and 2018.

19. **Customers' Deposits**

	2019	2018
Bill and load	**₱4,294,742**	₱3,862,663
Lines and poles	**1,149,552**	1,101,664
Transformers	**1,077,175**	1,044,037
Others	**199,687**	119,424
	₱6,721,156	₱6,127,788

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Other customer deposits pertain mainly to deposits from real estate buyers.

Interest expense on customers' deposits amounted to ₱4.4 million in 2019, ₱2.1 million in 2018, and ₱3.2 million in 2017 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts. The portion of customers' deposit to be refunded amounted to ₱19.4 million and ₱6.6 million as of December 31, 2019 and 2018, respectively, and are presented as part of "Trade and other payables" (see Note 17).

20. Decommissioning liability

Decommissioning liability includes the estimated costs to decommission, abandon and perform surface rehabilitation on thesubsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 12).

	2019	2018
Balances at beginning of year	**₱3,678,810**	₱2,959,060
Changes in accounting estimate (see Note 12)	**(321,948)**	559,996
Accretion of decommissioning liability (see Note 35)	**210,630**	159,754
Balances at end of year	**₱3,567,492**	₱3,678,810

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

21. Leases

TLI

TLI was appointed by PSALM as Administrator of the coal-fired power plant in Pagbilao, Quezon under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease (the Group applied the transition relief, as such, not assessed whether a lease or not under PFRS 16; see Notes 2 and 3). Accordingly, TLI recognized the capitalized asset and related liability of ₱44.8 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the consolidated financial statement as part of "Property, plant and equipment" and "Lease liabilities" accounts, respectively (see Notes 3 and 12). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statements of income. Interest expense amounted to ₱4.4 billion in 2019 and ₱4.8 billion in 2018 and 2017 (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2018 are as follows:

December 31, 2018

	US dollar payments	Philippine peso equivalent of dollar payments[1]	Philippine peso payments	Total
Within one year	$90,000	₱4,732,200	₱4,320,000	₱9,052,200
After one year but not more than five years	415,500	21,846,990	19,944,000	41,790,990
More than five years	155,000	8,149,900	7,440,000	15,589,900
Total contractual payments	660,500	34,729,090	31,704,000	66,433,090
Unamortized discount	193,770	9,516,320	10,022,415	19,538,735
Present value	466,730	25,212,770	21,681,585	46,894,355
Less current portion				4,131,059
Noncurrent portion of finance lease obligation				₱42,763,296

[1]USD1= ₱52.58

- *APRI*
  On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2018 and 2017.

- *GMCP*
  In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

  In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

- *Sacasun*
  Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱51.5 million as of December 31, 2018 (see Note 7).

- *HI, HTI and HSI*
  HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants arelocated. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

- *Therma Mobile*
  On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

- *EAUC*
  Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

- *TPVI*
  TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱516.0 million as of December 31, 2018 (see Notes 7, 15 and 41g).

Lease Disclosure in Accordance with PAS 17 (applicable prior to January 1, 2019)

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile, EAUC and TPVI as of December 31, 2018 are as follows (amounts in millions):

	Amounts
Not later than 1 year	₱292.9
Later than 1 year but not later than 5 years	749.5
Later than 5 years	6,039.2

Total lease charged to operations related to these contracts amounted to in ₱263.5 million in 2018 and ₱163.7 million in 2017 (see Note 27).

Lease Disclosure in Accordance with PFRS 16 (applicable as of January 1, 2019)

The Group's right-of-use assets are presented as part of "Property, plant and equipment" account (see Note 2). The movements in the Group's lease liabilities for the year ended December 31, 2019 are as follows:

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of December 31, 2019 and the movements during the year:

2019

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liability
As at January 1, upon adoption of PFRS 16 (see Note 3)	₱3,279,969	₱714,672	₱34,669,713	₱201, 463	₱38,865,817	₱49,786,728
Additions	49,478	84,817	–	4,421	138,716	93,839
Amortization expense	(92,580)	(175,001)	(1,094,513)	(29,663)	(1,391,757)	–
Capitalized amortization	(1,871)	–	–	–	(1,871)	–
Interest expense	–	–	–	–	–	4,381,935
Capitalized interest	–	–	–	–	–	1,805
Payments	–	–	–	–	–	(7,638,946)
Others	7,614	(46,056)	-	11,416	(27,026)	(1,331,599)
As at December 31	₱3,242,610	₱578,432	₱33,575,200	₱187,637	₱37,583,879	₱45,293,762

Set out below, are the amounts recognized in the consolidated statement of income for the year ended December 31, 2019:

Amortization expense of right-of-use assets	₱1,391,757
Interest expense on lease liabilities	4,381,935
Rent expense - low value assets	25,750
Rent expense - short-term leases	67,168
	₱5,866,610

22. **Capital Stock**

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2019	2018
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**61,807,064**	61,807,064
Balance at end of year	**5,632,792,557**	5,632,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheets.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2019 and 2018.

As of December 31, 2019, and 2018, the Company has 8,893 and 8,921 shareholders, respectively.

Treasury Shares
In November 2018, AEV purchased 1 million treasury shares amounting to ₱44.1 million. As of December 31, 2019 and 2018, treasury shares held by AEV totaled 61.8 million, with corresponding acquisition cost of ₱565.2 million.

23. **Retained Earnings**

On March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.44 billion) to all stockholders of record as of March 21, 2019. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2019, and were paid on April 5, 2019.

On March 8, 2018, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends were taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.

b. Appropriation of ₱4.20 billion of the retained earnings as of December 31, 2018 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infrastructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infrastructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

c. Reversal of ₱1.62 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua.

On March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,095,000

As mentioned in Note 18, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company’s year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱135.2 billion and ₱122.4 billion as of December 31, 2019 and 2018, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

24. **Other Comprehensive Income**

	2019	2018
Cumulative Translation Adjustments		
Balance at beginning of year	**₱719,792**	₱189,465
Movements	**(1,664,278)**	530,327
Balance at end of year	**(944,486)**	719,792
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of year	**(676,765)**	(666,132)
Movements	**(185,103)**	(10,633)
Balance at end of year	**(861,868)**	(676,765)
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		
At beginning of year	**143**	(798)
Movements	**2,992**	941
Balance at end of year	**3,135**	143
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of year	**250,295**	(107,913)
Movements	**(387,315)**	358,208
Balance at end of year	**(137,020)**	250,295
Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures		
Balance at beginning of year	**(435,068)**	(537,099)
Movements	**(384,860)**	102,031
Balance at end of year	**(819,928)**	(435,068)
Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures		
At beginning of year	**114,527**	95,077
Movements	**(2,382)**	19,450
Balance at end of year	**112,145**	114,527
	(2,648,022)	(₱27,076)

25. **Revenues**

a. Power

Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

i. CLP: April 1, 2017 to March 31, 2021
ii. DLP and VECO: July 1, 2018 to June 30, 2022
iii. SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱46.1 billion, ₱44.9 billion and ₱43.5 billion in 2019, 2018 and 2017, respectively.

<u>Sale from Generation of Power and Retail Electricity</u>
Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.4 billion, ₱6.8 billion and ₱3.8 billion in 2019, 2018 and 2017, respectively.

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱46.8 billion in 2019, ₱54.9 billion in 2018 and ₱53.4 billion in 2017.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱22.8 billion, ₱24.2 billion and ₱18.1 billion in 2019, 2018 and 2017, respectively.

b. Real estate revenues consist of the following:

	2019	2018	2017
Real estate sales	**₱3,296,910**	₱3,219,565	₱2,915,830
Rental income	**539,761**	475,429	445,558
Service fees and others	**279,504**	230,314	252,000
	₱4,116,175	₱3,925,308	₱3,613,388

26. **Purchased Power**

Distribution

The Group's distribution utilities entered into contracts with NPC/PSALM and generation companies for the purchase of electricity, and into Transmission Service Agreements with NGCP for the transmission of electricity.

To avail of opportunities in the competitive electricity market, some of the Group's distribution utilities registered as direct participants of the WESM.

Total purchased power amounted to ₱21.8 billion, ₱23.6 billion, ₱22.5 billion in 2019, 2018 and 2017, respectively.

Generation
Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Total purchased power amounted to ₱7.6 billion, ₱4.9 billion, ₱6.6 billion in 2019, 2018 and 2017, respectively.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. In October 2019, a compromise agreement with PSALM was effected, which includes the termination of supply and ₱125.0 million payment of AESI as termination fee.

The Group also purchases from WESM in order to supply its contestable customers.

Total purchased power amounted to ₱6.4 billion, ₱7.6 billion, ₱6.3 billion in 2019, 2018 and 2017, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2019	2018	2017
Fuel costs (see Note 6)	**₱29,394,773**	₱29,423,013	₱22,324,825
Steam supply costs (see Note 39)	**5,008,607**	5,227,807	4,981,187
Energy fees	**694,696**	646,317	668,558
Ancillary charges	**360,095**	355,260	547,291
Wheeling expenses	**68,535**	21,821	35,895
	₱35,526,706	₱35,674,218	₱28,557,756

Cost of goods sold consists of:

	2019	2018	2017
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱55,809,698**	₱41,184,394	₱19,406,752
Direct labor (see Note 28)	**384,488**	302,993	238,647
Manufacturing overhead			
Depreciation (see Note 12)	**1,070,930**	763,488	524,660
Power	**739,874**	517,010	344,656
Indirect labor (see Note 28)	**774,055**	494,370	240,484
Repairs and maintenance	**573,206**	380,606	254,772
Outside services	**384,525**	185,932	99,817
Fuel and lubricants	**311,971**	193,061	94,775
Employees' benefits (see Notes 28 and 30)	**199,841**	86,863	11,687
Insurance	**99,625**	59,697	29,859
Freight and handling	**72,642**	60,075	61,005
Taxes and licenses	**71,784**	69,866	55,253
Office and general supplies	**70,210**	57,092	35,506
Medicines and vaccines	**56,529**	43,553	39,707
Toll milling expenses	**54,049**	26,873	–
Rental	**41,027**	66,012	33,931
Pest control	**19,251**	21,658	21,026
Royalty fee	**10,520**	11,472	9,711
Others	**149,602**	118,516	153,164
	4,699,641	3,156,144	2,010,013
Cost of goods manufactured	**60,893,827**	44,643,531	21,655,412
Finished goods inventory (see Note 6)			
Beginning of year	**1,752,729**	317,007	361,857
Acquisition of subsidiaries (see Note 9)	**–**	486,098	–
End of year	**(1,468,608)**	(1,752,729)	(317,007)
	₱61,177,948	₱43,693,907	₱21,700,262

Operating expenses consist of:

	2019	2018	2017
Depreciation and amortization (see Notes 12 and 13)	**₱10,434,429**	₱9,021,735	₱7,869,255
Personnel costs (see Notes 28 and 30)	**7,565,163**	7,183,608	6,279,900
Taxes and licenses	**3,132,133**	2,546,058	2,196,046
Repairs and maintenance	**2,559,198**	2,170,396	1,704,853
Outside services (see Note 34)	**2,670,470**	1,770,689	2,383,152
Freight and handling	**1,342,422**	1,143,709	834,893
Insurance	**1,057,165**	1,015,790	1,058,377
Management and professional fees (see Note 34)	**918,395**	724,422	288,343

(Forward)

	2019	2018	2017
Transportation and travel	**₱839,882**	₱562,220	₱467,606
Advertising	**476,780**	460,933	425,617
Provision for impairment of trade receivables (see Note 5)	**278,766**	309,820	101,155
Training and development	**255,570**	172,237	160,953
Utilities	**187,374**	190,536	149,682
Fuel and lubricants	**78,900**	86,437	73,751
Rent	**46,597**	548,715	444,262
Commissions	**640**	76,998	145,140
Others	**1,702,542**	2,414,391	1,672,930
	₱33,546,426	₱30,398,694	₱26,255,915

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2019	2018	2017
Personnel costs (see Notes 28 and 30)	**₱41,783**	₱54,037	₱41,061
Depreciation and amortization (see Notes 12 and 13)	**31,478**	33,208	40,837
Repairs and maintenance	**21,214**	23,557	16,986
Fuel	**6,305**	4,893	6,680
Insurance	**3,862**	3,425	4,049
Rent	**2,420**	16,114	2,042
Others	**4,151**	1,359	2,209
	₱111,213	₱136,593	₱113,864

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2019	2018	2017
Property, plant and equipment (see Note 12)	**₱9,585,437**	₱9,242,594	₱7,946,469
Right of use assets (see Note 21)	**1,391,757**	–	–
Intangible assets (see Note 13)	**559,643**	575,837	509,509
	₱11,536,837	₱9,818,431	₱8,455,978

28. **Personnel Costs**

	2019	2018	2017
Salaries and wages	**₱6,862,064**	₱6,640,098	₱5,041,341
Employee benefits (see Note 30)	**1,799,914**	827,960	1,296,940
	₱8,661,978	₱7,468,058	₱6,338,281

29. **Other Income (Expense) - Net**

	2019	2018	2017
Net unrealized fair valuation gains on investment property (see Note 14)	**₱1,829,732**	511,820	862,218
Net foreign exchange gains (losses)	**1,167,551**	(1,252,608)	70,221
Surcharges	**536,856**	508,492	435,428
Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets (see Notes 12 and 13)	**245,489**	(847,620)	(3,191,786)
Non-utility income	**170,640**	142,363	145,948
Rental income (see Note 34)	**87,497**	70,967	10,617
Dividend income	**10,651**	19,060	5,946
Gain (loss) on disposal of:			
Property, plant and equipment	**(301,228)**	(292,194)	(52,164)
Financial assets at FVTPL	**3,965**	(8,550)	289
Investment in a subsidiary (see Note 9)	–	166,891	–
Write off of project costs and other assets	**(71,802)**	(179,225)	(143,613)
Increase in fair value of biological assets (see Note 8)	–	₱752,560	₱942,131
Bargain purchase gain - net (see Note 9)	–	–	310,198
Others - net	**1,838,452**	1,818,870	578,433
	₱5,517,803	₱1,410,826	(₱26,134)

Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets includes:

(a) Income from the recovery of write-off on Aseagas assets relating to recoverable VAT of ₱245.5 million in 2019 which was part of the impairment loss recognized in 2017.

(b) The ₱486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of ₱282.3 million in 2018 from recognizing the recoverable amount of transmission assets which were classified as property held for sale.

(c) This includes the ₱2.6 billion impairment loss of Aseagas biomas plant which temporarily ceased its operation in 2017 due to unavailability of the supply of organic effluent wastewater from source. I In January 2018, Aseagas decided to make the plant shutdown permanent. As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser (see Note 12).

"Others - net" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

"Others - net" also include income arising from the reversal of APRI and TLI's liability to PSALM pertaining to GRAM/ICERA of ₱924.0 million in 2019, and income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC's power plant amounting to ₱340.7 million in 2018.

30. **Pension Benefit Plans**

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, pension benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2019	2018	2017
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱294,728**	₱297,480	₱338,596
Net interest cost	**19,653**	26,015	12,257
Remeasurement of other long-term employee benefits	**1,372**	(4,842)	–
	₱315,753	₱318,653	₱350,853

	2019	2018	2017
Remeasurement gains (losses) recognized in the consolidated statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**(₱130,633)**	₱221,199	₱53,381
Return (loss) on assets excluding amount included in net interest cost	**23,460**	(197,855)	65,865
	(₱107,173)	₱23,344	₱119,246

Net pension liabilities

	2019	2018
Present value of obligation	**₱3,576,699**	₱3,577,859
Fair value of plan assets	**(3,127,787)**	(3,250,202)
Pension liability	**₱448,912**	₱327,657

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	**₱3,577,859**	₱3,609,366
Net benefit costs in the consolidated statements of income		
Current service costs	**296,645**	306,434
Interest cost	**210,494**	192,498
Remeasurement of other long-term employee benefits	**1,372**	(4,842)
Benefits paid	**(638,157)**	(412,283)
Past service costs	**(1,917)**	(8,954)
Transfers and others	**(230)**	13,508
Remeasurements in other comprehensive income:		
Actuarial gains due to changes in financial assumptions	**127,632**	(181,408)
Actuarial losses (gain) due to experience adjustments	**3,001**	(39,791)
	3,576,699	3,474,528
Acquisition of subsidiaries (see Note 9)	**–**	103,331
At December 31	**₱3,576,699**	₱3,577,859

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	**₱3,250,202**	₱3,386,012
Actual contributions	**236,959**	430,721
Interest income included in net interest cost	**190,841**	166,483
Transfers and others	**(225)**	13,500
Disposal of a subsidiary (see Note 9)		(142,336)
Actual return excluding amount included in net interest cost	**23,460**	(197,855)
Benefits paid	**(573,450)**	(406,323)
At December 31	**₱3,127,787**	₱3,250,202

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2019	2018
At January 1	**₱327,657**	₱223,354
Contribution to retirement fund	**(236,959)**	(430,721)
Retirement expense for the year	**315,753**	318,653
Actuarial gain recognized for the year	**107,173**	(23,344)
Transfers and others	**(5)**	8
Benefits paid from Group operating funds	**(64,707)**	(5,960)
Acquisition and disposal of subsidiaries (see Note 9)	**–**	245,667
At December 31	**₱448,912**	₱327,657

The fair value of plan assets by each class as of the end of the reporting period are as follows:

	2019	2018
Cash and fixed-income investments	**₱1,523,737**	₱1,909,787
Equity instruments:		
Power	**577,112**	409,991
Holding	**493,830**	295,117
Financial institution	**82,594**	59,325
Others	**450,514**	575,982
Fair value of plan assets	**₱3,127,787**	₱3,250,202

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2019, 2018 and 2017 in determining pension benefit obligations for the Group's plans are shown below:

	2019	2018	2017
Discount rate	**4.36% - 8.31%**	4.87% - 8.31%	5.01% - 5.31%
Salary increase rate	**6% - 7%**	6% - 7%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

December 31, 2019

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	**100**	**(148,971)**
	(100)	**383,926**
Future salary increases	**100**	**442,317**
	(100)	**(128,715)**

December 31, 2018

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(176,522)
	(100)	217,264
Future salary increases	100	254,503
	(100)	(212,771)

The pension benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱230.5 million to the retirement benefit funds in 2020.

The average durations of the defined benefit obligation as of December 31, 2019 and 2018 are 2.70 - 24.00 years and 2.70 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. **Income Taxes**

The provision for (benefit from) income tax consists of:

	2019	2018	2017
Current			
Corporate income tax	**₱4,257,044**	₱4,312,349	₱4,346,711
Final tax	**154,135**	237,483	159,077
	4,411,179	4,549,832	4,505,788
Deferred	**347,225**	(650,634)	77,267
	₱4,758,404	₱3,899,198	₱4,583,055

A reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Non-deductible interest expense	**4.85**	4.77	5.19
Non-deductible depreciation expense	**0.98**	0.95	0.97
Non-deductible impairment provisions	**0.08**	0.03	0.11
Gain on sale of investments already subjected to final tax	**–**	(0.14)	–
Interest income subjected to final tax at lower rates - net	**(0.84)**	(0.91)	(0.82)
Nontaxable share in net earnings of associates and joint ventures	**(10.09)**	(6.60)	(8.02)
Deductible lease payments	**(7.93)**	(7.72)	(7.84)
Income under ITH	**(10.31)**	(10.04)	(7.87)
Others	**7.17**	0.75	1.81
	13.91%	11.09%	13.53%

Net deferred income tax assets at December 31 relate to the following:

	2019	2018 (as restated; see Note 9)
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱43,902**	₱152,129
Unrealized foreign exchange losses	**374,169**	1,326,013
Allowances for impairment and probable losses	**509,671**	350,689
NOLCO	**1,361,488**	298,477
Unamortized contributions for past service	**63,035**	118,810
MCIT	**9,675**	20,754
Accrued retirement benefits	**71,932**	(40,158)
Others	**713,469**	122,405
	3,147,341	2,349,119
Deferred income tax liabilities:		
Pension asset	**20,269**	22,064
Others	**–**	2,282
	20,269	24,346
	₱3,127,072	₱2,324,773

Net deferred income tax liabilities at December 31 relate to the following:

	2019	2018 (as restated; see Note 9)
Deferred income tax liabilities:		
Unrealized gain on investment property	**₱1,406,478**	₱978,246
Unamortized franchise	**771,532**	794,620
Percentage-of-completion recognition of real estate sales and related costs	**152,329**	175,573
Consumable biological assets	**–**	96,400
Unamortized customs duties and taxes capitalized	**5,618**	9,008
Unrealized foreign exchange gains	**18,821**	2,749
Pension asset	**(37,325)**	(55,633)
Others	**326,798**	404,761
	2,644,251	2,405,724
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**(146,689)**	(114,135)
NOLCO	**10,179**	117,018
Allowances for:		
Inventory obsolescence	**19,468**	153,896
Impairment and probable losses	**22,934**	47,359
Unrealized foreign exchange losses	**9,389**	9,389
MCIT	**–**	6,157
Unamortized past service cost	**6,774**	–
Others	**140,685**	243,776
	62,740	463,460
	₱2,581,511	₱1,942,264

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Group did not recognize its deferred income tax assets on NOLCO generated in 2019 and 2018 amounting to ₱9.7 billion and ₱6.2 billion, respectively, and on MCIT paid in 2019 and 2018 amounting to ₱80.9 million and ₱90.2 million, respectively. Management expects that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

The Group did not recognize deferred income tax liability on its undistributed retained earnings of its subsidiaries on the basis that there are no income tax consequences to the Group attaching to the payment of dividends to its shareholders or that the reversal of the temporary differences are not expected to reverse in the foreseeable future.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income attributable to equity holders of the parent	**₱22,036,129**	₱22,232,977	₱21,608,695
b. Weighted average number of common shares issued and outstanding	**5,633,543**	5,633,543	5,633,793
c. Earnings per common share (a/b)	**₱3.912**	₱3.947	₱3.836

There are no dilutive potential common shares as of December 31, 2019, 2018 and 2017.

33. Operating Segment Information

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

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

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;

- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

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

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

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

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 22%, 22% and 24% of the power generation revenues of the Group in 2019, 2018, and 2017, respectively.

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

	2019							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	**₱125,419,377**	**₱–**	**₱71,155,177**	**₱4,116,175**	**₱95,769**	**₱370,970**	**₱–**	**₱201,157,468**
Inter-segment	**215,780**	**–**	**3,310,490**	**79,681**	**–**	**1,179,475**	**(4,785,426)**	**–**
Total revenue	**₱125,635,157**	**₱–**	**74,465,667**	**₱4,195,856**	**₱95,769**	**₱1,550,445**	**(₱4,785,426)**	**₱201,157,468**
RESULTS								
Segment results	**₱28,855.872**	**₱–**	**₱3,646,190**	**₱549,245**	**(₱174,141)**	**(₱441,005)**	**₱218,728**	**₱32,654,889**
Unallocated corporate income (expenses) - net	**3,483,389**	**–**	**243,718**	**1,211,636**	**186**	**797,603**	**(218,728)**	**5,517,804**

(Forward)

	2019							
	Power	**Financial Services**	**Food Manufacturing**	**Real Estate**	**Infrastructure**	**Parent Company and Others**	**Eliminations**	**Consolidated**
INCOME FROM OPERATIONS								**38,172,693**
Interest expense	**(₱14,047,646)**	**₱–**	**(₱1,261,093)**	**(₱63,772)**	**(₱19)**	**(₱1,731,329)**	**₱55,500**	**(₱17,048,359)**
Interest income	**1,291,703**	**–**	**68,976**	**18,129**	**10,745**	**242,412**	**(57,697)**	**1,574,268**
Share in net earnings of associates and joint ventures	**3,813,962**	**7,150,500**	**13,487**	**(20,912)**	**545,936**	**16,252,690**	**(16,253,573)**	**11,502,090**
Provision for income tax	**(3,215,498)**	**–**	**(886,741)**	**(429,267)**	**(15,438)**	**(211,460)**	**–**	**(4,758,404)**
NET INCOME	**₱20,181,782**	**₱7,150,500**	**₱1,824,537**	**₱1,265,059**	**₱367,269**	**₱14,908,911**	**(₱16,255,770)**	**₱29,442,288**
OTHER INFORMATION								
Segment assets	**₱76,896,786**	**₱–**	**₱22,196,783**	**₱16,011,885**	**₱2,476,896**	**₱7,141,991**	**(₱299,049)**	**₱124,425,292**
Investments and advances	**60,878,541**	**51,837,773**	**60,374**	**1,673,212**	**25,833,195**	**130,091,898**	**(130,023,245)**	**140,351,748**
Unallocated corporate assets	**272,694,030**	**–**	**30,353,984**	**8,755,063**	**5,470,776**	**6,925,209**	**(590,001)**	**323,609,061**
Consolidated total assets								**₱588,386,101**
Segment liabilities	**₱275,041,691**	**₱–**	**₱36,492,392**	**₱9,753,786**	**₱6,590,858**	**₱40,179,458**	**(₱864,426)**	**₱367,193,759**
Unallocated corporate liabilities	**1,784,655**	**–**	**735,764**	**990,195**	**16,895**	**469,754**	**–**	**3,997,263**
Consolidated total liabilities								**₱371,191,021**
Capital expenditures	**₱9,675,816**	**₱–**	**₱1,895,149**	**₱896,460**	**₱26,765**	**₱81,444**	**₱–**	**₱12,575,634**
Depreciation and amortization	**₱9,895,695**	**₱–**	**₱1,317,211**	**112,373**	**₱15,424**	**₱196,134**	**₱–**	**₱11,536,837**

	2018 (as restated; see Note 9)							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱131,354,643	₱644,566	₱50,252,875	₱3,925,308	₱96,021	₱669,407	₱–	₱186,942,820
Inter-segment	217,441	–	–	76,047	–	1,149,283	(1,442,771)	–
Total revenue	₱131,572,084	₱644,566	₱50,252,875	₱4,001,355	₱96,021	₱1,818,690	(₱1,442,771)	₱186,942,820
RESULTS								
Segment results	₱36,496,682	(₱38,554)	₱1,568,078	₱958,534	(₱60,669)	(₱42,613)	₱280,485	₱39,161,943
Unallocated corporate income (expenses) - net	(1,292,311)	5,973	1,545,976	(56,446)	(2,673)	1,490,792	(280,485)	1,410,826
INCOME FROM OPERATIONS								40,572,769
Interest expense	(12,082,158)	(8,135)	(974,879)	(76,019)	–	(1,553,542)	56,145	(14,638,588)
Interest income	880,085	1,588	173,102	13,703	3,312	466,420	(62,059)	1,476,151
Share in net earnings of associates and joint ventures	4,356,825	3,599,941	2,850	(11,928)	(218,399)	19,313,421	(19,315,048)	7,727,663
Provision for income tax	(2,925,623)	6,531	(532,076)	(123,380)	(4,096)	(320,554)	–	(3,899,198)
NET INCOME	₱25,433,500	₱3,567,344	₱1,783,051	₱704,464	(₱282,525)	₱19,353,924	(₱19,320,962)	₱31,238,796
OTHER INFORMATION								
Segment assets	₱91,891,697	₱–	₱24,346,718	₱12,535,860	₱1,657,628	₱8,978,434	(₱218,893)	₱139,191,444
Investments and advances	34,334,126	46,025,202	55,807	1,464,124	25,238,659	125,271,699	(125,430,060)	106,959,557
Unallocated corporate assets	263,436,354	–	31,453,948	6,066,913	1,901,742	6,178,277	(600,001)	308,437,233
Consolidated total assets								₱554,588,234
Segment liabilities	₱251,543,579	₱–	₱39,768,325	₱7,673,226	₱3,031,839	₱32,684,202	(₱793,134)	₱333,908,037
Unallocated corporate liabilities	1,541,930	–	855,594	655,099	745	363,298	–	3,416,666
Consolidated total liabilities								₱336,016,231
Capital expenditures	₱8,607,781	₱–	₱1,216,702	₱647,354	₱68,234	₱147,608	₱–	₱10,687,679
Depreciation and amortization	₱8,681,403	₱–	₱896,710	₱82,313	₱13,917	₱144,089	₱–	₱9,818,432

	2017							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱–	₱150,421,605
Inter-segment	257,212	–	–	60,608	–	978,922	(1,296,742)	–
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses) - net	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	–	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	–	(11,227)	274,517	18,284,670	(18,296,056)	9,053,733
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	–	(4,583,053)
NET INCOME	₱22,988,427	₱4,143,269	₱1,697,919	₱1,106,086	₱190,882	₱17,466,846	(₱18,314,408)	₱29,279,021
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,658,023	–	1,476,052	25,463,872	108,095,256	(108,332,207)	91,609,591
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱491,931,696
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	–	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱–	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱–	₱8,455,978

34. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱393.3 million, ₱745.2 million and ₱649.9 million in 2019, 2018 and 2017, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱342.8 million, ₱636.5 million and ₱316.4 million in 2019, 2018 and 2017, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱12.1 million in 2019, ₱18.4 million in 2018 and ₱11.2 million in 2017.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱9.5 million in 2019, ₱8.5 million in 2018 and ₱8.1 million in 2017.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱59.9 million and ₱79.0 million, respectively, as of December 31, 2019, and to ₱47.8 million and ₱139.5 million, respectively, as of December 31, 2018 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

h. Interest-bearing advances from AEV availed by the Group. The annual interest rates are determined on arm's length basis.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2019 and 2018 are as follows:

a. Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Ultimate Parent							
ACO	**₱–**	₱19,913	₱10,966	**₱251,026**	₱126	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
CBM (see Note 10)	**88,773**	339,201	298,612	**58,852**	108,954	30-day; Interest-free	Unsecured; no impairment
SFELAPCO	**106,760**	132,623	72,158	**57,440**	36,851	30-day; interest-free	Unsecured; no impairment
CEDC	**74,074**	71,880	101,367	**24,615**	–	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**18,600**	75,312	69,780	**11,377**	25,457	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**12,106**	49,019	45,418	**7,405**	16,569	30-day; interest-free	Unsecured; no impairment
AEV CRH Holdings, Inc.	–	–	–	**3**	–	30-day; interest-free	Unsecured; no impairment
GNPD	**41,768**	42,360	40,556	**3,441**	3,960	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**5,910**	5,137	3,653	**961**	1,050	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**5,986**	5,414	2,027	**737**	1,071	30-day; interest-free	Unsecured; no impairment
MORE	**4,522**	2,527	2,825	**375**	122	30-day; interest-free	Unsecured; no impairment
UBP	**11,165**	1,493	1,050	**3,227**	10	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**23,678**	278	1,394	**4**	8	30-day; interest-free	Unsecured; no impairment
RCSI	–	–	120	**82**	30	30-day; interest-free	Unsecured; no impairment
Total	**₱393,342**	₱745,157	₱649,926	**₱419,545**	₱194,208		

b. Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2019	2018	2017	**2019**	2018	Terms	Condition
AP	**₱277,850**	₱442,344	₱195,457	**₱10,140,102**	₱18,753,283	90 days or less; interest-bearing	No impairment
AEV	**48,250**	146,938	90,082	**245,933**	2,702,526	90 days or less; interest-bearing	No impairment
PILMICO	**6,199**	42,687	14,380	**66,659**	1,052,045	90 days or less; interest-bearing	No impairment
AboitizLand	**1,152**	2,099	2,785	**375,997**	434,613	90 days or less; interest-bearing	No impairment
Aboitiz Infracapital	**7,478**	1,628	3,795	**829,984**	234,865	90 days or less; interest-bearing	No impairment
CPDC	**1,637**	648	1,099	**55,025**	48,157	90 days or less; interest-bearing	No impairment
AEV AVIATION	**198**	189	1,632	**31,052**	29.437	90 days or less; interest-bearing	No impairment
AIPL	**9**	12	6,982	**11,500**	11,906	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	**2**	3	–	**4,087**	513	90 days or less; interest-bearing	No impairment
Petnet	**–**	–	214	**–**	–	90 days or less; interest-bearing	No impairment
	₱342,775	₱636,548	₱316,426	**₱11,760,339**	₱23,267,345		

c. Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Ultimate Parent							
ACO	**₱520**	–	–	**₱572**	–	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
SNAP-Magat	**7,353**	₱14,280	₱5,735		₱5,228	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**1,969**	2,356	1,234		–	30-day; interest-free	Unsecured; no impairment
UBP	**1,500**	1,500	1,500		–	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**726**	285	2,719		147	30-day; interest-free	Unsecured; no impairment
	₱12,068	₱18,421	₱11,188	**₱572**	₱5,375		

d. Revenue - Rental

	Revenue			Accounts Receivable			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Ultimate Parent							
ACO	**₱4,269**	₱4,218	₱3,488	**₱–**	₱805	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**5,268**	4,330	3,507	–	29	30-day; interest-free	Unsecured; no impairment
RCSI	–	–	1,116	**14,951**	15	30-day; interest-free	Unsecured; no impairment
	₱9,537	₱8,548	₱8,111	**₱14,951**	₱849		

e. Land Acquisition

	Purchase			Payable			
	2019	2018	2107	**2019**	2018	Terms	Condition
Ultimate Parent							
ACO	**₱**	₱–	₱–	**₱138,864**	₱187,305	Quarterly installment	Unsecured

f. Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,655,153**	₱2,290,390	₱2,487,557	**₱227,478**	₱160,375	30-day; interest-free	Unsecured; no impairment
RCBM	**1,295,957**	1,341,456	101,092	**52,320**	129,905	30-day; interest-free	Unsecured; no impairment
SNAP-RES	**28,983**	19,442	14,209	**1**	1,583	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**22,802**	9,193	–	–	–	30-day; interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc.	**165,254**	351,946	406,366	**2**	39,478	30-day; interest-free	Unsecured; no impairment
Aboitiz Construction International, Inc.	–	11,218	2,410	–	1,263	30-day; interest-free	Unsecured; no impairment
	₱4,168,149	₱4,023,645	₱3,011,634	**₱279,801**	₱332,604		

g. Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2019	2018	2017	**2019**	2018	Terms	Condition
Associates and Joint Ventures							
CEDC	**₱3,619,999**	₱4,196,052	₱4,540,798	**₱339,494**	₱303,563	30-day; interest-free	Unsecured
SNAP-Magat	**109,142**	110,432	158,015	**8,012**	8,722	30-day; interest-free	Unsecured
SFELAPCO	–	14,287	23,592	–	–	30-day; interest-free	Unsecured
SNAP-Benguet	–	–	126,731	–	–	30-day; interest-free	Unsecured
	₱3,729,141	₱4,320,771	₱4,849,136	**₱347,506**	₱312,285		

h. Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱458,564**	₱399,105	₱727,378	**₱212,358**	₱–	30-day; interest-free	Unsecured

i. Notes Receivable

	Interest Income			Receivable			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	₱–	₱–	₱151,040	**₱**	₱–	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱491.9 million and ₱643.0 million as of December 31, 2019 and 2018, respectively. The assets and investments of the Fund are as follows:

	2019	2018
Equity investments at FVTPL	**₱947,470**	₱601,262
Financial assets at amortized cost	**(472,091)**	26,100
Debt investments at FVOCI	**16,488**	15,594
	₱491,867	₱642,956

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2019 and 2018 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2019		2018	
	Carrying Value	**Loss**	Carrying Value	Gains
AEV common shares	**₱295,023**	**₱19,286**	₱75,135	(₱19,724)
AP common shares	**411,559**	**3,203**	300,436	(43,461)

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2019	2018	2017
Short-term benefits	**₱309,496**	₱332,370	₱305,642
Post-employment benefits	**20,145**	17,658	20,261
	₱329,641	₱350,028	₱325,903

35. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise of cash and cash equivalents bank loans, long-term debts and lease liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

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

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

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

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

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

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

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2019, 17.8% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 6.0%, and 82.2% are with fixed rates ranging from 4.1% to 9.0%. As of December 31, 2018, 14.1% of the Group's long-term debt had annual floating interest rates ranging from 2.6% to 4.3%, and 85.9% are with fixed rates ranging from 4.0% to 9.0%.

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

December 31, 2019

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱1,923,488**	**₱36,617,665**	**₱4,183,912**	**₱42,725,065**

December 31, 2018

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱2,779,079	₱22,686,231	₱4,352,737	₱29,818,047

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

The interest expense recognized during the period is as follows:

	2019	2018	2017
Long-term debts (see Note 18)	**₱11,116,862**	₱8,998,958	₱8,059,734
Lease liabilities (see Note 21)	**4,381,935**	4,797,898	4,757,379
Bank loans (see Note 16)	**1,215,563**	765,276	246,789
Long-term obligation on PDS and others	**329,647**	74,313	50,229
Customers' deposits (see Note 19)	**4,351**	2,143	3,231
	₱17,048,358	₱14,638,588	₱13,117,362

The interest income recognized during the period is as follows:

	2019	2018	2017
Cash and cash equivalents (see Note 4)	**₱1,503,698**	₱1,451,344	₱1,348,935
Others	**70,570**	24,807	26,760
	₱1,574,268	₱1,476,151	₱1,375,695

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2019, 2018 and 2017:

	Increase (decrease) in basis points	Effect on income before tax
2019	**200**	**(₱854,501)**
	(100)	**427,251**
2018	200	(₱596,361)
	(100)	298,180
2017	200	(₱624,137)
	(100)	312,069

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2019, 2018 and 2017 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2019 and 2018, foreign currency denominated borrowings account for 34.06% and 29.17%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	2019		2018	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$123,735**	**₱6,265,343**	$342,461	₱18,006,600
Trade and other receivables	**122,557**	**6,205,685**	120,235	6,321,968
Investments in FVTPL and FVOCI	**19,153**	**969,791**	11,131	585,272
Total financial assets	**265,445**	**13,440,819**	473,827	24,913,840
Financial liabilities				
Bank loans	**53,134**	**2,690,437**	57,861	3,042,346
Trade and other payables	**188,601**	**9,549,827**	164,911	8,671,016
Long-term debts	**566,938**	**28,706,917**	257,956	13,563,350
Lease liabilities	**731,598**	**37,044,441**	479,512	25,212,741
Total financial liabilities	**1,540,271**	**77,991,622**	960,240	50,489,453
Net foreign currency denominated liabilities	**($1,274,826)**	**(₱64,550,803)**	($486,413)	(₱25,575,613)

[1]$1= ₱50.64

[2]$1= ₱52.58

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31:

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2019	**US dollar strengthens by 5%**	**(₱3,227,540)**
	US dollar weakens by 5%	**3,227,540**
2018	US dollar strengthens by 5%	(₱1,278,781)
	US dollar weakens by 5%	1,278,781

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2019		2018	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[2]
Financial assets:				
Cash and cash equivalents	**₱718,508**	**$14,190**	₱1,212,747	$23,065
Trade and other receivables	**461,052**	**9,105**	801,466	15,243
	1,179,560	**23,295**	2,014,213	38,308
Financial liability:				
Trade and other payables	**842,075**	**16,630**	608,306	11,569
Net foreign currency denominated assets	**₱337,485**	**$6,665**	₱1,405,907	$26,739

[1]US$1 = ₱50.64
[2]US$1 = ₱52.58

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

2019	Effect on income before tax
US dollar appreciates against Philippine peso by 5.0%	($333)
US dollar depreciates against Philippine peso by 5.0%	333
2018	
US dollar appreciates against Philippine peso by 5.0%	($1,337)
US dollar depreciates against Philippine peso by 5.0%	1,337

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

Equity price risk
Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of December 31, 2019 and 2018, the Group's exposure to equity price risk is minimal.

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

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2019 and 2018 is summarized in the following table:

	2019	2018
Power distribution:		
Industrial	**₱5,554,969**	₱4,973,567
Residential	**1,825,217**	1,676,936
Commercial	**437,994**	778,623
City street lighting	**111,570**	30,006
Power generation:		
Power supply contracts	**5,520,439**	4,567,682
Spot market	**1,481,760**	2,533,211
	₱14,931,949	₱14,560,025

The above receivables were provided with allowance for ECL amounting to ₱2.8 billion and ₱2.5 billion as of December 31, 2019 and 2018, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2019			2018		
	Carrying Value	**Financial Effect of Collateral in Mitigating Credit Risk**	**Maximum Exposure to Credit Risk**	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	**₱7,639,069**	**₱7,639,069**	**₱–**	₱7,619,514	₱7,619,514	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2019

	Neither past due nor impaired			**Past due or individually impaired**	
	High grade	**Standard grade**	**Sub-standard grade**		**Total**
Cash and cash equivalents	**₱46,424,663**	**₱–**	**₱–**	**₱–**	**₱46,424,663**
Restricted cash	**9,121,747**	–	–	–	**9,121,747**
Trade and other receivables					
Trade receivables					
Power	**9,954,774**	–	–	**4,977,175**	**14,931,949**
Food manufacturing	**3,701,732**	**835,182**	**1,272,816**	**1,683,131**	**7,492,861**
Real estate	**2,404,783**	**469,580**	**2,219,133**	**102,835**	**5,196,331**
Holding and others	**1,073,336**	**19,949**	**128,741**	–	**1,222,026**
Other receivables	**11,316,124**	**14,844**	**90,331**	**132,392**	**11,553,691**
Debt investments at amortized cost	**234,968**	–	–	–	**234,968**
Financial assets at FVTPL					
Quoted shares of stock	**719,727**	–	–	–	**719,727**
Unquoted shares of stock	**12,070**	–	–	–	**12,070**
Financial assets at FVOCI	**176,479**	–	–	–	**176,479**
Derivative asset	**133,387**	–	–	–	**133,387**
	₱85,273,790	**₱1,339,555**	**₱3,711,021**	**₱6,895,533**	**₱97,219,899**

December 31, 2018

	Neither past due nor impaired			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		Total
Cash and cash equivalents	₱59,033,029	₱–	₱–	₱–	₱59,033,029
Restricted cash	5,289,145	–	–	–	5,289,145
Trade and other receivables					
Trade receivables					
Power	10,327,887	8,857	162	4,380,668	14,717,574
Food manufacturing	180,251	5,537,610	748,507	2,621,489	9,087,857
Real estate	1,707,695	258,809	–	2,015,920	3,982,424
Holding and others	638,742	92,636	11,172	–	742,550
Other receivables	12,313,635	14,864	–	137,894	12,466,393
Debt investments at amortized cost	453,871	–	–	–	453,871
Financial assets at FVTPL					
Quoted shares of stock	341,664	–	–	–	341,664
Unquoted shares of stock	12,070	–	–	–	12,070
Financial assets at FVOCI	225,552	–	–	–	225,552
Derivative asset	292,828	–	–	–	292,828
	₱90,816,369	₱5,912,776	₱759,841	₱9,155,971	₱106,644,957

	2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
High grade	**₱72,121,361**	**₱13,152,429**	**₱-**	**₱85,273,790**
Standard grade	**-**	**1,339,555**	**-**	**1,339,555**
Substandard grade	**-**	**3,711,021**	**-**	**3,711,021**
Default	**-**	**4,886,173**	**2,009,360**	**6,895,533**
Gross carrying amount	**72,121,361**	**23,089,178**	**2,009,360**	**97,219,899**
Loss allowance	**-**	**768,866**	**2,009,360**	**2,778,226**
Carrying amount	**₱72,121,361**	**₱22,320,312**	**₱-**	**₱94,441,673**

	2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱90,816,369	₱–	₱–	₱90,816,369
Standard grade	–	5,912,776	–	5,912,776
Substandard grade	–	759,841	–	759,841
Default	–	7,655,159	1,500,812	9,155,971
Gross carrying amount	90,816,369	14,327,776	1,500,812	106,644,957
Loss allowance	–	964,584	1,500,812	2,465,396
Carrying amount	₱90,816,369	₱13,363,192	₱–	₱104,179,561

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to investments carried at fair value and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2019

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**Less than 30 days**	**31 days to 1 year**	**Over 1 year up to 3 years**	**Over 3 years**	**Impaired**
Cash and cash equivalents	**₱46,424,663**	**₱46,424,663**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Restricted cash	**9,121,747**	**9,121,747**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables							
Trade receivables							
Power	**14,931,949**	**9,954,774**	**509,816**	**2,493,839**	**–**	**–**	**1,973,520**
Food manufacturing	**7,492,861**	**5,809,730**	**649,840**	**331,420**	**–**	**–**	**701,871**
Real estate	**5,196,331**	**5,093,496**	**–**	**–**	**–**	**–**	**102,835**
Holding and others	**1,222,026**	**1,222,026**	**–**	**–**	**–**	**–**	**–**
Other receivables	**11,553,691**	**11,421,299**	**–**	**132,392**	**–**	**–**	**–**
Debt financial assets at amortized cost	**234,968**	**234,968**	**–**	**–**	**–**	**–**	**–**

(Forward)

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Financial assets at FVTPL:							
Quoted shares of stock	**₱719,727**	**₱719,727**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Unquoted shares of stock	**12,070**	**12,070**	**–**	**–**	**–**	**–**	**–**
Financial assets at FVOCI	**176,479**	**176,479**	**–**	**–**	**–**	**–**	**–**
Derivative asset	**133,387**	**133,387**					
	₱97,219,899	**₱90,324,366**	**₱1,159,656**	**₱2,957,651**	**₱–**	**₱–**	**₱2,778,226**

December 31, 2018

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Debt financial assets at amortized cost:							
Cash and cash equivalents	₱59,033,029	₱59,033,029	₱–	₱–	₱–	₱–	₱–
Restricted cash	5,289,145	5,289,145	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	14,717,574	10,336,906	949,185	1,681,492	–	–	1,749,991
Food manufacturing	9,087,857	6,466,368	1,070,501	948,418	–	–	602,570
Real estate	3,982,424	1,966,504	117,075	1,796,010	–	–	102,835
Holding and others	742,550	742,550	–	–	–	–	–
Other receivables	12,466,393	12,328,499	–	137,894	–	–	–
Debt investments at amortized cost	453,871	453,871	–	–	–	–	–
Financial assets at FVTPL:							
Quoted shares of stock	341,664	341,664	–	–	–	–	–
Unquoted shares of stock	12,070	12,070	–	–	–	–	–
Financial assets at FVOCI	225,552	225,552	–	–	–	–	–
Derivative asset	292,828	292,828	–	–	–	–	–
	₱106,644,957	₱97,488,986	₱2,136,761	₱4,563,814	₱–	₱–	₱2,455,396

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of December 31, 2019 and 2018, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 11.24% and 5.61%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱46.4 billion and ₱35.2 billion as of December 31, 2019, respectively and of ₱59.0 billion and ₱35.1 billion as of December 31, 2018, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

December 31, 2019

	Total carrying value	**Contractual undiscounted payments**				
		Total	**On demand**	**Less than 1 year**	**1-5 years**	**> 5 years**
Financial liabilities:						
Operating						
Trade and other payables*	**₱39,277,702**	**₱39,277,702**	**₱2,769,960**	**₱29,610,014**	**₱6,897,728**	**₱–**
Customers' deposits	**6,721,156**	**6,721,156**	**–**	**25,199**	**206,094**	**6,489,863**
Financing						
Bank loans	**25,717,137**	**25,929,484**	**–**	**25,929,484**	**–**	**–**
Long-term debts	**239,579,538**	**312,311,678**	**–**	**36,114,860**	**163,097,999**	**113,098,819**
Lease liabilities	**45,293,762**	**63,608,050**	**–**	**9,290,529**	**45,237,715**	**9,079,806**
Long-term obligation on PDS	**199,350**	**360,000**	**–**	**40,000**	**200,000**	**120,000**
Others						
Derivative liabilities	**2,468,324**	**2,468,324**	**–**	**2,255,736**	**212,588**	**–**
	₱359,256,969	**₱450,676,394**	**₱2,769,960**	**₱103,265,822**	**₱215,852,124**	**₱128,788,488**

**Excludes statutory liabilities*

December 31, 2018 (as restated; see Note 9)

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱33,722,947	₱33,722,947	₱2,472,160	₱27,928,222	₱3,322,565	₱–
Customers' deposits	6,127,788	6,127,788	–	24,546	99,408	6,003,834
Financing						
Bank loans	26,978,586	27,027,903	–	27,027,903	–	–
Long-term debts	211,432,367	309,677,645	–	42,126,194	129,514,140	138,037,311
Lease liabilities	46,894,355	66,433,090	–	9,052,200	41,790,990	15,589,900
Long-term obligation on PDS	213,496	400,000	–	40,000	200,000	160,000
Others						
Derivative liabilities	161,565	161,565	–	161,565	–	–
	₱325,531,104	₱443,550,938	₱2,472,160	₱106,360,630	₱174,927,103	₱159,791,045

**Excludes statutory liabilities*

Capital Management

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

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

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2019 and 2018, these entities have complied with this requirement as applicable (see Note 38).

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

Gearing ratios of the Group as of December 31, 2019 and 2018 are as follows:

	2019	Restated2018
Bank loans	**₱25,717,137**	₱26,978,586
Long-term obligations	**284,873,300**	258,326,722
Cash and cash equivalents (including restricted cash)	**(55,546,410)**	(64,322,174)
Net debt (a)	**255,044,027**	220,983,134
Equity	**217,195,080**	218,477,838
Equity and net debt (b)	**₱472,239,107**	₱439,460,972
Gearing ratio (a/b)	**54.01%**	50.29%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2019 and 2018 (see Note 18).

No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. **Financial Instruments**

Fair Value of Financial Instruments

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

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

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

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱3,183,080**	**₱2,846,279**	₱4,225,900	₱3,889,099
Financial liabilities				
Lease liabilities	**₱45,293,762**	**₱39,046,242**	₱46,894,355	₱40,495,647
Long-term debt - fixed rate	**196,854,474**	**203,058,442**	181,614,320	174,822,840
PSALM deferred adjustment	**3,183,080**	**2,846,279**	4,225,950	3,889,099
Long-term obligation on PDS	**199,350**	**320,194**	213,496	297,790
	₱245,530,665	**₱245,271,157**	₱232,948,121	₱219,505,376

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

Cash and cash equivalents, trade and other receivables and trade and other payables

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

Lease liabilities
The fair value of the lease liabilities was calculated by discounting future cash flows using discount rates of 3.10% to 4.13% for dollar payments and 4.16% to 7.04% for peso payments in 2019; and 2.33% to 2.73% for dollar payments and 5.26% to 6.67% for peso payments in 2018.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.47% to 9.00% in 2019 and 3.15% to 7.53% in 2018. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS and PSALM deferred adjustment
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 3.11% to 5.09% in 2019 and 4.32% to 7.49% in 2018.

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

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

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

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

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

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

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

Interest rate swaps (IRS)
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on

the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US$11.2 million and ₱2.2 million respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$16.6 million and ₱19.6 million, respectively.

GMCP, has an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 18). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 18). As a result of the termination, the outstanding value of the derivative liability amounting to US$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 18), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US$267.5 million and ₱252.3 million, respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$288.5 million and ₱272.2 million, respectively.

In August and September 2019, AEV International entered into IRS agreements (IRS 1 and 2) to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the IRS agreements, AEV International, on a quarterly basis, pays an annual fixed rate (IRS 1 = 1.464%; IRS 2 = 1.435%) and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity of the hedged loan. AEV International designated the swaps as cash flow hedges.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swaps amounted to US$114.0 million and ₱51.1 million, respectively.

In September 2019, AP entered into an IRS agreement effective September 30, 2019 to hedge US$150.0 million of its floating rate exposure on its loan (see Note 18). Under the agreement, AP, on a quarterly basis, pays a fixed rate of 1.4493% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to April 30, 2024. AP designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and fair value of the swap amounted to ₱7.6 billion and ₱80.1 million, respectively.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2018 and 2017, the contract has an aggregate notional amount of $1.2 million and US$2.6 million, respectively. The contracts were fully settled in January 2019.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

TLI entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2019 the aggregate notional amount of the par forward contract is US$13.1 billion.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2019 and 2018, the aggregate notional amount of the par forward contracts is US$16.8 million (₱0.9 billion) and US$25.2 million (₱1.3 billion), respectively.

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

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group is holding the following hedging instruments designated as cash flow hedges as of December 31, 2019 and 2018:

December 31, 2019

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**More than 2 years**	**Total**
IRS - Derivative Assets						
Notional amount (in PHP)	**–**	**111,397**	**167,096**	**278,493**	**7,602,845**	**8,159,831**
Average fixed interest rate (%)	**1.45%-1.51%**	**1.45%-1.51%**	**1.45%-1.51%**	**1.45%-1.51%**	**1.45%-1.51%**	
IRS - Derivative Assets						
Notional amount (in PHP)	**505,084**	**–**	**319,001**	**744,335**	**11,973,912**	**13,542,332**
Average fixed interest rate (%)	**2.18%**	**2.18%**	**2.18%**	**2.18%**	**2.18%**	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	**35,448**	**–**	**–**	**–**	**–**	**35,448**
Average forward rate (in PHP)	**51**	**–**	**–**	**–**	**–**	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	**2,549,299**	**2,459,085**	**4,447,858**	**2,809,170**	**861,922**	**13,127,334**
Average forward rate (in PHP)	**53**	**53**	**53**	**55**	**54**	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	**361,500**	**328,500**	**447,500**	**651,500**	**269,000**	**2,058,000**
Notional amount (in PHP)	**1,659,132**	**1,494,677**	**2,008,052**	**2,873,693**	**1,147,704**	**9,183,258**
Average hedged rate (in PHP per metric tonne)	**4,590**	**4,550**	**4,487**	**4,411**	**4,267**	

December 31, 2018

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
IRS - Derivative Assets						
Notional amount (in PHP)	552,090	115,676	725,604	1,144,930	13,503,859	16,042,159
Average fixed interest rate (%)	2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	–	61,118	–	–	–	61,118
Average forward rate (in PHP)	54	55	55	56	57	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	975,740	752,345	933,916	1,372,435	798,837	4,833,273
Average forward rate (in PHP)	54	55	55	56	57	
Commodity swaps - Derivative Asset						
Notional amount (in metric tonnes)	47,000	103,000	161,000	150,000	70,000	531,000
Notional amount (in PHP)	212,949	484,425	749,278	695,381	330,607	2,472,640
Average hedged rate (in PHP per metric tonne)	4,531	4,703	4,654	4,636	4,723	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	86,000	44,000	289,000	150,000	151,000	720,000
Notional amount (in PHP)	486,652	248,709	1,608,393	800,799	775,024	3,919,577
Average hedged rate (in PHP per metric tonne)	5,659	5,652	5,565	5,339	5,133	

The impact of the hedged items and hedging instruments in the consolidated balance sheets as of December 31, 2019 and 2018, and consolidated statements of income and comprehensive income for the years ended December 31, 2019 and 2018, is as follows:

	As at December 31, 2019			
	Carrying amount	**Change in fair value used for measuring ineffectiveness**	**Total hedging gain (loss) recognized in OCI**	**Ineffectiveness recognized in other comprehensive income (charges)**
IRS				
Derivative asset	**₱82,328**	**₱80,134**	**₱63,429**	**₱–**
Derivative liability	**(252,327)**	**–**	**(515,811)**	**–**
Forward exchange currency forwards				
Derivative asset	**13,116**	**13,116**	**13,116**	**–**
Derivative liability	**(521,528)**	**(521,528)**	**(405,516)**	**–**
Commodity swaps				
Derivative asset	**–**	**–**	**(195,428)**	**–**
Derivative liability	**(1,689,952)**	**(1,689,952)**	**(1,461,259)**	**(8,430)**

	As at December 31, 2018			
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱291,764	₱272,185	₱168,841	₱2,095
Forward exchange currency forwards				
Derivative asset	210	(539)	–	–
Derivative liability	(118,596)	(228,658)	(117,304)	(1,292)
Commodity swaps				
Derivative asset	1,200	22,141	195,428	1,003
Derivative liability	(40,311)	(154,829)	(235,351)	(8,141)

The movements in fair value changes of all derivative instruments for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
At beginning of year	**₱132,902**	₱294,364
Net changes in fair value of derivatives designated as cash flow hedges	**(2,515,732)**	(125,642)
Net changes in fair value of derivatives not designated as accounting hedges	**(3,889)**	(72,252)
Fair value of settled instruments	**722**	36,432
At end of year	**(₱2,385,997)**	₱132,902

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included in "Other income (expense) - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2019	2018
Balance at beginning of year (net of tax)	**₱261,378**	₱139,879
Changes in fair value recorded in equity	**(2,495,146)**	203,751
	(2,233,768)	343,630
Transfer to construction in progress	**–**	(77,180)
Changes in fair value transferred to profit or loss	**(8,218)**	(7,579)
Balance at end of year before deferred tax effect	**(2,241,986)**	258,871
Deferred tax effect	**(15,303)**	2,507
Balance at end of year (net of tax)	**(₱2,257,289)**	₱261,378

The Group has not bifurcated any embedded derivatives as of December 31, 2019 and 2018.

Fair Value Hierarchy

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

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

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

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

As of December 31, 2019 and 2018, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2019

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱731,797**	**₱731,797**	**₱–**	**₱–**
At FVOCI	**176,479**	**176,479**	**–**	**–**
Derivative asset	**133,387**	–	**133,387**	–
Derivative liability	**2,468,324**	–	**2,468,324**	–
Disclosed at fair value:				
Lease liabilities	**39,046,242**	–	–	**39,046,242**
Long-term debt - fixed rate	**203,058,442**	–	–	**203,058,442**
Long-term obligation on PDS	**320,194**	–	–	**320,194**

December 31, 2018

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	₱353,734	₱353,734	₱–	₱–
At FVOCI	225,552	225,552	–	–
Derivative asset	292,828	–	292,828	–
Derivative liability	161,565	–	161,565	–
Disclosed at fair value:				
Lease liabilities	40,495,647	–	–	40,495,647
Long-term debt - fixed rate	174,822,840	–	–	174,822,840
Long-term obligation on PDS	297,790	–	–	297,790

During the years ended December 31, 2019 and 2018, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. **Notes to Consolidated Statement of Cash Flows**

The following are the cash flow movements of the Group's financing liabilities in 2019 and 2018:

			Non-cash Changes					
	January 1, 2019	**Net cash flows**	**Amortized deferred financing costs**	**Foreign exchange movement**	**Changes in fair values**	**Accreted interest**	**Others**	**December 31, 2019**
Current interest-bearing loans and borrowings, excluding lease liabilities	**₱37,721,561**	**(₱16,756,167)**	**₱1,315**	**₱–**	**₱–**	**₱–**	**₱31,917,346**	**₱52,884,055**
Current lease liabilities	**4,131,059**	**(7,638,946)**	**–**	**–**	**–**	**7,210**	**9,156,902**	**5,656,225**
Non-current interest-bearing loans and borrowings, excluding lease liabilities	**200,902,889**	**44,962,947**	**258,898**	**(1,506,799)**	**–**	**–**	**(32,005,965)**	**212,611,970**
Non-current lease liabilities	**42,763,296**	**–**	**9,995**	**(2,018,791)**	**–**	**4,350,043**	**(5,467,007)**	**39,637,536**
Derivatives	**161,565**	**–**	**–**	**–**	**2,306,759**	**–**	**–**	**2,468,324**
Total liabilities from financing activities	**₱285,680,370**	**₱20,567,834**	**₱270,208**	**(₱3,525,590)**	**₱2,306,759**	**₱4,357,253**	**₱3,601,276**	**₱313,258,110**

			Non-cash Changes						
	January 1, 2018	Net cash flows	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	First-time consolidated liabilities	Others	December 31, 2018
Current interest-bearing loans and borrowings, excluding lease liabilities	₱44,463,470	(₱20,333,648)	₱258,968	(₱48,560)	₱–	₱–	₱2,228,136	₱11,153,195	₱37,721,561
Current lease liabilities	3,316,165	(7,804,460)	–	–	–	–	–	8,619,354	4,131,059
Non-current interest-bearing loans and borrowings, excluding lease liabilities	168,550,788	39,157,476	198,372	1,800,851	–	–	2,366,786	(11,171,384)	200,902,889
Non-current lease liabilities	45,909,089	–	–	873,546	–	4,600,015	–	(8,619,354)	42,763,296
Derivatives	47,577	–	–	–	113,988	–	–	–	161,565
Total liabilities from financing activities	₱262,287,089	₱11,019,368	₱457,340	₱2,625,837	₱113,988	₱4,600,015	₱4,594,922	(₱18,189)	₱285,680,370

38. **Registrations with the Board of Investments (BOI)**

a. Power Segment

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. The ITH shall be limited only to sales/revenue generated from sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2019 and 2018, these companies have complied with the requirements.

b. Food Manufacturing Segment
- *PILMICO*
  On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Among others, said registration entitles PILMICO to three-year ITH from January 2016 or actual start of commercial operations, whichever is earlier, and importation of capital equipment at zero duty for a period of five years.

- *PANC*
  PANC has been registered with the BOI and granted the following incentives:
  - ITH for a period of three to four years;

Type of Registration	BOI Approval Date	Start of ITH Period	ITH Period
Expanding Producer of Animal Feeds	June 24, 2016	July 2016[1]	3 years
New Producer of Table Eggs and By- Products	April 7, 2015	October 2015[1]	4 years
New Producer of Hogs and Pork Meat	July 16, 2017	July 2017[1]	3 years

[1] *Or actual start of commercial operations, whichever is earlier, but not earlier than registration date,*

  - Importation of capital equipment at zero duty for a period of five years from date of registration;
  - Other tax and duty exemptions on purchase of certain inventories.

There is no income tax incentive availed in 2019 and 2018 since PANC has incurred losses and did not exceed the base figure in the registered project's operation. As of December 31, 2019, PANC has complied with the terms and conditions indicated in the above BOI registrations.

c. Infrastructure Segment
On January 24, 2018, the BOI approved Apo Agua's application for registration as new operator of Bulk Water Supply (Davao City Bulk Water Project) under the 2017 IPP on a non-pioneer status under Omnibus Investments Code of 1987. The BOI issued the Certificate of Registration on April 12, 2018 which entitles Apo Agua to an ITH of four years from February 2022 or actual start of commercial operations, whichever is earlier but availment shall in no case be earlier than the date of registration.

39. Rate Regulation, Power Supply and Other Agreements

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. Steam Supply Agreement
On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018 and shall continue in effect until October 22, 2034, unless earlier terminated or extended by mutual agreement of the Parties.

Total steam supply cost incurred by APRI, reported as part of “Cost of generated power” amounted to ₱5.0 billion in 2019, ₱5.2 billion in 2018 and ₱5.0 billion in 2017.

c. Coal Supply Agreements (CSA)
TLI enters into short-term CSA. Outstanding coal supply agreements as of December 31, 2019 have aggregate supply amounts of 560,000 MT (equivalent dollar value is estimated to be at $28.6 million), which are due for delivery from January 2020 to April 2020. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019, and was extended for 2 months ending on December 31, 2019. In addition, a supply backstop deed was included in the CSA wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the CSA; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Joint Venture Agreement
On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.
Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.

40. **Contingencies**

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱958.3 million in 2019 and ₱1.0 billion in 2018 and 2017.

41. **Other Matters**

a. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO’s power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO’s counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2019, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA's Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2019, the petition is still pending resolution with the SC.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month. On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2019, there has been no resolution on the MRs on the Final Approvals.

f. <u>ERC Case No. 2013-077 MC</u>
On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2019, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. <u>Sergio Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)</u>
In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

In 2018, TPVI paid a total amount of ₱1.0 billion for the NPPC-APA and NPPC-LLA and ₱496.0 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda. On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2019.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2019.

j. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)
The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)
On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

42. **Events after the Reporting Period**

a. To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the declaration of a regular cash dividend of ₱1.30 per share (₱7.3 billion) to all stockholders of record as of March 20, 2020. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2019, and will be paid on April 3, 2020. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

b. On March 6, 2020, the BOD approved the appropriation of ₱5.0 billion of the retained earnings as of December 31, 2019 for the additional capital infusion into AboitizLand to finance its on-going projects.

c. In January 2020, AEV International, with the Company acting as the guarantor, issued US dollar-denominated Regulation S-only senior unsecured notes (the "Notes") with an aggregate principal amount of US$400.0 million and a tenor of 10 years. Notes are unrated, have a fixed coupon rate of 4.2% payable semi-annually, and are unconditionally and irrevocably guaranteed by AEV as the guarantor. The Notes are listed on the Singapore Exchange.

d. COVID-19

   In January 2020, the outbreak of COVID-19 has caused major disruptions in various parts of the world. Gold Coin Group operates in various countries, including China. The extent of the impact of COVID-19 in the operation of Gold Coin Group will depend on the effectiveness of the preventive measures put in place as well as on its duration.

   The Group is currently monitoring the progress of the COVID-19 situation and is assessing how it will impact its operating results in subsequent years.

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2019

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2019

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
Agribank, Dong Thap	Not applicable	P 1,368	Not applicable	P -
Agriculutre Bank of China	Not applicable	80,472	Not applicable	176
AmBank Malaysia Berhad	Not applicable	17	Not applicable	-
ANZ	Not applicable	67,176	Not applicable	35
Asian United Bank	Not applicable	11,919	Not applicable	3
Banco de Oro	Not applicable	4,862,552	Not applicable	259,725
Bangkok Bank Public Company Limited	Not applicable	1,982	Not applicable	17
Bank Central Asia	Not applicable	16,730	Not applicable	301
Bank Mandiri	Not applicable	15,115	Not applicable	73
Bank Muamalat	Not applicable	1,901	Not applicable	2,164
Bank of China	Not applicable	36,059	Not applicable	376
Bank of Commerce	Not applicable	936	Not applicable	-
Bank of the Philippine Islands	Not applicable	620,804	Not applicable	21,041
BDO Unibank, Inc.	Not applicable	14,850	Not applicable	844
China Merchants Bank	Not applicable	4,149	Not applicable	21
Citibank	Not applicable	8,326	Not applicable	-
City Savings Bank	Not applicable	633	Not applicable	1
Commerce International Merchant Bankers Berhad (CIMB)	Not applicable	79,435	Not applicable	-
Development Bank of Singapore	Not applicable	26,923	Not applicable	-
Development Bank of the Philippines	Not applicable	8,603	Not applicable	3
EPCI Bank	Not applicable	51	Not applicable	-
Fudian Bank Co., Ltd.	Not applicable	296	Not applicable	1
Hongkong Shanghai Banking Corporation	Not applicable	1,222,803	Not applicable	648
ING Bank N.V.	Not applicable	3,491	Not applicable	-
JP Morgan	Not applicable	10,905	Not applicable	1,225
Kasikom bank	Not applicable	4,676	Not applicable	-
Landbank of the Philippines	Not applicable	10,163	Not applicable	19
Malayan Banking Berhad	Not applicable	6,709	Not applicable	-
Meezan Bank Limited	Not applicable	6,876	Not applicable	-
Metropolitan Bank and Trust Company	Not applicable	287,727	Not applicable	1,011
Mizuho Corporatet Bank, Ltd.	Not applicable	6,061	Not applicable	2

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Myanma Foreign Trade Bank (MFTB Bank)	Not applicable	8	Not applicable	-
PB Com	Not applicable	127	Not applicable	1
Philippine National Bank	Not applicable	106,494	Not applicable	34
Philippine Veterans Bank	Not applicable	455	Not applicable	-
PT Bank Permata	Not applicable	45	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	23,251	Not applicable	57
Rural Bank of Davao	Not applicable	9,856	Not applicable	-
Rural Credit Cooperatives Association	Not applicable	44	Not applicable	2
Sacombank	Not applicable	142,788	Not applicable	795
Security Bank Corporation	Not applicable	524,435	Not applicable	13,100
Standard Chartered Bank	Not applicable	456,097	Not applicable	1,262
The Bank of China Construction	Not applicable	22,440	Not applicable	95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	1,301	Not applicable	-
The Siam Commercial Bank Public Company Limited	Not applicable	1,152	Not applicable	6
Union Bank of the Philippines	Not applicable	8,993,880	Not applicable	141,546
Vietcom Bank	Not applicable	84,750	Not applicable	177
Vietinbank	Not applicable	3,947	Not applicable	-
Vietnam Bank for Agriculture and Rural Development	Not applicable	1	Not applicable	1
T O T A L		**P 17,790,779**		**P 444,762**
Money Market Placements				
ANZ Bank	Not applicable	P -	Not applicable	P 838
Banco de Oro	Not applicable	1,944,117	Not applicable	59,719
Bank Muamalat	Not applicable	56,415	Not applicable	3,688
Bank of the Philippine Islands	Not applicable	690,132	Not applicable	70,816
BDO Private Bank, Inc.	Not applicable	50,002	Not applicable	2,501
China Trust Banking Corporation	Not applicable	89,496	Not applicable	18,048
City Savings Bank	Not applicable	16,707,768	Not applicable	507,030
First Metro Investment Corporation	Not applicable	700,000	Not applicable	2,455
Hongkong & Shanghai Banking Corporation	Not applicable	31,668	Not applicable	225
International Container	Not applicable	-	Not applicable	842
Metropolitan Bank and Trust Company	Not applicable	670,716	Not applicable	21,676
Mizuho Corporate Bank, Ltd.	Not applicable	-	Not applicable	71,012

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Philippine National Bank	Not applicable	6,884	Not applicable	189
Sacombank - VND	Not applicable	491,426	Not applicable	3,787
Security Bank Corporation	Not applicable	3,956,532	Not applicable	90,787
Union Bank of the Philippines	Not applicable	2,766,459	Not applicable	201,229
Vietcombank	Not applicable	36,054	Not applicable	155
Vietinbank	Not applicable	75,535	Not applicable	2,682
VLL International, Inc.	Not applicable	-	Not applicable	1,257
TOTAL		**P 7,332,890**		**P 300,086**
Trade Receivables				
Power	Not applicable	P 14,931,949	Not applicable	Not applicable
Food manufacturing	Not applicable	7,492,861	Not applicable	Not applicable
Real estate	Not applicable	5,196,331	Not applicable	Not applicable
Holding and others	Not applicable	1,222,026	Not applicable	Not applicable
TOTAL		**P 28,843,167**		
Other Receivables				
Nontrade receivables	Not applicable	P 5,926,179	Not applicable	Not applicable
Accrued revenues	Not applicable	3,463,904	Not applicable	Not applicable
Dividends receivable	Not applicable	1,199,068	Not applicable	Not applicable
Advances to contractors	Not applicable	63,339	Not applicable	Not applicable
Others	Not applicable	901,201	Not applicable	Not applicable
TOTAL		**P 11,553,691**		
Financial assets at FVTPL				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 1,882	P 1,882	P -
Megaworld Properties, Inc.	1,842,750	7,390	7,390	-
Filinvest Development Corporation	160,316	2,084	2,084	16
Filinvest Land, Inc.	303,515	455	455	19
Others	623,303	12,404	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Others	1,002,882	57,217	-	-
Unit Investment Trust Fund				
Union Bank of the Philippines	1,050,350	-	-	-
Investment in Bonds				
JP Morgan	-	331,415	-	-
Investment in Exchange Traded Funds				
Banco de Oro	-	-	-	9,778
JP Morgan	-	638,376	-	-
T O T A L		**P 1,027,008**	**P -**	**P 9,778**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

			Deductions				
Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	**P 940**	P 5,982	P -	P -	P 6,922	P -	**P 6,922**
Pilmico Foods Corporation	**1,437**	42,960	-	-	44,397	-	**44,397**
PFC International -VHF	**-**	24,409	-	-	24,409	-	**24,409**
PFC International	**-**	3,459	-	-	3,459	-	**3,459**
AEV Aviation, Inc.	**-**	510	-	-	510	-	**510**
Cebu Praedia Development Corporation	**-**	510	-	-	510	-	**510**
Aboitiz Infracapital, Inc.	**24,460**	-	(18,304)	-	6,156	-	**6,156**
APO Agua Infrastructura Inc. Total	**3,585**	-	(3,302)	-	283	-	**283**
Lima Water Coporation	**632**	-	(627)	-	5	-	**5**
Weather Solutions, Inc.	**3,287**	1,465	-	-	4,752	-	**4,752**
Aboitizland, Inc.	**16,395**	-	(9,912)	-	6,483	-	**6,483**
Cebu Industrial Park Developers, Inc.	**112**	-	(291)	-	(179)	-	**(179)**
Lima Land, Inc.	**1,049**	-	(410)	-	639	-	**639**
Propriedad del Norte, Inc.	**-**	2	-	-	2	-	**2**
Aboitiz Power Corporation	**5,859**	-	3,996	-	9,855	-	**9,855**
Aboitiz Energy Solutions, Inc.	**74**	-	(70)	-	4	-	**4**
Aboitiz Power Distributed Energy, Inc.	**1,028**	22	-	-	1,050	-	**1,050**
Aboitiz Power Distributed Renewables, Inc.	**459**	-	-	-	459	-	**459**
Aboitiz Renewables, Inc.	**-**	439	-	-	439	-	**439**
Abovant Holdings, Inc.	**-**	1	-	-	1	-	**1**
Advent Energy, Inc.	**16**	-	(16)	-	-	-	**-**
AP Renewables, Inc.	**2,724**	-	(18,638)	-	(15,914)	-	**(15,914)**
Aseagas Corporation	**397**	-	-	-	397	-	**397**
Balamban Enerzone Corp.	**32**	260	-	-	292	-	**292**
Cebu Private Power Corporation	**118**	1,483	-	-	1,601	-	**1,601**
Cotabato Ice Plant, Inc.	**(732)**	-	(11)	-	(743)	-	**(743)**
Cotabato Light and Power Company	**461**	1,728	-	-	2,189	-	**2,189**
Davao Light and Power Co., Inc.	**2,142**	17,221	-	-	19,363	-	**19,363**
East Asia Utilities Corp.	**132**	686	-	-	818	-	**818**
Hedcor Bukidnon, Inc.	**928**	694	-	-	1,622	-	**1,622**
Hedcor Sabangan, Inc.	**60**	1,050	-	-	1,110	-	**1,110**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Current	Non-Current	Ending Balance
Hedcor Sibulan, Inc.	**2,770**	-	(1,036)	-	1,734	-	**1,734**
Hedcor Tudaya, Inc.	**187**	192	-	-	379	-	**379**
Hedcor, Inc.	**2,860**	2,516	-	-	5,376	-	**5,376**
Lima Enerzone Corporation	**57**	944	-	-	1,001	-	**1,001**
Luzon Hydro Corporation	**289**	1,715	-	-	2,004	-	**2,004**
Mactan Enerzone Corporation	**45**	194	-	-	239	-	**239**
Malvar Enerzone Corporation	**-**	3	-	-	3	-	**3**
Manila-Oslo Renewable Enterprise, Inc.	**122**	-	(122)	-	-	-	**-**
Prism Energy, Inc.	**554**	-	(535)	-	19	-	**19**
San Carlos Sun Power, Inc.	**291**	-	(214)	-	77	-	**77**
SN Aboitiz Power - Benguet, Inc.	**1,072**	-	(1,072)	-	-	-	**-**
SN Aboitiz Power - Generation, Inc.	**8**	-	(8)	-	-	-	**-**
SN Aboitiz Power - Magat, Inc.	**1,050**	-	(1,050)	-	-	-	**-**
Steag State Power Inc	**9**	-	(9)	-	-	-	**-**
Subic Enerzone Corporation	**529**	220	-	-	749	-	**749**
Therma Luzon, Inc.	**7,557**	18,654	-	-	26,211	-	**26,211**
Therma Marine, Inc.	**2,904**	5,439	-	-	8,343	-	**8,343**
Therma Mobile, Inc.	**130**	761	-	-	891	-	**891**
Therma Power Visayas, Inc.	**-**	27	-	-	27	-	**27**
Therma Visayas, Inc.	**3,382**	15,095	-	-	18,477	-	**18,477**
Therma Power, Inc.	**-**	567	-	-	567	-	**567**
Therma South, Inc.	**1,692**	19,284	-	-	20,976	-	**20,976**
Visayan Electric Co., Inc.	**78,899**	-	(2,000)	-	76,899	-	**76,899**
NON-TRADE							
AEV Aviation, Inc.	**4,032**	-	(1,100)	-	2,932	-	**2,932**
Cebu Praedia Development Corporation	**70,814**	-	(70,814)	-	-	-	**-**
Pilmico Foods Corporation	**295,178**	-	-	-	5,178	290,000	**295,178**
Adventenergy, Inc.	**303,459**	-	(642)	-	2,817	300,000	**302,817**
Therma Power, Inc.	**631,574**	-	(22,366)	-	609,208	-	**609,208**
Total	**P 1,475,059**	**P 168,492**	**P (148,553)**	**P -**	**P 904,998**	**P 590,000**	**P 1,494,998**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2019
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 56,361,133	P 13,089	P -	P -	P (51,490)	P -	P 56,322,732
Service concession right	3,791,377	3,187,814	(361,599)	-	(82,316)	-	6,535,276
Franchise	2,648,732	-	(76,960)	-	-	-	2,571,772
Project development costs	583,095	419,637	-	-	(91,132)	-	911,600
Customer contracts	27,429	-	(12,550)	-	-	-	14,879
Software and licenses	365,007	191,312	(109,113)	-	(2,370)	-	444,836
B. Other Noncurrent Assets							
Restricted cash	-	4,672,031	-	-	-	-	4,672,031
Input VAT and tax credit receivable	5,462,983	-	(961,897)	-	-	-	4,501,086
Financial assets at FVTPL	353,734	378,063	-	-	-	-	731,797
Financial assets at FVOCI	225,552	-	(49,073)	-	-	-	176,479
Debt investments at amortized cost	453,871	-	(218,903)	-	-	-	234,968
Prepaid rent and other deposits	1,979,024	-	(687,872)	-	-	-	1,291,152
Advances to contractors and projects	1,098,747	353,525	-	-	-	-	1,452,272
Biological assets	134,144	6,160	-	-	-	-	140,304
Others	500,226	434,326	-	-	-	-	934,552
Total	**P73,985,054**	**P9,655,957**	**(P2,477,967)**	**P -**	**(P227,308)**	**P -**	**P80,935,736**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,983,978	6,189,580	1,794,398	
BPI Capital Corporation	23,930,341	10,435,213	13,495,128	
BDO Capital & Investment Corporation	4,941,380	(9,311)	4,950,691	
Subsidiaries:				
Aboitiz Power Corporation	50,079,825	1,215,355	48,864,470	
AP Renewables, Inc.	7,997,979	-	7,997,979	
Hedcor, Inc.	1,739,170	118,729	1,620,441	
Hedcor Bukidnon, Inc.	9,312,812	571,192	8,741,620	
Hedcor Sibulan, Inc.	3,770,735	93,171	3,677,564	
Cotabato Light and Power Co., Inc.	116,400	29,550	86,850	
Davao Light & Power Co., Inc.	582,000	147,750	434,250	
Subic Enerzone Corporation	113,000	56,500	56,500	
Pagbilao Energy Corporation	13,163,854	1,111,887	12,051,967	
Luzon Hydro Corporation	563,664	277,838	285,826	
Therma South, Inc.	19,893,083	1,283,069	18,610,014	
Therma Visayas, Inc.	31,229,677	2,065,254	29,164,423	
Therma Power Visayas, Inc.	1,290,250	-	1,290,250	
GMCP	37,044,441	3,219,540	33,824,901	
Visayan Electric Company	774,732	196,476	578,256	
Pilmico Foods Corporation	2,868,810	6,895	2,861,915	
Pilmico Animal Nutrition Corp.	2,631,260	68,723	2,562,537	
AEV International	13,396,190	35,880	13,360,310	
Triplecrown Properties, Inc.	246,425	13,627	232,798	
Apo Agua	5,909,532	-	5,909,532	
Total	**P239,579,538**	**P27,126,918**	**P212,452,620**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,632,793	-	2,737,173	263,726	2,631,894
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Related Party	Balances			Volume				Terms
	Trade	Non-trade	Total	Sales	Rental	Interest	Advances	
TRADE								
Pilmico Animal Nutrition Corporation	**P 6,922**	P -	P 6,922	P 116,681	P 2,110	P -	P -	30 days
Pilmico Foods Corporation	**44,397**	-	44,397	3,737,276	20,814	-	-	30 days
PFC International -VHF	**24,409**	-	24,409	-	-	-	-	30 days
PFC International	**3,459**	-	3,459	-	-	-	-	30 days
Cebu Praedia Development Corporation	**510**	-	510	3,124	-	-	-	30 days
AEV Aviation, Inc.	**510**	-	510	4,293	16,675	-	-	30 days
Aboitiz Infracapital, Inc.	**6,156**	-	6,156	25,816	1,746	-	-	30 days
APO Agua Infrastructura Inc. Total	**283**	-	283	8,009	13	-	-	30 days
Lima Water Coporation	**5**	-	5	1,423	-	-	-	30 days
Weather Solutions, Inc.	**4,752**	-	4,752	3,119	5	-	-	30 days
Aboitizland, Inc.	**6,483**	-	6,483	62,397	14,100	-	-	30 days
Misamis Oriental Land Dev. Corp.	**-**	-	-	258	-	-	-	30 days
Cebu Industrial Park Developers, Inc.	**(179)**	-	(179)	4,886	114	-	-	30 days
Lima Land, Inc.	**639**	-	639	16,023	-	-	-	30 days
Propriedad del Norte, Inc.	**2**	-	2	-	-	-	-	30 days
Aboitiz Power Corporation	**9,855**	-	9,855	82,217	21,175	-	-	30 days
Aboitiz Energy Solutions, Inc.	**4**	-	4	1,285	2	-	-	30 days
Aboitiz Power Distributed Energy, Inc.	**1,050**	-	1,050	1,055	-	-	-	30 days
Aboitiz Power Distributed Renewables, Inc.	**459**	-	459	26	-	-	-	30 days
Aboitiz Renewables, Inc.	**439**	-	439	1,518	1,238	-	-	30 days
Abovant Holdings, Inc.	**1**	-	1	191	-	-	-	30 days
Advent Energy, Inc.	**-**	-	-	1,037	-	-	-	30 days
AP Renewables, Inc.	**(15,914)**	-	(15,914)	37,112	1,271	-	-	30 days
Aseagas Corporation	**397**	-	397	-	2	-	-	30 days
Balamban Enerzone Corp.	**292**	-	292	2,559	279	-	-	30 days
Cebu Private Power Corporation	**1,601**	-	1,601	4,911	-	-	-	30 days
Cotabato Ice Plant, Inc.	**(743)**	-	(743)	-	-	-	-	30 days
Cotabato Light and Power Company	**2,189**	-	2,189	6,715	10,065	-	-	30 days
Davao Light and Power Co., Inc.	**19,363**	-	19,363	92,870	31,014	-	-	30 days
East Asia Utilities Corp.	**818**	-	818	4,161	-	-	-	30 days
Hedcor Bukidnon, Inc.	**1,622**	-	1,622	6,604	1,238	-	-	30 days
Hedcor Sabangan, Inc.	**1,110**	-	1,110	1,318	1,238	-	-	30 days
Hedcor Sibulan, Inc.	**1,734**	-	1,734	3,185	1,238	-	-	30 days
Hedcor Tudaya, Inc.	**379**	-	379	1,207	1,238	-	-	30 days
Hedcor, Inc.	**5,376**	-	5,376	20,869	624	-	-	30 days
Lima Enerzone Corporation	**1,001**	-	1,001	16,495	1,517	-	-	30 days
Luzon Hydro Corporation	**2,004**	-	2,004	4,106	1,238	-	-	30 days
Mactan Enerzone Corporation	**239**	-	239	7,116	278	-	-	30 days
Malvar Enerzone Corporation	**3**	-	3	11	-	-	-	30 days
Phippine Geothermal Production Company, Inc.	**-**	-	-	50	-	-	-	30 days
Prism Energy, Inc.	**19**	-	19	933	196	-	-	30 days

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

	Balances			Volume				
Related Party	**Trade**	**Non-trade**	**Total**	**Sales**	**Rental**	**Interest**	**Advances**	**Terms**
San Carlos Sun Power, Inc.	**77**	-	77	2,485	-	-	-	30 days
Subic Enerzone Corporation	**749**	-	749	32,753	558	-	-	30 days
Therma Luzon, Inc.	**26,211**	-	26,211	53,940	9,129	-	-	30 days
Therma Marine, Inc.	**8,343**	-	8,343	15,175	4,996	-	-	30 days
Therma Mobile, Inc.	**891**	-	891	9,506	3	-	-	30 days
Therma Power Visayas, Inc.	**27**	-	27	292	-	-	-	30 days
Therma Visayas, Inc.	**18,477**	-	18,477	31,829	27	-	-	30 days
Therma Power, Inc.	**567**	-	567	-	-	-	-	30 days
Therma South, Inc.	**20,976**	-	20,976	35,381	2,346	-	-	30 days
Visayan Electric Co., Inc.	**76,899**	-	76,899	239,695	15,394	-	-	30 days
NON-TRADE								
AEV Aviation, Inc.	-	**2,932**	2,932	-	-	-	-	30 days
Cebu Praedia Development Corporation	-	**-**	-	-	-	2,197	-	short & long term
Pilmico Foods Corporation	-	**295,178**	295,178	-	-	18,907	290,000	long term
Adventenergy, Inc.	-	**302,817**	302,817	-	-	16,539	300,000	long term
Therma Power, Inc.	-	**609,208**	609,208	-	-	20,054	607,620	on demand
Total	**P 284,863**	**P 1,210,135**	**P 1,494,998**	**P 4,701,912**	**P 161,881**	**P 57,697**	**P 1,197,620**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Purchases**	**Rental**	**Advances**	**Terms**
AEV Aviation, Inc.	P -	P 1,602	P 1,602	P -	P 51,539	P -	on demand
Cebu Praedia Development Corporation	-	69	69	-	9,141	-	on demand
AEV Properties, Inc.	-	-	-	-	-	25,691	on demand
Total	**P -**	**P 1,671**	**P 1,671**	**P -**	**P 60,680**	**P 25,691**	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2019
(Amounts in Philippine Currency and in Thousands)

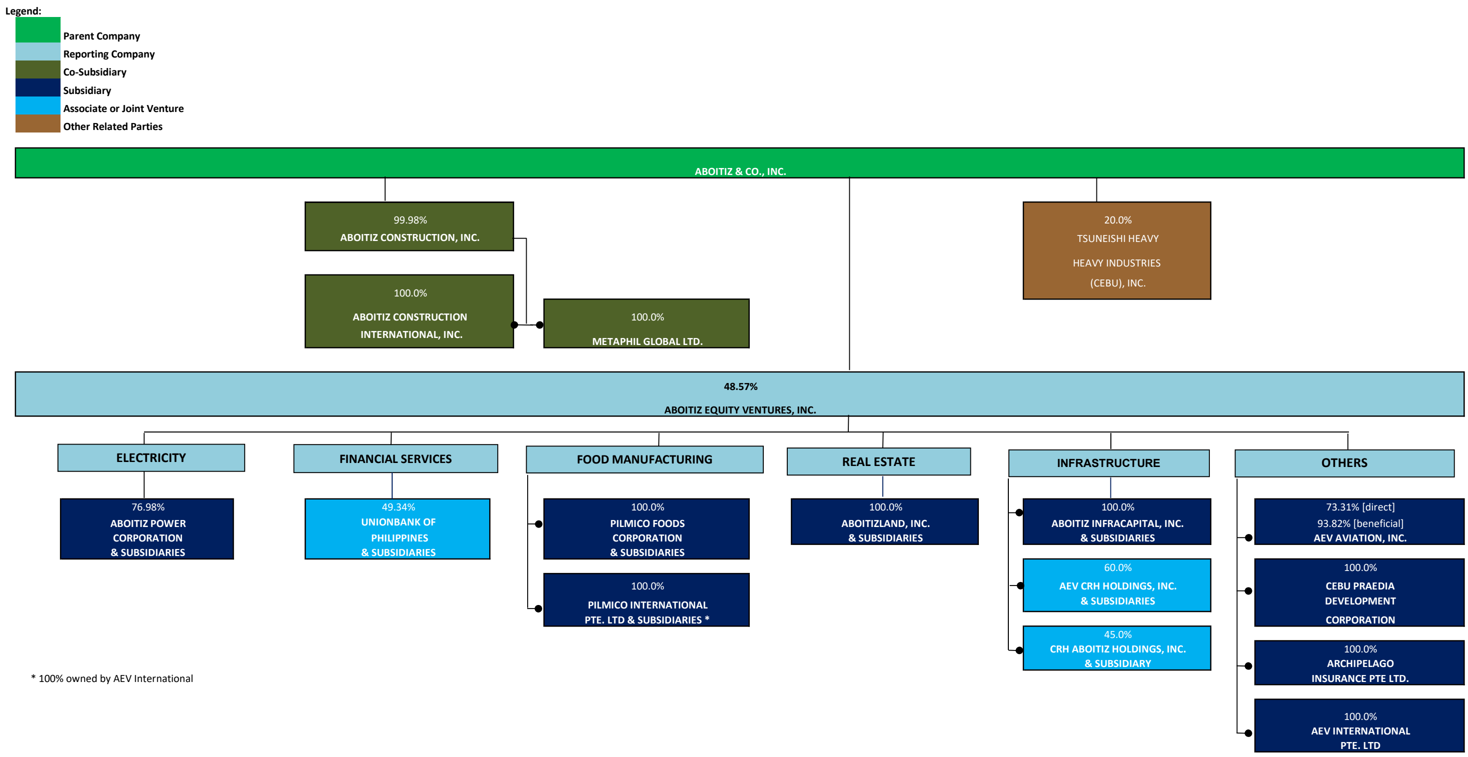
Unappropriated Retained Earnings, beginning	**26,089,053**
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Effects of adoption of new accounting standard (PFRS 16)	75,736
Adjustments directly made to retained earnings:	
Treasury Shares	565,246
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**25,448,071**
Net Income based on the face of audited financial statements	9,049,425
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**9,049,425**
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,435,286
Appropriations of Retained Earnings during the period	-
Treasury Shares purchased	-
Retained Earnings available for Dividend, as of year-end	**27,062,210**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	AS RESTATED IN 2019 DEC 2018	**DEC 2019**
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	1.80	**1.27**
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	1.30	**0.86**
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.54	**1.71**
Asset to equity ratio	Total assets / Total equity	2.54	**2.71**
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	1.01	**1.17**
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	50.29%	**54.01%**
Interest coverage ratio	EBIT / Net interest expense	3.86	**3.14**
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	20.95%	**16.2%**
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	14.86%	**13.03%**

BOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
ONGLOMERATE MAPPING
s of December 31, 2019



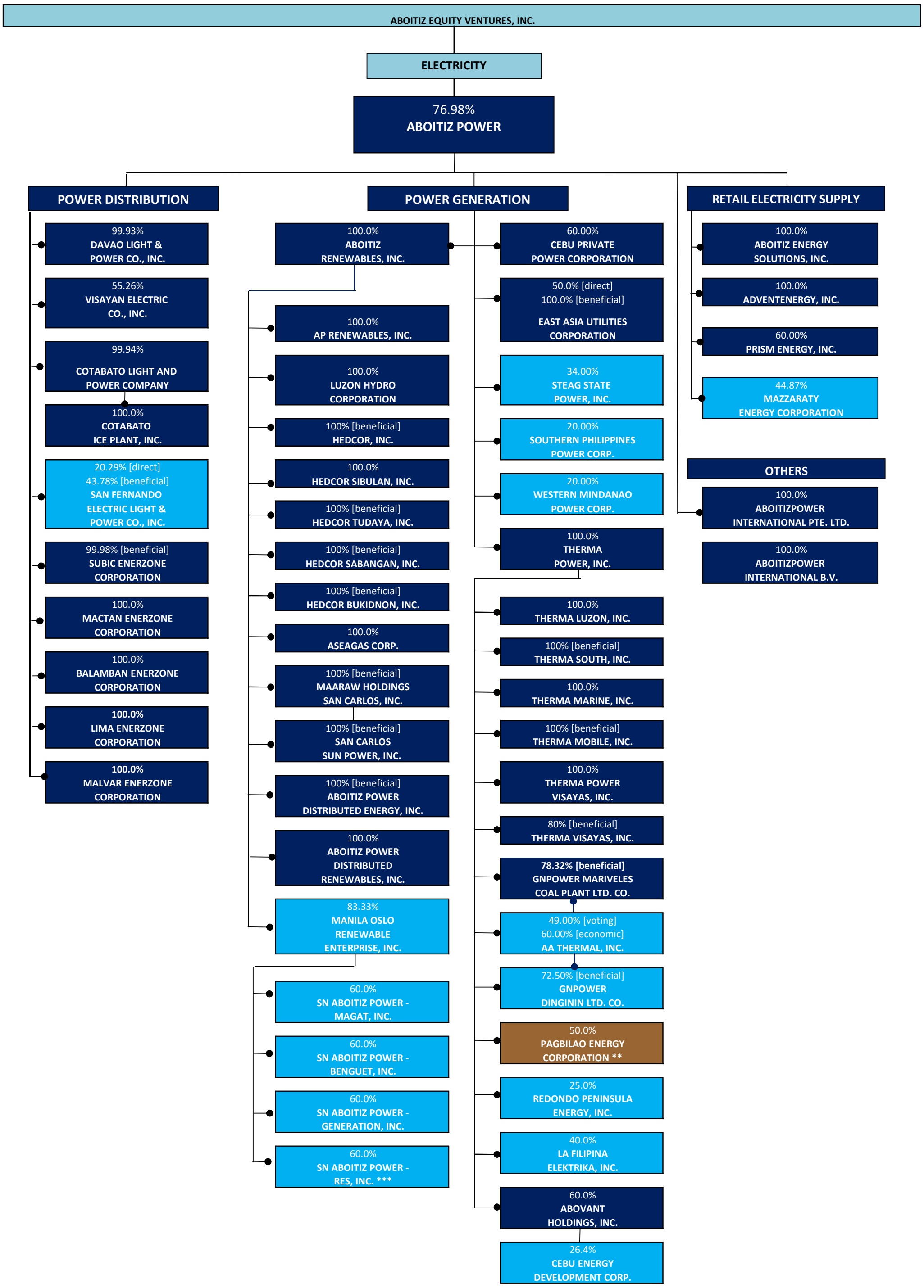
* 100% owned by AEV International

ABOITIZ EQUITY VENTURES, INC. - ELECTRICITY
CONGLOMERATE MAPPING

As of December 31, 2019

Legend:

Reporting Company
Subsidiary
Associate or Joint Venture
Other Related Parties

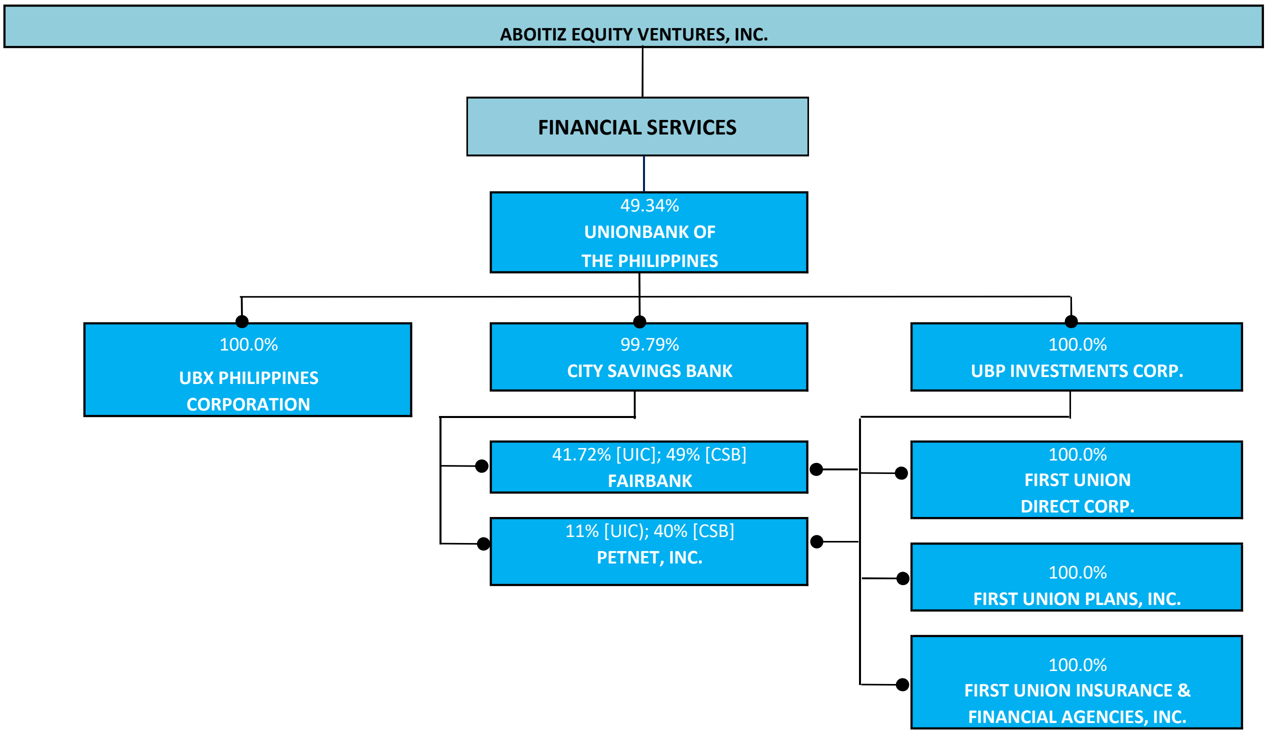


** Joint Operations
*** Engages in retail electricity supply business

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES
CONGLOMERATE MAPPING

As of December 31, 2019

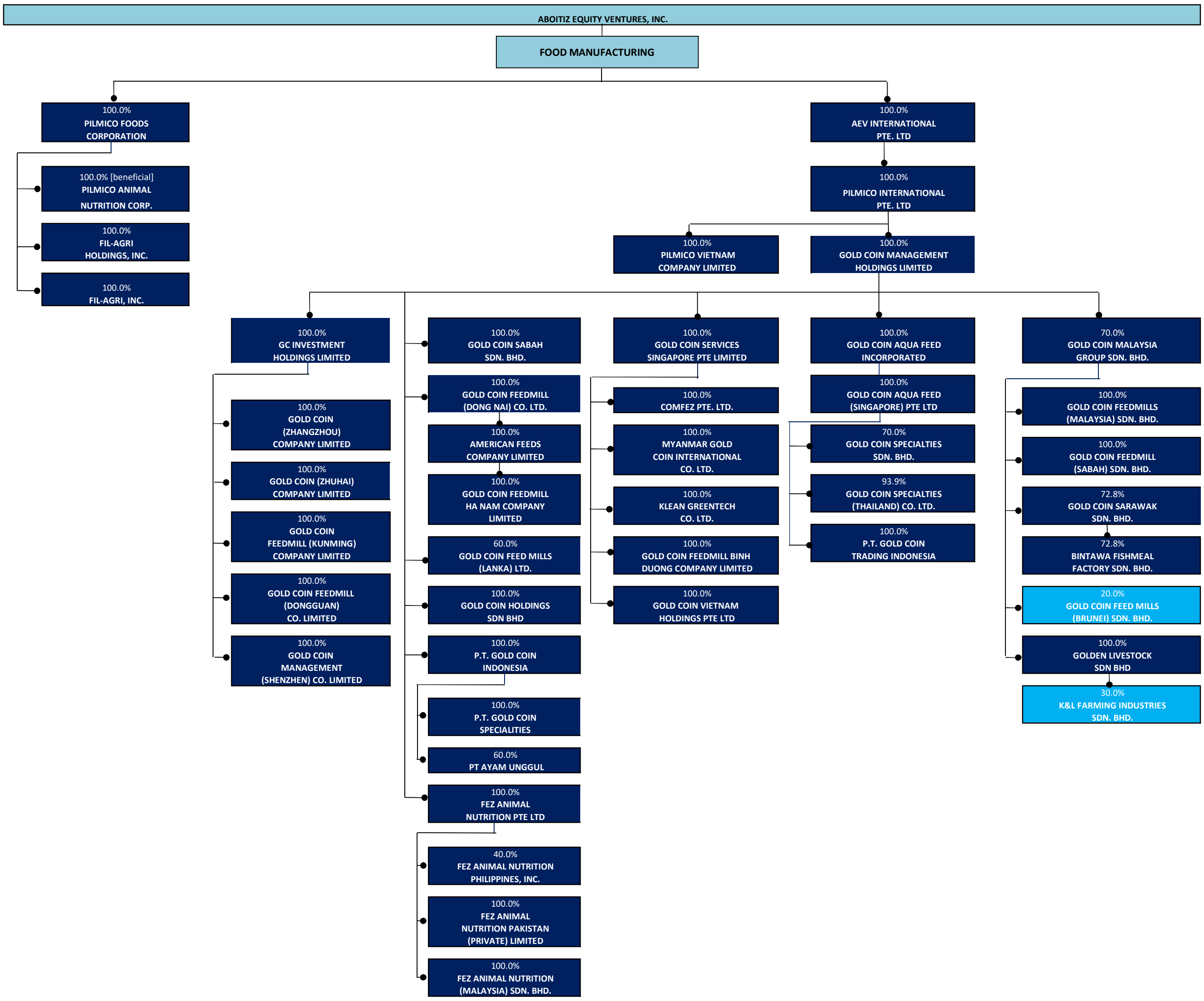
Legend:
- Reporting Company
- Subsidiary
- Associate or Joint Venture



ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING
CONGLOMERATE MAPPING

As of December 31, 2019

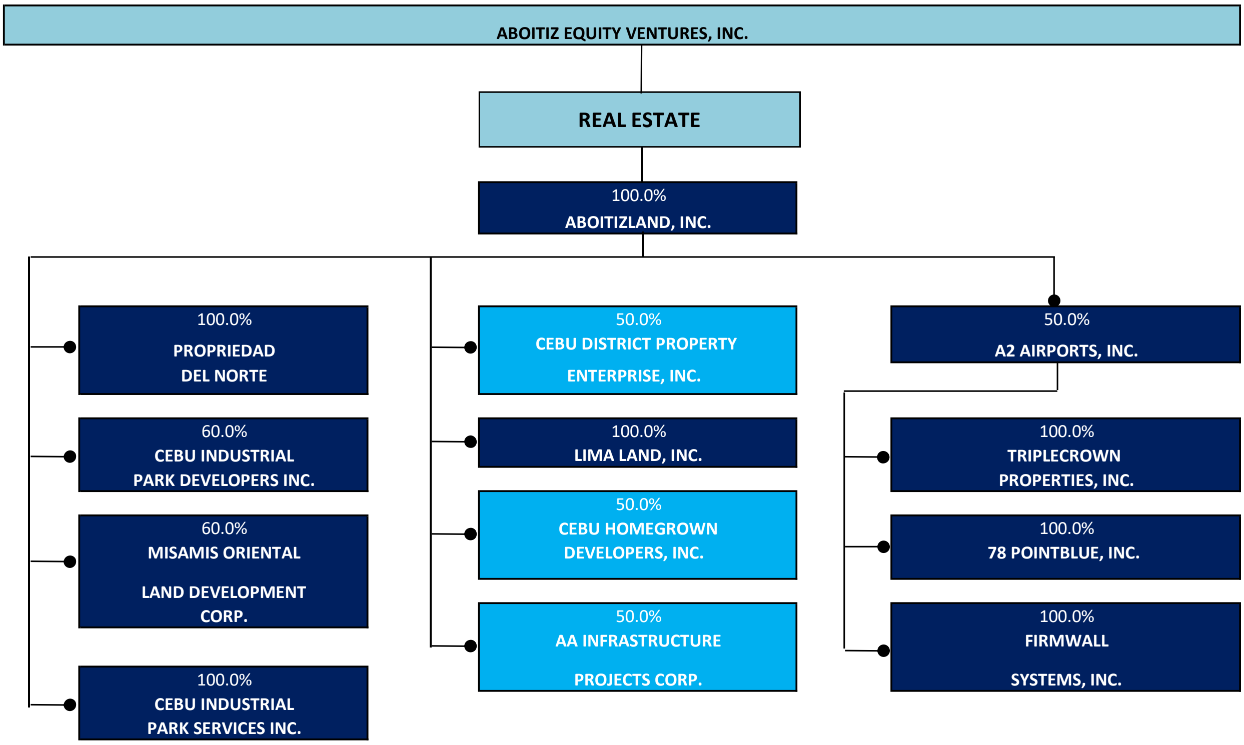
Legend:
Reporting Company
Subsidiary
Associate or Joint Venture



ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING

As of December 31, 2019

Legend:
Reporting Company
Subsidiary
Associate or Joint Venture
Other Related Parties



ABOITIZ EQUI'N VENTURES INC
CONGLOMERATE MAPPING

As of December 31, 2019

Legend

T Reporting Company
Subsidiary
Associate or Joint Vent
Other Related Partie

100.0%
ABOITIZ INFRACAPITAL, INC.

22.22% [dlrect]
70.0% [beneflclal]
APOAGUA
INFRASTRUCTURA.INC.

100.0%
LIMA WATER CORP.

BUREAU OF INTERNAL REVENUE
LARA TAXPWERS DIVISION-CEBU

aboitiz
Equity Ventures

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

ENRIQUE M. ABOITIZ JR.
Chairman of the Board

ERRAMON I. ABOITIZ
President & Chief Executive Officer

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 7th day of March, 2019.

NAC Tower, 32nd Street, Bonifacio Global City, Taguig 1634, Metro Manila, Philippines
Tel: (632) 886-2800 | Fax: (632) 886-2404 | www.aboitiz.com

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

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

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz Jr.	P6213075A	February 28, 2018, Manila
	10666011	January 30, 2019, Cebu City
Erramon I. Aboitiz	P2251997A	March 11, 2017, Manila
	12179232	January 29, 2019, Cebu City
Manuel R. Lozano	P7066571A	May 6, 2018, Manila
	29715449	January 10, 2019, Taguig City

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

Witness my hand and seal this 07 day of March 2019.

ATTY. ADRIANNE MARIE C. ALAZAS
ROLL NO. 58449
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Doc. No. 255;
Page No. 52;
Book No. II;
Series of 2019.

Atty. Adrianne Marie C. Alazas
Notary Public for Taguig City
Notarial Commission No. [illegible]50
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208014, January 07, 2019, Taguig City
IBP O.R. No. 061325, Taguig City, January 08, 2019
Roll No. 58449
MCLE No. VI-0015882, December 13, 2018