



ABOITIZ EQUITY VENTURES INC.

**PhP30,000,000,000.00
Debt Securities Program**

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

**Series C: 2.8403% 3-Year Bonds Due 2023
Series D: 3.3059% 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



**Selling Agent
UnionBank of the Philippines**

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 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 Final Prospectus is October 27, 2020



(A corporation duly organized and existing under Philippine laws)

This Final 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 November 16, 2020 (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 November 16, 2023, with a fixed interest rate of 2.8403% 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 November 16, 2025, with a fixed interest rate of 3.3059% 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 fourth ("**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. Interest on the Second Tranche Bonds shall be payable quarterly in arrears on February 16, May 16, August 16, and November 16 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 **59** of this Prospectus).

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 **59** 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 59 of this Prospectus).

The Second Tranche Bonds have been rated PRS Aaa by Philratings on September 30, 2020. Obligations rated PRS Aaa are of the highest quality with minimal credit risk.

PhilRatings also maintained the Issue Credit Rating of PRS Aaa, with a Stable Outlook, for AEV's total outstanding bonds worth PhP37 billion.

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 **PhP4,928,668,812.50** for a PhP5,000,000,000.00 issue size, or **PhP9,864,111,625.00** 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, and partially finance the equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao, as described further in the section entitled "Use of Proceeds" on page 48 of this Prospectus. The Joint Lead Underwriters shall receive an aggregate fee of up to 47 basis points and up to 49 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 36 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 36 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.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED IS TRUE AND CURRENT AS INDICATED THEREIN.

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

ABOITIZ EQUITY VENTURES INC.

By:

SABIN M. ABOITIZ

President and Chief Executive 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.

TABLE OF CONTENTS

TABLE OF CONTENTS	7
FORWARD LOOKING STATEMENTS	8
DEFINITION OF TERMS	9
EXECUTIVE SUMMARY	22
CAPITALIZATION	29
SUMMARY OF THE OFFERING OF THE SECOND TRANCHE BONDS	30
RISK FACTORS AND OTHER CONSIDERATIONS	36
USE OF PROCEEDS	48
DETERMINATION OF THE OFFERING PRICE	51
PLAN OF DISTRIBUTION	52
DESCRIPTION OF THE OFFER	59
THE COMPANY	77
CERTAIN LEGAL PROCEEDINGS	214
MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	221
MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	224
MANAGEMENT	260
CORPORATE GOVERNANCE	270
EXECUTIVE COMPENSATION	276
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	279
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	282
DESCRIPTION OF DEBT	284
INDEPENDENT AUDITORS AND COUNSEL	290
TAXATION	292
FINANCIAL AND OTHER INFORMATION	297

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 **36** 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	Aboitiz Power Corporation
AboitizPower Group or the Power group	Aboitiz Power Corporation and its Subsidiaries
AboitizPower International	AboitizPower International Pte. Ltd.
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 Hydroelectric Power Complex	SN Aboitiz Power- Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet

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 Infraestructura, 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
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.
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 fifty percent (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 of the Philippines
DepEd	Department of Education of the Philippines
DICT	Department of Information and Communications Technology of the Philippines
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.
DOE	Department of Energy of the Philippines
DOLE	Department of Labor and Employment of the Philippines
DOTr	Department of Transportation of the Philippines
DSWD	Department of Social Welfare and Development of the Philippines
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” - “ <i>Events of Default</i> ” on page 67 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	<p>(1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements;</p> <p>(2) All indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and</p> <p>(3) Capitalized lease obligations of the Issuer</p>
Infrastructure Group	Collectively, Aboitiz InfraCapital, LWC, AEV CRH, CRH Aboitiz, RCBM, RCMI, 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 November 16, 2020
Issue Management and Underwriting Agreement	the Issue Management and Underwriting Agreement dated October 27, 2020 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
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
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)
LGU	Local government unit

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 (PhP1.00) 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/s 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	October 29, 2020 to November 06, 2020
Oil Group	The following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Therma Power-Visayas, Inc. 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 Corp.
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 or PFC	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
PVN	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
SBU	Strategic Business Unit of the Aboitiz Group
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 with an aggregate principal amount of PhP4,450,000,000.00 as may be increased subject to the exercise of the Oversubscription Option during the Offer Period, having a term ending three (3) years from the Issue Date, or on November 16, 2023 with a fixed interest rate of 2.8403% per annum
Series D Bonds	The Second Tranche Bonds with an aggregate principal amount of PhP550,000,000.00 as may be increased subject to the exercise of the Oversubscription Option during the Offer Period, having a term ending five (5) years from the Issue Date, or on November 16, 2025 with a fixed interest rate of 3.3059% 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 Power¹	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.
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
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.

¹ On October, 16, 2020, Scatec Solar ASA signed a binding agreement to acquire 100% of SN Power. The transaction is conditional upon customary regulatory approvals and local competition approvals and is likely to be completed in the first half of 2021. Until then the two companies will continue to operate as separate entities.

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 October 27, 2020 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 September 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.07% are owned by directors, officers and related parties, while the remaining 47.34% 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 ₱3.92 billion, a 56% decrease year-on-year (YoY). This translated to earnings per share of ₱0.70 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 ₱3.94 billion, 56% lower YoY. AEV recorded a 14% decrease in consolidated EBITDA for the first half of 2020 compared to the same period 2019, from ₱26.49 billion to ₱22.87 billion.

SUMMARY HISTORICAL FINANCIAL INFORMATION

In 2019, the Company finalized the purchase price allocation of a subsidiary acquired in 2018. Refer to the balance sheet as of 31 December 2018 in the audited consolidated financial statements as of December 31, 2019, included elsewhere in this Prospectus, for the adjustments relating to the finalization as required by the relevant accounting standard. The December 31, 2018 numbers in the Summary Historical Financial Information section and December 31, 2018 numbers in the Review of January to December 2019 Operations Compared to January to December 2018 section are derived from the restated December 31, 2018 balances presented as comparative amounts in the audited consolidated financial statements as of December 31, 2019. On the other hand, the December 31, 2018 numbers in the Review of January to December 2018 Operations Compared to January to December 2017 section are derived from the audited consolidated financial statements as of 31 December 2018 which excludes adjustments relating to the finalization of the purchase price allocation.

In 2018, Union Bank of the Philippines has applied a change in accounting policy retrospectively. Refer to the balance sheets as of December 31, 2017 and January 1, 2017 in the audited consolidated financial statements as of December 31, 2018, included elsewhere in this Prospectus, for the adjustments relating to the change in policy as required by the relevant accounting standard. The December 31, 2017 numbers in the Summary Historical Financial Information and Review of January to December 2018 Operations Compared to January to December 2017 are derived from the restated December 31, 2017 balances presented as comparative amounts in the audited consolidated financial statements as of December 31, 2018. On the other hand, the December 31, 2017 and December 31, 2016 numbers in the Review of January to December 2017 Operations Compared to January to December 2016 section are derived from the audited consolidated financial statements as of December 31, 2017 which excludes adjustments relating to the change in accounting policy.

The Group’s net income are all derived from the Group’s continuing operations. No part of the Group’s income arose from sources other than the Group’s operations.

For a full discussion, please refer to the section on “*Financial and Other Information*” beginning on page 297 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	₱75,288,514	₱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	19,502,286	19,406,255	18,290,868	12,442,516
Total Current Assets	157,703,146	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	142,346,120	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	13,410,708	14,134,641	10,208,281	12,264,367
Total Noncurrent Assets	462,114,639	463,960,809	417,005,714	374,054,526
TOTAL ASSETS	₱619,817,785	₱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
Lease Liabilities	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
Total Current Liabilities	₱119,598,155	₱98,012,776	₱76,419,691	₱73,067,285

(Forward)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)	December 31, 2017 (Audited)
Noncurrent Liabilities				
Noncurrent portions of:				
Long-term debts	₱231,026,779	₱212,452,620	₱200,729,393	₱168,364,717
Lease liabilities	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
<i>Other equity reserves:</i>				
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 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	154,467,688	162,864,330	148,541,910	135,288,145
Treasury stock at cost	(647,672)	(565,246)	(565,246)	(521,132)
	171,533,753	176,481,176	174,690,528	154,698,419
Non-controlling Interests	39,059,654	40,713,904	43,787,310	37,572,509
Total Equity	210,593,407	217,195,080	218,477,838	192,270,928
TOTAL LIABILITIES AND EQUITY	₱619,817,785	₱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 (Unaudited)		Years Ended December 31 (Audited)		
	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
Sale of swine at fair value	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	3,105,353	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	8,425,560	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	₱5,895,449	₱12,591,616	₱29,442,288	₱31,238,797	₱29,279,021
ATTRIBUTABLE TO:					
Equity holders of the parent	₱3,924,627	₱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
	₱5,895,449	₱12,591,616	₱29,442,288	₱31,238,797	₱29,279,021
EARNINGS PER SHARE					
Basic and diluted, for net income for the period attributable to ordinary equity holders of the parent	₱0.697	₱1.589	₱3.912	₱3.947	₱3.836

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Six Months Ended June 30 (Unaudited)		Years Ended December 31 (Audited)		
	1H 2020	1H 2019	2019	2018	2017
NET CASH FLOWS FROM OPERATING ACTIVITIES	₱18,016,784	₱20,772,370	₱42,757,046	₱38,417,349	₱32,237,312
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,691,104)	(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	28,665,279	(15,604,824)	(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 PERIOD	46,424,663	59,033,029	59,033,029	64,870,214	63,857,528
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱75,288,514	₱44,076,880	₱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 94 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 98 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 36 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 8 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 (Unaudited)	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
Lease liabilities	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
Lease liabilities	36,518	36,518	36,518
The issue of the Second Tranche Bonds	-	4,929	9,864
Total long-term debts	267,545	272,474	277,409
Equity			
Equity attributable to equity holders of the parent	171,534	171,534	171,534
Non-controlling interests	39,060	39,060	39,060
Total Equity	210,594	210,594	210,594
Total Capitalization	552,239	557,168	562,103

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 and partially finance the equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao, as described further in the section entitled “ <i>Use of Proceeds</i> ” on page 48 of this Prospectus.
Issue Price	:	100% face value
Manner of Distribution	:	Public Offering

- Offer Period** : The Offer shall commence on October 29, 2020 and end on November 06, 2020.
- Issue Date** : November 16, 2020
- Maturity Date or Redemption Date** : Series C Bonds: 3 years from Issue Date or November 16, 2023
Series D Bonds: 5 years from Issue Date or November 16 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: 2.8403% per annum
Series D Bonds: 3.3059% per annum
- Interest Payment Date** : The Interest shall be paid quarterly in arrears on February 16, May 16, August 16, and November 16 of each year commencing on February 16, 2021 until and including the Maturity Date (each, an “Interest Payment Date”), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed.
- 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), 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 PRS Aaa 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: Aboitiz 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.

Regulatory Risk

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 59 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 PhP4,928,668,812.50 for an issue size of up to PhP5,000,000,000.00 or, assuming full exercise of the Oversubscription Option, PhP9,864,111,625.00 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	24,500,000.00
Other Professional Fees	6,384,000.00
SEC Registration Fee and Legal Research	1,357,187.50
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	PhP4,928,668,812.50

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

Documentary Stamp Tax	75,000,000.00
Issue Management and Underwriting Fees ³	49,000,000.00
Other Professional Fees	6,384,000.00
SEC Registration Fee and Legal Research	2,714,375.00
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	PhP9,864,111,625.00

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

² Inclusive of GRT; For purposes of illustration, the maximum fees that the Joint Lead Underwriters may receive have been assumed.

³ Inclusive of GRT; For purposes of illustration, the maximum fees that the Joint Lead Underwriters may receive have been assumed.

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.

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

	Amount	Timing of Disbursement	% of Net Proceeds
Oversubscription Option is Not Exercised			
Payment of the maturing 2013 Series A Bonds	PhP3,928,668,812.50	November 2020	80%
Partially finance the 2021 equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao	PhP1,000,000,000.00	2021	20%
	PhP4,928,668,812.50		100%
Oversubscription Option is Fully Exercised			
Payment of the maturing 2013 Series A Bonds	PhP6,200,000,000.00	November 2020	63%
Payment of the maturing 2015 Series A Bonds	PhP2,664,111,625.00	November 2020	27%
Partially finance the 2021 equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao	PhP1,000,000,000.00	2021	10%
	PhP9,864,111,625.00		

Payment of the maturing 2013 Series A Bonds and 2015 Series A Bonds

The Company plans to use approximately PhP3,928,668,812.50 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”). The net proceeds of the 2013 Series A Bonds was used by the Issuer to replenish working capital, for payment of the Issuer’s short-term obligations and for planned investments and other general corporate requirements. 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”). The net proceeds of the 2015 Series A Bonds was used to replenish working capital, for other general corporate purposes, and to partially fund certain projects.

Partially finance the 2021 equity contributions to Apo Agua for the construction of the a hydroelectric-powered bulk water treatment facility in Davao

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. In 2018, Apo Agua signed an omnibus notes facility and security agreement with a consortium of lender-banks for a PhP9-billion loan to fund the bulk water facility and a 2.5-megawatt hydro-electric power plant. The remainder of the PhP12.6 billion project will be funded through equity infusions from the shareholders of Apo Agua. In 2019, Apo Agua began its 3-year construction phase and 59.2% of the construction has been completed as of October 16, 2020 based on capital spent out of the total project cost. This project will provide DCWD with over 300 million liters of safe water by end of 2021. AEV and its wholly-owned subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

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 and the partial financing of the equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao.

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.

The interest rate of the Series C Bonds shall be based on the 3-day simple average of the 3-year PHP BVAL Reference Rate, plus a spread of 50 basis points p.a.

The interest rate of the Series D Bonds shall be based on the 3-day simple average of the 3-year PHP BVAL Reference Rate, plus a spread of 60 basis points p.a.

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 PhP30,000,000,000.00 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 October 27, 2020, 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 47 basis points and up to 49 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 ₱3.7 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. 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 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, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Banking Corporation's investment banking group, which was organized in 2012.

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths in origination, structuring, and execution. As of 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 October 29, 2020 and end on November 06, 2020 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 October 27, 2020 (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 October 27, 2020 (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 November 16, 2023, while the Series D Bonds shall mature on November 16, 2025, 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 Aaa by PhilRatings. The rating and Stable Outlook were assigned given the following key considerations:

- 1) The Company's highly experienced shareholders and management;
- 2) The Company's sustained good income generation over the past years, albeit with decreasing margins attributable mainly to the Company's food business;
- 3) The Company's continuously growing asset and investment portfolio, supported by a manageable leverage position and liquidity; and
- 4) Increasing economic and market uncertainty caused by the COVID-19 pandemic.

Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings

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

TRANSFER OF BONDS

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 2.8403% per annum for the Series C Bonds, and 3.3059% per annum for the Series D Bonds, payable quarterly starting on February 16, 2021 for the first interest payment date, and February 16, May 16, August 16, and November 16, 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 Date of the Series D Bonds, the Issuer shall have the right, but not the obligation, granted to the Issuer under the Terms and Conditions to redeem in whole (and not in part), 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 Early 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 224.

	30 June 2020	31 December 2019	31 December 2018	31 December 2017
Interest Coverage Ratio	1.96	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 at least 2/3 of the Bondholders,

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; provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from issuance thereof;
6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of 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 within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement.
8. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within 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

Declaration by the Trustee or the Bondholders

1. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the 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 Registrar and the Paying Agent shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the 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 Registrar or Paying Agent is not obliged to release by any Applicable Law; and
 - b. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Second Tranche Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

Notice of Default

The Trustee shall, within ten (10) days after the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default known to it unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default, the Trustee shall, upon written notice from the Paying Agent of the Issuer's failure to pay any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the 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 and addresses of the Bondholders, the amount of the Second Tranche Bonds held by them, and such other information as may be agreed upon between the Registrar and the Issuer.

Penalty Interest

In case any amount payable by the Issuer under the 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 Second Tranche 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 in furtherance of the Trust Agreement and without negligence or bad faith by the Trustee hereunder.

Upon the occurrence of an Event of Default and in accordance with the requirements of the Trust Agreement, the Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the 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 Second Tranche Bonds due and payable.

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

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Second Tranche Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

Remedies

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

the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the 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 issued by the Trustee and sent by the Trustee to the Issuer and to each of the registered Bondholders through the Registrar and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its Board, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the 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. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and shall be held free and harmless for such reliance.

Procedure for Meetings

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

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

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

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of the 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 the Second Tranche Bonds, the appointment of proxies by registered holders of the Second Tranche Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

Evidence Supporting Bondholders' Action

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

Duties and Responsibilities of the Trustee

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

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

The Issuer and the Trustee may amend or waive any provisions of the Transaction Documents and it shall not be necessary to send a prior notice to, or obtain the consent of, the Bondholders under this Section for the purpose of:

- i. approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof; and
- ii. any such amendment or waiver that is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

Any consent given shall be conclusive and binding upon all Bondholders and upon all future holders and owners of such Second Tranche Bonds or of any Second Tranche Bond 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) reputable surface mailing service; (iii) reputable overnight courier service (postage prepaid); (iv) electronic mail; (v) by one-time publication in a newspaper of general circulation in the Philippines; or (vi) personal delivery to the address of record in the Registry Book; or (vii) disclosure through the online disclosure system of the PDEX. The Trustee shall rely on the Registry Book provided by the Registrar, in determining the Bondholders entitled to notice.

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

Binding and Conclusive Nature

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

Dispute Settlement

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

No Right to Set-Off

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

Governing Law

The 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 September 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.07% are owned by directors, officers and related parties, while the remaining 47.34% are owned by the public.

The Company's common shares were listed on the PSE in 1994 and, as of October 26, 2020, AEV had a market capitalization of ₱264 billion, with a common share price of ₱46.95 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 October 26, 2020, AboitizPower had a market capitalization of ₱210 billion, with a common share price of ₱28.55 per share.

Food. AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico Foods Corporation ("Pilmico") 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 September 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 ₱67 billion, with a common share price of ₱55.00 as of October 26, 2020.

Real Estate. AEV's development of residential communities is through AboitizLand, Inc. ("AboitizLand"). As of September 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, 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, 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 September 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.

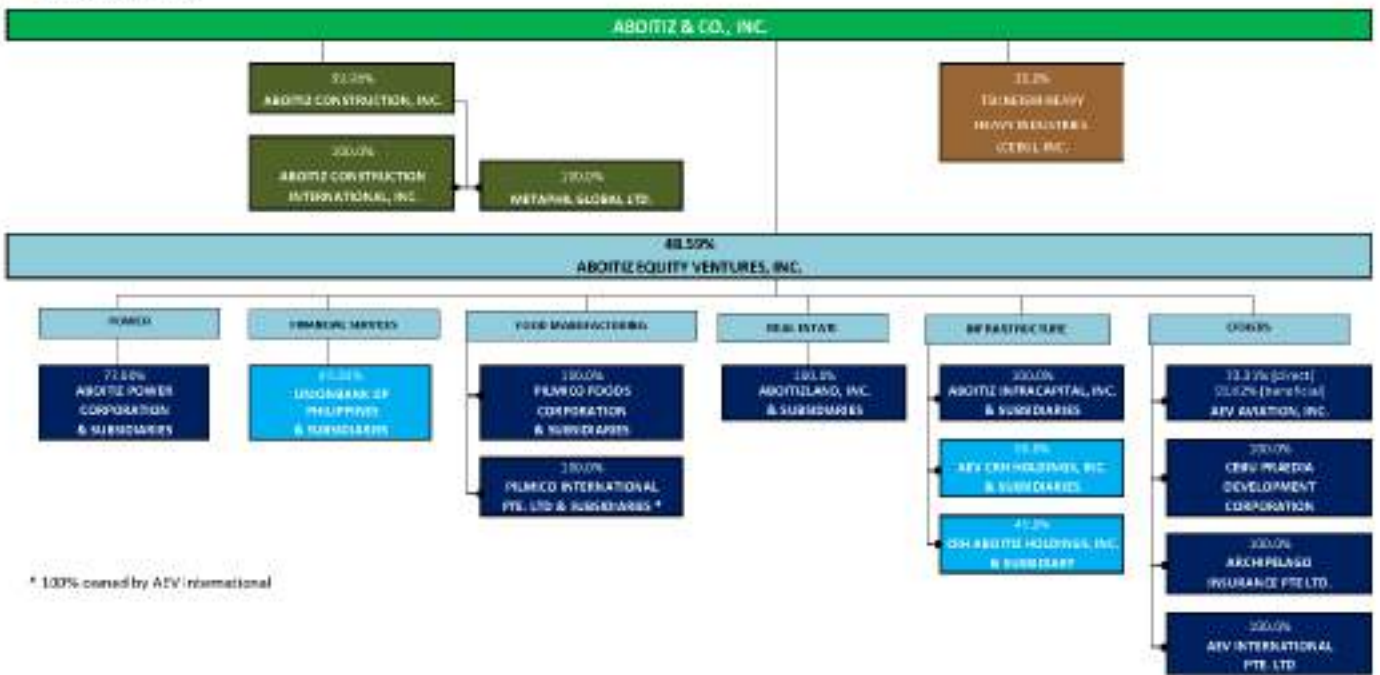
Others. AEV's other investments include holdings in: (a) aviation through AEV Aviation, Inc. ("AEV Av"), (b) insurance through Archipelago Insurance Pte. Ltd. ("Archipelago Insurance"), and (c) portfolio investments abroad through AEV International.

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

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
 As of June 30, 2020

Legend:

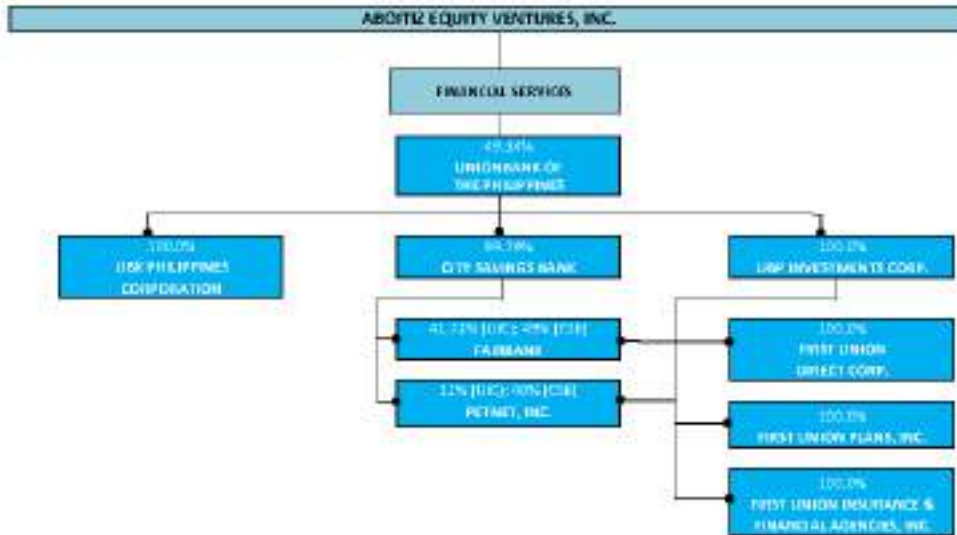
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



* 100% owned by AIV International

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

Legend:
 Reporting Company
 Subsidiary
 Associate or Joint Venture



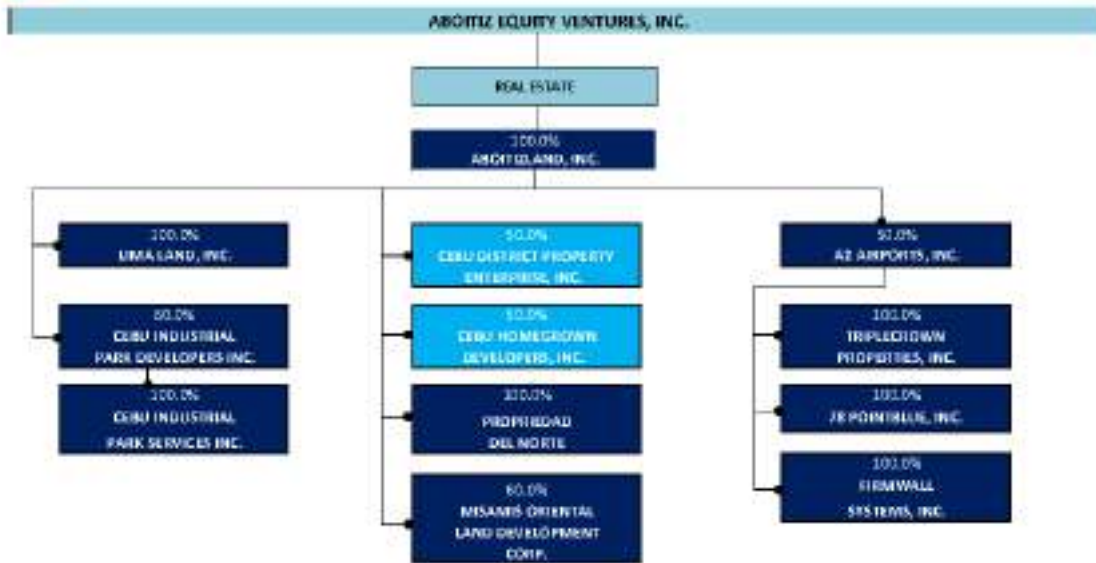
ABOITZ EQUITY VENTURES, INC. - FOOD MANUFACTURING
CONGLOMERATE MAPPING
 As of June 30, 2020

Legend:
 Reporting Company
 Subsidiary
 Associate or Joint Venture



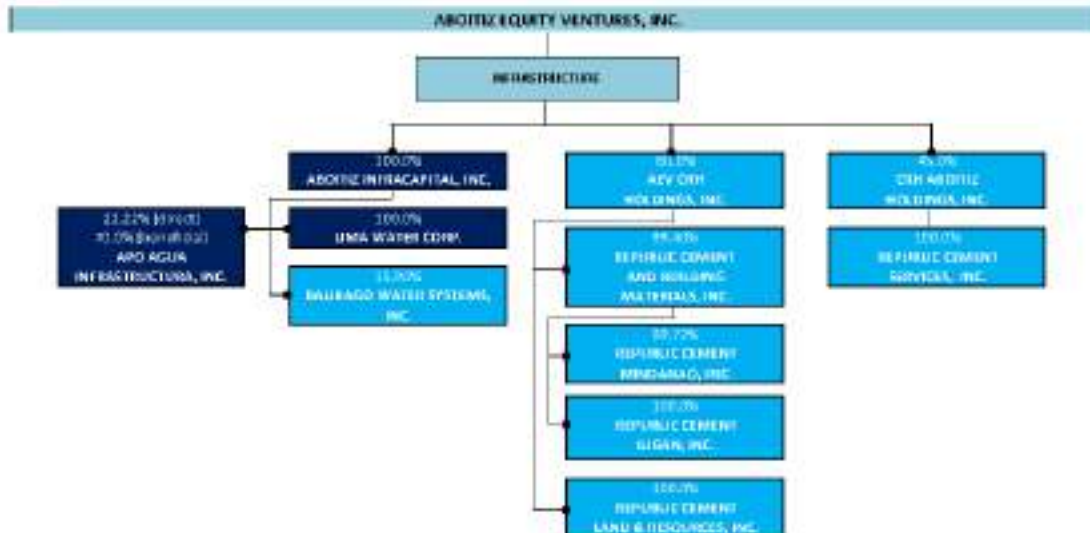
ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING
 As of June 30, 2020

Legend:
 Reporting Company
 Subsidiary
 Associate or Joint Venture



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

Legend:
 Reporting Company
 Subsidiary
 Associate or Joint Venture



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 September 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.07% are owned by directors, officers, and related parties, while the remaining 47.34% 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 September 30, 2020, its generation companies have an installed capacity which is equivalent to a 16.45% market share of the national grid's installed generating capacity (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 September 30, 2020, making the Company the second largest player in the retail electricity space. AboitizPower is listed on the PSE and as of October 26, 2020, AboitizPower had a market capitalization of PhP210 billion, with a common share price of PhP28.55 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.

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 centralized 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 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 the 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 Pilmico, 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, Pilmico is ranked among the top three domestic flour producers based on internal market data as of September 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 International), 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 September 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: Pilmico, 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, Pilmico 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, Pilmico 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, Pilmico 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. Pilmico 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, Pilmico, 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 September 30, 2020, which translates to a monthly sales volume of 13,000 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.

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 September 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. The Food Group was able to gain a wider foothold in ASEAN+China with the investment in the Gold Coin Group.

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 Vietnamese 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 September 30, 2020. As of September 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 that 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 Lanka, Myanmar, Pakistan, Brunei and the Philippines. GCMH's predecessor, Gold Coin (Malaysia) Berhad, was listed on the Malaysian Stock Exchange in 1974, but was privatized 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 and 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 Infraestructura, 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 an 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 the 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 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.

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 feeds 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\$120 million.

Financial Services

The Aboitiz Group engaged in the banking and financial services industry by entering into 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 Infraestructura, 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 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, has 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 organization 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 GNPow 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 Infranasantara 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 Pilmico, 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 maximize 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 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 optimize 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 fueled 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 organization. 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 recognized 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.

COVID-19 IMPACT

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 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.

For the Aboitiz Group, the impact of the COVID-19 pandemic was generally felt as follows:

- a) potential threat to health and well-being of team members and other stakeholders resulting from the spread of the virus; and
- b) constricted/reduced mobility of team members and other stakeholders resulting from the government imposed quarantines.

To be able to cope, the Aboitiz Group's response to COVID-19 was 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. Meanwhile, total assistance total contribution to the national COVID-19 response effort has reached over ₱2 billion, underscoring the Aboitiz Group's sustained campaign to help address the urgent needs of frontliners and affected communities nationwide.

The continuing community quarantine restrictions imposed by the Government affects demand and economic activity. Despite this, the Aboitiz Group's businesses continue to recover and enhance operational resilience.

For the Power Group, the impact of the COVID-19 pandemic was felt in the decrease in demand for electricity as businesses activities were hampered by the government-enforced community quarantines. These quarantines also resulted in reduced mobility to and from the Power Group's existing facilities, and new facilities being constructed.

The Power Group continued 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. To address the challenges posed by the pandemic, the Power Group developed a program that combines the best of work-from-home, 2-week workshifts, and remote plant operations. This will ensure that the Power Group keeps the lights on for the country. It also assessed the current and future modes of operations. This led to the necessity of doing an organizational restructuring, allowing for resiliency and enabling the Power Group to remain efficient, competitive, and sustainable. It is in the planning stages of a return to the workplace program, but will advance with caution. The COVID-19 pandemic also impacted the construction of the GNPower Dinginin project. It is now in the initial stages of commissioning, but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down because of the preventive measures taken

to ensure the safety of workers on-site. Due to said circumstances, the Power Group is constantly evaluating the timing of the project's commercial operations date.

The Financial Services Group's 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 impact of COVID-19 and quarantine restrictions on the performance of the Financial Services Group was a continuous increase in its digital customers and digital transactions with the rising need for digital solutions amid this crisis.

Retail digital customers breached 1 million customers. Of this, more than 180,000 customers were digital accounts opened through UnionBank's Online App. Corporate digital customers in "The Portal" already reached more than 10,000 customers. UnionBank Online app transactions have also continued an upward trend. Compared to the start of the year, transactions have increased by more than double. Apart from supporting the banking needs of its customers in this pandemic, the Financial Services Group is also keen on supporting several partnerships and Government initiatives, given its agility as a digital organization amidst the crisis. It was tapped by the DSWD for the distribution of the second tranche of the Social Amelioration Program ("SAP"). UnionBank was allocated 1.4 million customers out of the total 7.1 million SAP recipients. It also played a key role in the historical launch of the first in Asia app-based blockchain-enabled distribution of retail treasury bonds by the Bureau of the Treasury ("BTr"). UnionBank, along with the Philippine Digital Asset Exchange ("PDAX"), powered the BONDS.ph platform which customers used to buy and sell said retail treasury bonds. Recently, it launched the capability to deposit to UnionBank accounts via 7-11 branches. This can be considered as UnionBank's expansion of its network to more than 3,000 7-11 branches nationwide. Soon, about 8,000 more physical outlets (such as RD Pawnshop, Tambunting, and many more) will be given this cash-in facility. Its digital brand, EON, has also been very busy during the pandemic supporting various institutions and LGUs that needed assistance reaching their customers during the ECQ. Through EON's e-wallet and digital platform, these institutions are able to disburse cash and loan proceeds to their customer base. These include: (1) partnership with Paranaque City – for the disbursement of PhP200 million cash assistance program to households; (2) LIGHT Microfinance – for the disbursement of loan proceeds to 150,000 customers; (3) Public Safety Savings & Loan Association, Inc. ("PSSLAI") – for the disbursement of loan proceeds to 250,000 recipients; and (4) partnership with Imus for Lingap Imuseno program – for the disbursement of cash aid to 88,000 Imus residents and 45,000 recipients for the Bida Kard Program (program for children). These are good indications of how the Government and small institutions are opening up for digital transactions.

To cope with the above impact, UnionBank activated its plans to ensure that it provides continuous services to the public while ensuring the health and welfare of its employees. UnionBank implemented a split-workforce arrangement complemented by alternative work arrangements that involves telecommuting and work from home strategies. Most of all, UnionBank's digital capabilities enabled solutions applied in the organization's ways of working and alternative channels to pursue service offerings while mitigating the risks associated with COVID-19. In light of the COVID-19 crisis and its potential impact on UnionBank's credit portfolio, UnionBank deemed it prudent to further increase its provisions for loan losses to PhP 7.0 Bn. This is 19x higher than the same period last year or 5x higher than the first quarter (at PhP 1.3 Bn). The provisioning was anticipatory in nature which includes a buffer that acts as UnionBank's cushion amid this crisis. UnionBank's higher provisions resulted in its NPL cover to be above 100%.

For the Food Group, the pandemic's impact came in the form of disruptions in production and supply, shifts in sales channels and market consumption patterns, logistical constraints and challenges, a longer cash conversion cycle, and the extension of project completions.

To cope with the above impact, the Food Group maximized and accelerated digital selling and collections. The Food Group maintained sufficient levels of raw materials to support its operations in order to minimize issues in terms of domestic and international logistics. It continued to accelerate its business despite the turmoil through: (1) focusing on product lines that are supported by strong demand; (2) improving operational efficiency; and (3) proactively managing collections and expenses to improve cash flows. Lastly, the Food Group prioritized vital capital expenditures to protect its bottom line.

The impact of COVID-19 and quarantine restrictions on the performance of the Real Estate Group was the slowdown and restrictions in operations on the construction of its residential projects. Likewise, the Commercial business was not able to operate at full capacity during the initial quarantine period. The Industrial business suffered the least adverse effects.

To cope with the above impact, the Real Estate Group adapted innovative selling techniques such as contactless home buying services and launched a series of webcasts that touch on relevant topics in the context of the new normal - from investments to architectural design in order to improve its reach during the community quarantine. So far, the residential business has demonstrated resilience as it sustained its sales momentum even through the pandemic. On the other hand, the commercial business offered creative solutions to aid the survival and recovery of tenants. The commercial business is gradually recovering as tenants are starting to operate again post the strict lockdowns imposed by the Government. Finally, the industrial business is the most well-positioned to aid the national recovery through economic activity and job generation.

The impact of COVID-19 to the Infrastructure Group was seen in the dramatic slowdown of construction activities, particularly during the enforcement of COVID-related community quarantines.

To ensure that projects remained on track versus target project completion, the Infrastructure Group's EPC contractor implemented an aggressive manpower ramp-up, in addition to ensuring that social distancing protocols and other safety measures are in accordance with government guidelines.

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.

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 September 30, 2020, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.07% are owned by directors, officers, and related parties, while the remaining 47.34% 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 September 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 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 (Audited)	2018 (Audited)	2019 (Audited)	1H 2019 (Unaudited)	1H 2020 (Unaudited)
Revenue	₱150,422	₱186,943	₱201,157	₱102,552	₱94,606
Operating Profit	₱36,576	₱39,162	₱32,655	₱15,333	₱12,651

The operations of AEV and its Subsidiaries are based largely in the Philippines. AEV's percentage of revenues and net income contributed by foreign sales are as follows:

Contribution to Revenue

	2017		2018		2019	
	In P millions	%	In P millions	%	In P millions	%
Philippines	146,816	98%	163,984	88%	154,001	77%
Rest of Asia	3,605	2%	22,959	12%	47,157	23%
Total	150,422	100%	186,943	100%	201,157	100%

Contribution to Net Income Attributable to Parent

	2017		2018		2019	
	In P millions	%	In P millions	%	In P millions	%
Philippines	21,512	100%	21,999	99%	21,276	97%
Rest of Asia	97	0%	234	1%	760	3%
Total	21,609	100%	22,233	100%	22,036	100%

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

Contribution to Revenue

	2017 (Audited)		2018 (Audited)		2019 (Audited)		1H 2019 (Unaudited)		1H 2020 (Unaudited)	
	(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	(1,296)		(1,443)		(4,786)		(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 (Trademark has been renewed and will expire on September 24, 2027.)	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 (Trademark has been renewed and will expire on September 24, 2027.)	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 (Trademark has been renewed and will expire on September 24, 2027.)	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 for 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 competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

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

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 PCC 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 Bayanihan 2 Act, effective for two (2) years from September 15, 2020, are as follows:

Test		Old Threshold (effective March 1, 2020)	New Threshold (effective September 15, 2020)
Size of Person Test		₱6 billion	₱50 billion
Size of Transaction Test		₱2.4 billion	₱50 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 ₱50 billion instead of ₱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 ₱50 billion instead of ₱2.4 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 ₱50 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 ₱50 billion. The new thresholds will not apply to (a) transactions already pending review with the PCC, (b) notifiable transactions consummated before September 15, 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 implementing rules and regulations (“Data Privacy Act 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 Data Privacy Act IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

In 2017, 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 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.

7. Labor-related Regulations

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679). On the other hand, the Occupational Safety and Health Law (R.A. No. 11058) reinforces the existing Occupational Safety and Health Standards, which sets out, among others, the guidelines applicable to different establishments intended for the protection of every working man against the dangers of injury, sickness or death through safe and healthful working conditions.

The Department of Labor and Employment (“DOLE”) is the Philippine government agency mandated to implement policies, programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws, such as the Labor Code of the Philippines and the Occupational Safety and Health Law and Standards, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

a. Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Security Act of 2018 (R.A. No. 11199) to ensure coverage of employees following procedures set out by the law and the Social Security System (“SSS”). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program (“NHIP”) administered by the Philippine Health Insurance Corporation, a Government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

On 20 February 2019, the Universal Health Care Act (R.A. No. 11223), was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program.

Under the Home Development Mutual Fund Law of 2009 (R.A. No. 9679), all employees who are covered by SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to

provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF.

b. The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

c. Occupational Safety and Health Law

The Occupational Safety and Health Law (R.A. No. 11058) was signed into on August 17, 2018. It applies to all private establishments alike, requiring them, among others, to furnish workers with a place of employment free from hazardous conditions causing or are likely to cause death, illness, or physical harm, and to comply with the Occupational Safety and Health standards, including training, medical examination and the necessary protective and safety devices, such as personal protective equipment.

d. Other Labor-Related Laws and Regulations

(1) Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

The DOLE, through its Department Order No. 174, Series of 2017, regulates subcontracting arrangements by requiring, among others, the registration of contractors with the Regional Office of the DOLE where it principally operates.

(2) DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act (R.A. No. 9165), a national drug abuse prevention program implemented by the Department of Labor and Employment ("DOLE") must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation

and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 53-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases in accordance with the Safe Spaces Act (R.A. No. 9165), which was signed into law on April 17, 2019.

Moreover, DOLE Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control. In line with the Mental Health Act (R.A. No. 11036), employers are further required to develop policies and programs on mental health in the workplace designed to: raise awareness on mental health issues, correct the stigma and discrimination associated with mental health conditions, identify and provide support for individuals at risk, and facilitate access to treatment and psychosocial support.

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 GNPowr 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 837 MW as of August 2020, accounting for the second largest share in the open access market.

As of September 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	9,728	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	573	1,970	1,694	3,111
Davao Light*	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light*	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral

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

Renewables

Aboitiz Renewables, Inc. (ARI)

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998. As of September 30, 2020, AboitizPower's renewable energy portfolio comprises attributable net sellable capacity of approximately 927.52 MW in operation, divided into 46 MW of solar, 591.52 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, Lonyoy, Irisan 1 and 3, and Salangan	Run-of-river hydro	52.5	52.5	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	5	5	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	74.8	74.8	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46	46	Bilateral
SN Aboitiz Power-Benguet	60%	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	53	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASPA
SN Aboitiz Power-Magat	60%	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	9	4	FIT*

Total				1,249*	928 MW	

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 the 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 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 the Magat Plant is capable of producing, under normal to best conditions, its nameplate capacity of 360 MW to 388 MW.

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

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.

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

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 at 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 and 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	64	38	Distribution utility/WESM
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired power plant	43	43	Bilaterals/WESM
SPPC	20%	SPPC Plant (Mindanao)	Bunker-C fired power plant	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
		Power Barge Mobile 2 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted power plant	200	200	Distribution utility/ WESM
TPVI	100%	TPVI Plant ⁴ (Visayas)	Bunker-C fired power plant	39	39	WESM
WMPC	20%	WMPC Plant (Mindanao)	Bunker-C fired power plant	100	20	Bilaterals
Cotabato Light	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired power plant	4	4	Distribution Utility
Total				3377*	2533*	

* Sum figures will differ due to rounding effect

Oil Group

Therma Marine, Inc. (TMI)

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

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

Therma Mobile, Inc. (TMO)

⁴ ASPA will commence in 2021.

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. In April 2019, TMO lifted its preservation mode and commenced operations. Consequently, TMO notified all its regulators of its intent to return to commercial operations. TMO signed a PSA with Meralco for a term of one year beginning April 26, 2019 which expired last April 25, 2020. Last 14 July 2020, TMO and the National Grid Corporation (NGCP) executed Ancillary Services Procurement Agreements (ASPA). The ASPA is now filed with the ERC for approval.

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 TeaM Energy, through their respective Subsidiaries, TPI and TPEC Holdings Corporation. The Pagbilao Unit 3 Project is not covered by either TLI's IPPA with PSALM or TeaM Energy's BOT contract with NPC/PSALM. Pagbilao Unit 3 commenced operations in March 2018.

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

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

Therma South, Inc. (TSI)

TSI, a wholly-owned Subsidiary of TPI, owns and operates the 300-MW (2x150MW) CFB coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur. TSI was incorporated on 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.'s ("AC Energy") 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 of 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. AboitizPower owns 78.3% effective partnership interest in GMCP.

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. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017. Unit 1 is expected to 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. 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 September 30, 2020, AboitizPower owns 70% 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%.

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

AboitizPower directly holds a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant 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 million 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 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 in 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 September 30, 2020, Davao Light's systems loss is at 7.66%. This includes a feeder loss of 4.65%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower has a 99.93% equity interest in Davao Light.

Cotabato Light and Power Company (Cotabato Light)

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

Cotabato Light also maintains a standby 4.45-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 September 30, 2020, Cotabato Light's systems loss is at 8.65%. This includes a feeder loss of 8.03%, which is above the government-mandated feeder loss cap of 6.25%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

AboitizPower directly owns 99.94% equity interest 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 September 30, 2020, SFELAPCO's systems loss is at 5.05%. This includes a feeder loss of 3.67%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower has an effective equity interest of 43.727% 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 September 30, 2020, Subic EnerZone served a total of 3,474 customers, consisting of 82 industrial locators, 1,248 commercial locators, 2021 residential customers, 103 streetlights and 20 industrial locators under RES.

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

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

Mactan Enerzone Corporation (Mactan Enerzone)

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

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

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

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

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

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

AboitizPower directly owns 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 September 30, 2020, Lima Enerzone served a total of 91 captive industrial locators, 13 captive commercial locators, 736 captive residential customers, 8 streetlights, and 18 industrial locators under RES.

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

AboitizPower directly owns 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 September 30, 2020, Malvar Enerzone served a total of 2 captive industrial locators, 2 captive commercial locators and 1 streetlight.

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

AboitizPower directly owns 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 September 2020, AESI supplied retail electricity to a total of 201 customers, with total energy consumption of 1,492.80 million 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 September 2020, AdventEnergy supplied retail electricity to 67 customers with a total consumption of 770.52 million 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 September 30, 2020, Prism Energy supplied retail electricity to 43 customers with a total energy consumption of 137.35 million 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	₱63,959	₱65,032
Operating Income	11,036	13,991	16,818
Total Assets	₱414,603	₱404,549	₱373,649

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%	₱40,857	52%
Power Distribution	21,189	32%	23,700	29%	23,157	30%
Retail Electricity Supply	7,813	12%	14,060	17%	13,115	17%
Services	569	1%	597	1%	667	1%
Total Revenue	65,193	100%	81,066	100%	77,796	100%
Less: Eliminations	(12,161)		(17,107)		(12,764)	
Net Revenue	₱53,032		₱63,959		₱65,032	

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 of Malvar 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.⁵ 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

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%,⁶ with contracted capacity of 829.24 MW⁷ 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.

⁵Based on ERC's Competitive Retail Electricity Market Report released in July 2020.

⁶Excluding SFELAPCO which is 20.284% owned by AboitizPower.

⁷ Excluding SFELAPCO which is 20.284% owned by AboitizPower.

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

TLI has long-term coal supply contracts for the Pagbilao Plant annual coal requirements. Nevertheless, it is continuously looking for and evaluating other coal sources to diversify sources and ensure security of supply.

Likewise, TSI has annual coal supply contracts for its coal plant in Mindanao. It applies the same sourcing strategy as that of Pagbilao where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. 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 September 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 August 2020, AboitizPower’s RES business has approximately 342 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 to 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.	Salangan	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 10, 2024	March 5, 2019
		Tudaya 2 – Unit 2			2.775 MW	Hydro		
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25 years	September 29, 2015
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ 1, Lapu-Lapu City, Cebu	49.60 MW	Bunker C	June 11, 2018 – June 10, 2023	March 27, 2018
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	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	March 25, 2015
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	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 r 19, 2024	September 20, 2019
COC No. 19-06-M- 00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal- Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M- 00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal 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 (Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40, 42)	Indonesia
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 July 18, 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 to the ERC rules on distributed energy resources and generation facilities.

GEOP is presently available to end-users in Luzon and Visayas only, until such time that DOE, in consultation with the NREB and industry stakeholders, determines the readiness of the Mindanao market.

Other provisions of the GEOP include the establishment of the GEOP Oversight committee, as well as the ERC issuing regulatory framework particularly in setting the technical and interconnection standards and wheeling fees, to affect and achieve the objectives of GEOP. With regard to the billing mechanism, the GEOP Rules provide that a “dual billing system” may be adopted by the end-user availing of the program.

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

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

Pilmico 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 June 30, 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

Pilmico 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, Pilmico has a representative office in Ho Chi Minh City, Vietnam. 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. 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. Pilmico 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 September 30, 2020, Pilmico, 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 September 30, 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 September 30, 2020. As of September 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 Proco Charoen Pokphand Group remains the biggest feed miller in South East Asia with leading market share and capacity in Thailand, Vietnam and Indonesia.

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) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Myanmar
Gallimax -313090 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Aveamax -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) (Class Nos. 5 and 31)	Gold Coin Management Holdings Limited	Myanmar
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

Part of the inherent business risk of swine and poultry farms are animal diseases (e.g., African Swine Fever and Avian Influenza) which can impact demand and supply for certain products of the Food Group. A major outbreak can affect the entire industry, significantly affecting demand and supply. There can only be a certain level of 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. As part of taking on a proactive approach in managing this risk, the Food Group continually understands changes in the risk profile and context to better understand and manage this risk. This may come in the form of continuous testing and evaluation of new lab tests or vaccine and medicine programs or new regulatory requirements to comply with.

Being in the food industry, food safety risks brought about by foodborne illness or illnesses related whether or not related to the Food Group's products, could negatively affect sales and reputation. Both could have a material adverse effect on the Food Group's business, financial condition and results of operations. This risk exists even if it were later determined that the illness was wrongly attributed to its products. Quality assurance ("QA") and quality control ("QC") activities play an important role in managing this risk. Part of the Food Group's 2021 and 10 year strategic plans include a robust implementation of quality across suppliers to market value chain. Four quality areas include: (1) supplier quality; (2) process quality; (3) product quality; and (4) market quality.

- Supplier Quality - focuses on the development and implementation of quality supplier accreditation process
- Process Quality - focuses on improvement of existing quality programs and processes such as but not limited to HACCP, Food Defense and Food Fraud Program
- Product Quality - focuses on implementation of cost of poor quality management and new products development program
- Market Quality - focuses on improvement of existing programs and processes on handling customer complaints, product recall

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. 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 on 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 all or significant increases in product costs will be passed on to consumers and that any price increases that are passed along to consumers will not have a material adverse effect on price competitiveness.

Key controls to manage this risk include leveraging on volume through strategic and centralized procurement of the Food Group's raw materials requirement. Another is the establishment of neutral positioning when buying raw materials which usually ranges from 3 weeks to 4 months. By having a neutral position, we can somehow mitigate the external factors affecting prices.

Contributing to the supply chain disruption is the unavailability of supply of raw materials at the required quality and quantity that meet the needs of the Food Group. Ultimately, any shortages in raw materials may lead to delays in the supply of products to our customers. Key controls to manage this include setting up multiple suppliers both international and local as backup. Establishing safety stock levels and even raising them on certain occasions to minimize shutdowns.

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 leverages on industry associations or groups to lobby for certain barriers to entry in the form of imposition of duties and taxes on these imported goods.

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 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.

Our dealer network is a key asset for the Food Group and we have taken steps to know more about our customers and their customers. Delivering consistent and quality products to customers is important to building a lasting relationship. Part of the strategic plans include building our own competencies for an ideal distribution center that will handle consolidation, repacking and logistics. Another key initiative is to provide a system to support our distributors in managing their customers, payments, fulfilment, and inventory management.

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 September 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 September 30, 2020, UnionBank and its subsidiaries had 403 branches across the Philippines and a network of 497 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.

<i>Relationship Managers</i>	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.
<i>Branch Network</i>	UnionBank has 206 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 its 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), Progressive Bank (3 branches in Visayas) and PETNET (over 3,000 locations nationwide).
<i>ATM Networks</i>	UnionBank and its subsidiaries' network of 497 ATMs as of September 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.

<i>Call Center</i>	UnionBank's 24-hour ISO-certified call center handles retail customer relationship and care, catering to deposit and card product queries, among others.
<i>Customer Service Chatbot</i>	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.
<i>Mobile and E-Banking</i>	<p>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.</p> <p>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.</p>
<i>EON</i>	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.).
<i>Platforms and Other Digital Channels</i>	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 August 31, 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 ₱17.25 trillion, total loan portfolio (inclusive of Interbank Loans and RRP) of ₱9.52 trillion, and total deposits of ₱13.25 trillion. The industry is currently dominated by the three largest universal banks with over ₱2 trillion in assets, namely Banco de Oro (BDO), Bank of the Philippine Islands (BPI) and Metropolitan Bank and Trust Company (Metrobank). 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 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 others, credit risk, market risk, operational risk, operational risk, liquidity risk, and Information Technology ("IT") risk. 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.

Procedures to identify and assess the aforementioned risks are embedded in the Bank's various processes, including but not limited to, KYC procedures, loans evaluation and underwriting and due diligence procedures. The Group maintains a prudent risk management strategy to ensure its soundness and profitability. Strategies and limits are reviewed regularly and updated to ensure that risks are well-diversified and risk mitigation measures are in place. A system for managing and monitoring risks is in place so that all relevant issues are identified at an early stage and appropriate actions are taken on a timely basis. Risk reporting is done on a regular basis, either monthly or quarterly.

UnionBank may face increasing levels of non-performing loans ("NPLs"), provisions for impairment losses and delinquencies in its loan 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.

The aforementioned risk is managed through strategies, policies and limits that are approved on the Board level and in line with the Bank's risk appetite. The Bank has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments to assess the inherent risks. Business units are held accountable for all the risks and related returns and ensure that decisions are consistent with business objectives and risk tolerance.

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.

Lending policies, including on collaterals, are reviewed regularly to align with market developments. Collaterals, both for current and repossessed loans, are appraised periodically.

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.

Certain accounting standards, including the PFRS 9 expected credit loss standards, have been adopted by the Bank to obtain unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions with the objective of recognizing lifetime losses on all financial instruments which have experienced a significant increase in credit risk since their initial recognition. These assumptions are reviewed and updated at least monthly.

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, 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, 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 July and August of 2019, respectively, 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).

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 September 30, 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.

Propiedad del Norte, Inc.

Incorporated on March 1, 2007, Propiedad 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, Foessa, 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 September 30, 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 June 30, 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 end 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 companies 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
Foessa word mark	March 24, 2017	March 24, 2022
Foessa 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 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 in Aboitiz 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.

These risks were identified by evaluating the possible financial impact to AboitizLand. Leasing out spaces and collections are some of the risks that will have a negative impact in terms of revenue and cash flow. Among others, identified risks include difficulty in leasing out existing developments to new tenants and retaining current merchants and were assessed by probability. AboitizLand manages risks by identifying possible solutions that could soften the blow of the risk impacts. In commercial developments for example, AboitizLand is pivoting to other uses of its existing developments and providing concessions to tenants to mitigate the risk of valued stakeholders pre-terminating their contracts.

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.

The occurrence of these risks and the consequence of AboitizLand's ability to develop, will only be highly likely if a project is mis-scoped. In order to mitigate these risks, AboitizLand's project development and operations plans have been and are continuously being updated. By taking lessons learned from older projects, creating standards for processes, implementing policies, and execution of the company's scope of work all the way from the acquisition stage, through the planning, launch, construction, and turn-over stages, AboitizLand is able to mitigate these risks. A consistent review of the company's project risks and management plans at each milestone project point allows the risk treatment plans to be updated in order to keep up with market and regulatory changes, as well as manage internal stakeholder or third party engagement, while maintaining project health.

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 Infraestructura, 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, (Philippines) 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 September 30, 2020, AEV CRH owns 99.40% of RCBM’s outstanding capital stock.

As of September 30, 2020, AEV owns 60% and 45% equity interests in its Associates, 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 authorized 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 its former affiliate, Republic Cement Iligan, Inc. (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.

As of September 30, 2020, RCBM has a 99.75% equity interest in RCMI.

On October 1, 2020, the SEC approved the merger of RCMI and RCII with RCMI as the surviving entity.

RCII, previously a wholly-owned subsidiary of RCBM, manufactured cement for RCMI. RCII’s operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City.

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 Calumbuyan 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 non-nationalized business of RCBM and RCMI. 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, such as Holcim Philippines, Inc., Eagle Cement Corporation, Cemex Philippines, and Taiheiyo Cement Philippines, Inc., 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.

The principal competitors of Aboitiz InfraCapital, Inc. consist of the companies that participate in the proposals and bids for infrastructure projects and sectors we pursue. These include Metro Pacific Investments Corporation, San Miguel Corporation and Filinvest Development Corporation.

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 (now merged with RCMI)	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.

These risks are mitigated through a combination of (i) developing and implementing the appropriate plans and procedures covering relevant areas such as stakeholder management, procurement and operations; and (ii) engaging the appropriate experts and suppliers where necessary.

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 211 employees as of September 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 September 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	50	286	33	10	44	19	6	164
Managers	62	1,801	70	27	119	22	126	334
Supervisors	46	1,785	340	103	309	46	306	932
Rank & File	53	2,212	251	55	1,822	46	401	2,609
TOTAL	211	6,084	694	195	2,294	133	839	4,039
Unionized Employees	N/A	1,463	27	N/A	206	N/A	618	492
Expiry of CBA	N/A	<u>UBP</u> : 2020 <u>CBS</u> : 2025	May 31, 2020	N/A	<u>GCSI</u> : Aug 2021 <u>GCSI</u> : Aug 2021 <u>GCFM</u> : Dec 2019 <u>GCSSB</u> : Feb 2021	N/A	N/A	<u>LHC</u> : Sept 2022 <u>APRI</u> : Feb 2022 <u>Visayan Electric</u> : Dec 2016 <u>Davao Light</u> : July 2024 <u>Cotabato Light</u> : June 2021 <u>SFELAPCO</u> : May 2024

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.

The Company's employees are not unionized. They are not on strike nor are threatening to strike. The Company's employees have neither been on strike nor have threatened to strike for the past three (3) years.

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 had a carrying value of ₱221.52 billion, ₱225.56 billion and ₱221.69 billion as of June 30, 2020, December 31, 2019 and 2018, respectively. Breakdown of these assets as of December 31, 2019 and 2018 is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2019	2018
Power Plant Equipment and Steam Field Assets	₱141,948,261	₱168,443,359
Construction in progress	8,094,853	39,193,075
Buildings, Warehouses and Improvements	45,258,069	28,738,498
Transmission, Distribution and Substation Equipment	21,295,812	19,458,140
Machinery & Equipment	9,630,900	9,354,817
Office Furniture, Fixtures and Equipment	12,659,004	9,831,153
Leasehold Improvements	3,055,878	3,033,342
Land and Land Improvements	3,754,564	3,489,652
Transportation Equipment	2,796,330	2,702,556
Tools and Others	2,344,094	2,440,081
Less: Accumulated Depreciation and Amortization	59,728,438	61,860,288
Accumulated Impairment	3,134,440	3,134,440
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	Bunker-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 II, 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 (now merged with RCMI)	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 2013 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 from 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 2020, 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.

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 2019 Bonds, with a term of ten (10) years from issue date. The Series A 2019 Bonds has a fixed interest rate of 6.0157 % per annum and an optional redemption on the 4th anniversary of the Issue Date of the Series A 2019 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 2019 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 2019 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 2019 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.

On September 28, 2020, the RTC of La Trinidad issued an Order directing the respondents to comment on LHC's petition within ten (10) days from receipt thereof.

Supreme Court GR No. 223403 and 223460-61 (formerly CTA En Banc Case Nos. 1024 and 1096; CBAA Case Nos. L-96 and L-99) "Luzon Hydro Corporation and the National Power Corporation vs. The Local Board of Assessment Appeals of the Province of Ilocos Sur, Fatima Tenorio, in her official capacity as the Provincial Assessor of the Province of Ilocos Sur, Antonio A. Gundran, in his capacity as the Provincial Treasurer of the Province of Ilocos Sur", 02 July 2003

LHC has an RPT dispute with the Province of Ilocos Sur and the Municipality of Alilem since 2003 when the Municipality assessed LHC for RPT over the portions of the Bakun Hydro Electric Plant located within the territorial jurisdiction of the Municipality. LHC protested the assessment, with NPC intervening in the proceedings since it had contractually assumed the obligation to pay RPT in the PPA. LHC escalated the protest to the CTA EB on the issue of which between NPC and LHC is obligated to pay the RPT. The CTA EB ruled that LHC, being the actual, direct and exclusive user of the subject properties, is the one obligated to pay RPT. This ruling was sustained by the SC with finality in a resolution dated 24 September 2018.

Meanwhile in 2014, while the case was pending before the CTA EB, then President Aquino issued EO No. 173, which reduced the liability for RPT of IPPs such as LHC to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2014. More EOs of the same nature were subsequently issued, the latest being, EO No. 88 Series of 2019, dated 13 August 2019 ("EO 88") issued by President Duterte.

With the finality of the SC's determination that it is liable to pay RPT, LHC wrote to Gov. Singson on 18 December 2018 signifying its willingness to settle the outstanding RPT obligation, but at the reduced amount pursuant to the EOs. There was no response until 13 August 2019, when LHC received a Notice of Tax Delinquency from the Municipality with respect to four properties, computed based on an 80% assessment level. LHC received a second Tax Delinquency Notice on 18 September 2019 for seven other properties. The second tax delinquency notice covered the lodging house, admin buildings, warehouses, tunnel steel lining and industrial switchyard. Thereafter, the Municipality of Alilem issued warrants of levy for the properties covered by the notices, and scheduled them for auction sale.

LHC filed two separate "Petitions for Prohibition and Mandamus with prayer for TRO and Preliminary Injunction" to cover the two notices of auction sale, challenging the correctness of the amount assessed as RPT and to prevent the auction sale of the assets. The actions also sought the enforcement of the EOs directing the reduction of RPT on property, machinery and equipment actually and directly used by IPPs under BOT contracts (however denominated), and condoning related RPT interest and penalties.

The RTC of Tagudin, Ilocos Sur acting on both Petitions, issued two TROs enjoining the Municipality of Alilem from selling at public auction LHC's real properties for a period of 20 days. LHC, on its part, filed its Position Paper on 12 December 2019 and Supplemental Position Paper 19 December 2019, in compliance with the aforesaid court orders. On 11 February 2020, LHC filed its Memorandum. On 14 February 2020, the case was deemed submitted for resolution.

On 17 April 2020, LHC filed a Manifestation to inform the RTC of Tagudin, Ilocos Sur about the parties' renewed attempt to forge a settlement.

On 22 July 2020, LHC and the Province of Ilocos Sur entered into a Compromise Agreement ("CA"). On 23 July 2020, the Parties filed a Joint Motion to Render Judgment Based on Compromise. The RTC of Tagudin, Ilocos Sur approved the CA and promulgated the Judgment Based on Compromise Agreement on 27 July 2020.

On 4 August 2020, LHC complied with its obligation under the CA by paying the amounts stipulated therein.

On 17 August 2020, LHC filed with the RTC of Tagudin, Ilocos Sur a Manifestation (Re Payment of Amounts Stated in the Compromise Agreement) With Motion To Release TRO Bond. In the Manifestation with Motion, LHC asked the RTC of Tagudin, Ilocos Sur to: (a) note the payments made on 4 August 2020 by LHC to Ilocos Sur of the four amounts mentioned in the CA; (b) declare that LHC has fully complied with

its obligation under the CA to pay the said amounts; and (c) release the TRO bond of ₱200,000.00 posted by LHC on 16 December 2019.

On September 11, 2020, the RTC of Tagudin, Ilocos Sur issued an Order noting LHC's full compliance with its obligations under the Compromise Agreement and directing the release to LHC of the TRO bond previously posted.

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.", Supreme Court; 19 December 2013

G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.", Supreme Court; 20 December 2013

G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; 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 September 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-Rule⁸, 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.

⁸ The Must-Offer Rule (“MOR”) under the WESM Rules states that a Generation Company must, at all times, offer the maximum available capacity in the market. The Maximum Available Capacity is defined as the registered maximum capacity (PMax) of the (aggregate) unit less – forced unit outages; scheduled unit outages; de-rated capacity due to technical constraints which include –plant equipment-related failure and ambient temperature, hydro constraints which pertain to limitation on the water elevation/turbine discharge and MW output of the plant and geothermal constraints which pertain to capacity limitation due to steam quality (chemical composition, condensable and non-condensable gases), steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system.

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 September 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.

As of September 30, 2020, ERC's and MERALCO's Petitions are still pending before the Supreme Court.

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 three years were as follows:

	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	54.00	29.10	67.90	53.20	79.00	67.50
Second Quarter	52.20	38.25	60.95	46.70	69.85	53.95
Third Quarter	51.60	45.05	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 October 26, 2020 is ₱46.95 per share.

HOLDERS

As of September 30, 2020, AEV has 8,381 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 September 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	952,828,956	16.92%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	380,410,257	6.76%
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	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
17	Arrayanes Corporation	Filipino	10,650,070	0.19%
18	UnionBank TISG For IMA#PH3Q201692	Filipino	8,709,900	0.15%
19	Les Folatieres Holdings Inc.	Filipino	8,056,119	0.14%
20	Ramjay Management & Dev. Corp	Filipino	7,826,493	0.14%
	SUB-TOTAL		5,000,015,541	88.81%
	Other Stockholders		630,209,916	11.19%
	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 2020 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 consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. For the details on the material off-balance sheet transactions, arrangements, obligations, and other relationships of the company please refer to Note 25 of the unaudited interim consolidated financial statements and Note 40 of the consolidated audited financial statements.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to materially affect the Company's continuing operations.

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 (Unaudited)	JAN-JUN 2019 (Unaudited)
EQUITY IN NET EARNINGS OF INVESTEES	₱3,105,353	₱3,624,927
EBITDA	22,874,102	26,494,406
CASH FLOW GENERATED:		
Net cash flows from operating activities	18,016,784	20,772,370
Net cash flows used in investing activities	(1,691,104)	(27,293,588)
Net cash flows from (used in) financing activities	12,339,599	(9,083,606)
Net Increase (Decrease) in Cash & Cash Equivalents	28,665,279	(15,604,824)
Cash & Cash Equivalents, Beginning	46,424,663	59,033,029
Cash & Cash Equivalents, End	75,288,514	44,076,880
	JUN 30, 2020	DEC 31, 2019
CURRENT RATIO	1.32	1.27
DEBT-TO-EQUITY RATIO	1.94	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 1.94x (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 ₱3.92 billion, a 56% decrease year-on-year (YoY). This translated to earnings per share of ₱0.70 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 ₱3.94 billion, 56% lower YoY. AEV recorded a 14% decrease in consolidated EBITDA for the first half of 2020 compared to the same period 2019, from ₱26.49 billion to ₱22.87 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 GNPowder 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 41%, or ₱5.76 billion, from ₱14.18 billion in the six months ended 30 June 2019 to ₱8.43 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 56% or ₱5.03 billion, from ₱8.95 billion in the six months ended 30 June 2019 to ₱3.92 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 ICERA that 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 8% YoY, from ₱2.37 billion in the six months ended 30 June 2019 to ₱2.17 billion in the six months ended 30 June 2020.

On a stand-alone basis, UnionBank recorded a net income of ₱4.27 billion for the six months ended 30 June 2020, a decrease of 10% 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 ₱13.86 billion, 41% higher YoY, while other income was ₱8.02 billion, up 80% 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, which is a 165% decrease 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 136% or ₱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 5% to ₱619.82 billion, due to the following:

- Cash & Cash Equivalents increased by 62% (₱75.29 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 ₱1.99 billion (₱142.35 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 GNPowder Dinginin Ltd. Co., Aboitizland's ₱200.0 million infusion into Cebu Homegrown Developers, Inc., and the recording of ₱3.11 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.

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.
- Other Noncurrent Assets (ONCA) decreased by 5% (₱13.41 bn as of 30 June 2020 compared to ₱14.13 bn as of 31 December 2019) primarily due to the reclassification of Input VAT previously classified as ONCA to Other Current Assets (OCA), as the Group expects these to be used within the next 12 months.

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% (₱258.07 billion as of 30 June 2020 compared to ₱239.58 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 Infraestructura, Inc.; (iii) the ₱600 million in debt availed of by Aboitiz Energy Solutions, Inc.; and (iv) the ₱189 million of additional debt availed of by Therma Power Visayas, Inc. These increases were partly offset by the settlement of maturing loans.
- Long-term obligation on Power Distribution System (current and noncurrent portions) increased by 6% (₱211.4 million as of 30 June 2020 compared to ₱199.4 million as of 31 December 2019) mainly on accretion of interest.
- 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 ₱171.5 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 ₱3.92 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 ₱2.76 billion to ₱18.02 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, ₱1.69 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 62% increase in cash and cash equivalents, from ₱46.42 billion as of year-end 2019 to ₱75.29 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 1.94:1 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 commenced commercial operations on August 7, 2020.

The GNPower Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban 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 GNPowerr 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, AboitizPower 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 Bank's 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
- 5) 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 (Capital Adequacy Ratio of 16.0% as of June 2020) and low nonperforming loans ratio (Net Non-Performing Loan Ratio of 2.1% as of June 2020), 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 January 2021 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. Abaca 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 Infraestructura, 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 INVESTEEES	₱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 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 GNPowder 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 ₱14.49 billion for 2019, an increase of 98% 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 ₱27.59 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.
- 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 5% (₱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% (₱133.4 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, including long-term obligation to PDS (current and non-current), 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 end-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.

REVIEW OF JAN-DEC 2018 OPERATIONS VERSUS JAN-DEC 2017

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2018	JAN-DEC 2017
EQUITY IN NET EARNINGS OF INVESTEEES	₱7,727,663	₱9,053,733
EBITDA	60,653,429	56,977,228
CASH FLOW GENERATED:		
Net cash flows from operating activities	38,417,349	32,237,312
Net cash flows used in investing activities	(30,762,255)	(11,304,774)
Net cash flows used in financing activities	(13,223,355)	(19,458,941)
Net Increase (Decrease) in Cash & Cash Equivalents	(5,568,261)	1,473,597
Cash & Cash Equivalents, Beginning	64,870,214	63,857,528
Cash & Cash Equivalents, End	59,033,029	64,870,214
	DEC 31, 2018	DEC 31, 2017
CURRENT RATIO	1.76	1.61
DEBT-TO-EQUITY RATIO	1.55	1.56

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 bottom line 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	₱29.42	₱22.32
Steam supply costs	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)	₱8.82	₱9.08
WESM (Generation Group)	5.05	6.26
PSALM (Retail Electricity Supply [RES] Group)	2.05	1.82
Related Parties	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 ₱3.58 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 ₱1.35 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 PPE, Property Held for Sale and 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 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 ended December 31, 2018, 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

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2017	JAN-DEC 2016
EQUITY IN NET EARNINGS OF INVESTEEES	₱9,053,733	₱9,651,787
EBITDA	56,977,228	48,127,754
CASH FLOW GENERATED:		
Net cash flows from operating activities	32,682,219	32,013,422
Net cash flows used in investing activities	(11,749,681)	(84,668,374)
Net cash flows used in financing activities	(19,458,941)	52,848,445
Net Increase (Decrease) in Cash & Cash Equivalents	1,473,597	193,493
Cash & Cash Equivalents, Beginning	63,857,528	63,581,884
Cash & Cash Equivalents, End	64,870,214	63,857,528
	DEC 31, 2017	DEC 31, 2017
CURRENT RATIO	1.56	2.51
DEBT-TO-EQUITY RATIO	1.56	1.68

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, GNPowder 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 bottom line 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 kilowatt-hour (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 bottom line 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 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% (₱91.92 billion vs ₱86.95 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. 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% (₱342 million as of December 31, 2017 vs ₱292 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, including long-term obligation to PDS and finance lease, 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 avilment 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 ₱1.82 billion as of end-2016 to ₱2.96 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 ₱140.28 billion to ₱155.01 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 ₱669 million to ₱32.68 billion, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the year.

AEV ended 2017 with ₱11.75 billion net cash used in investing activities versus ₱84.67 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 1.56x 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.

<p>ENRIQUE M. ABOITIZ Chairman – Board</p> <p><u>Age:</u> 66</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman -Board Risk and Reputation Management Committee</p> <p>Member - Board Corporate Governance Committee - - Board Executive Committee</p>	<p><i>Mr. Enrique M. Aboitiz</i> 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.</p> <p>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.</p>
<p>MIKEL A. ABOITIZ Vice Chairman – Board</p> <p><u>Age:</u> 65</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member</i> - Board Risk and Reputation Management Committee Board Executive Committee</p>	<p><i>Mr. Mikel A. Aboitiz</i> 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.</p> <p>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,</p>

	Washington, U.S.A. He is not connected with any government agency or instrumentality.
<p>ERRAMON I. ABOITIZ Director</p> <p><u>Age:</u>64</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member</i> – Executive Committee</p> <ul style="list-style-type: none"> - Board Audit Committee - Board Risk and Reputation Management Committee 	<p>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.</p> <p>Mr. Aboitiz is also Chairman of the Board of Directors of the following companies: Manila-Oslo Renewable Enterprise, Inc. (MORE), Aboitiz Power Corporation, Union Bank of the Philippines, both publicly-listed companies. He is Director of ACO, AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation.</p> <p>Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young’s Entrepreneur of the Year, both in 2011. 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.</p>
<p>SABIN M. ABOITIZ Director / President and Chief Executive Officer</p> <p><u>Age:</u> 56</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Chairman</i> – Executive Committee <i>Member</i> – Board Corporate Governance Committee</p> <ul style="list-style-type: none"> - Board Risk and Reputation Management Committee - 	<p>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.</p> <p>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.</p> <p>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., CRH Aboitiz Holdings, Inc., and Republic Cement Services, Inc.; Director and President of AEV CRH and AEV Aviation; Director of UnionBank, a publicly listed company, ACO, Republic Cement & Building Materials, Inc., Apo Agua Infraestructura, Inc., Aboitiz Construction International, Inc.,</p>

	<p>Aboitiz Construction, Inc., AboitizPower International Pte. Ltd., and AEV International Pte. Ltd.</p> <p>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.</p>
<p>ANA MARIA A. DELGADO Director</p> <p><u>Age:</u>40</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member – Board Audit Committee</i></p>	<p><i>Ms. Ana Maria A. Delgado</i> was elected director of the Company on December 11, 2018, and has been a member of the Board Audit Committee since January 28, 2020.</p> <p>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.</p> <p>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.</p>
<p>EDWIN R. BAUTISTA Director</p> <p><u>Age:</u>60</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member – Executive Committee</i></p>	<p><i>Mr. Edwin R. Bautista</i> 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.</p> <p>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.</p>
<p>RAPHAEL P.M. LOTILLA Lead Independent Director</p> <p><u>Age:</u>62</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u></p>	<p><i>Mr. Raphael P. M. Lotilla</i> has served as an Independent Director of the Company since May 21, 2012 and was 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</p>

<p><i>Chairman</i> – Board Corporate Governance Committee</p> <p><i>Member</i> – Board Audit Committee</p> <p>- Board Risk and Reputation Management Committee</p> <p>Board Related Party Transactions Committee</p>	<p>May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017.</p> <p>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.</p> <p>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.</p>
<p>JUSTICE JOSE C. VITUG (RET.) Independent Director</p> <p><u>Age:</u> 86</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Chairman</i> – Board Audit Committee</p> <p><i>Member</i> – Board Risk and Reputation Management Committee</p> <p>- Board Corporate Governance Committee</p> <p>Board Related Party Transactions Committee</p>	<p><i>Justice Jose C. Vitug (Ret.)</i> 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.</p> <p>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.</p> <p>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.</p>

	<p>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.</p> <p>He is not connected, either as an officer or as an employee, to a government agency or instrumentality.</p>
<p>MANUEL R. SALAK III Independent Director</p> <p><u>Age:</u> 60</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Chairman</i> – Board Related Party Transactions Committee</p> <p><i>Member</i> –Board Risk and Reputation Management Committee</p> <ul style="list-style-type: none"> - Board Corporate Governance Committee - Board Audit Committee 	<p>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.</p> <p>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.</p> <p>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 <i>Institut Européen d’ Administration des Affaires</i> (INSEAD) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School, U.S.A.</p> <p>He is not connected with any government agency or instrumentality.</p>
<p>MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer <i>Ex-officio</i> Member – Board Risk and Reputation Management Committee</p>	<p>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</p>

<p><u>Age:</u> 49</p> <p><u>Citizenship:</u> Filipino</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>SUSAN V. VALDEZ Senior Vice President and Chief Corporate Services Officer <i>Ex-officio</i> Member – Board Corporate Governance Committee</p> <p><u>Age:</u> 59</p> <p><u>Citizenship:</u> Filipino</p>	<p>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.</p> <p>Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa’s College with a degree of Bachelor of Science in Commerce, 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</p>

	government agency or instrumentality. She is not a director of any publicly listed company.
<p>MANUEL ALBERTO R. COLAYCO Senior Vice President - Chief Legal Officer/Corporate Secretary/Chief Compliance Officer <i>Ex-officio</i> Member - Board Corporate Governance Committee</p> <p><u>Age</u>: 50</p> <p><u>Citizenship</u>: Filipino</p>	<p>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.</p> <p>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.</p> <p>Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from 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.</p>
<p>MARIA VERONICA C. SO First Vice President - Group Treasurer</p> <p><u>Age</u>: 48</p> <p><u>Citizenship</u>: Filipino</p>	<p>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.</p>
<p>SANTANINA APOLINARIA B. CASTRO First Vice President – Risk Management</p>	<p>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</p>

<p><i>Ex-officio</i> – Board Risk and Reputation Management Committee</p> <p><u>Age</u>: 44</p> <p><u>Citizenship</u>: Filipino</p>	<p>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.</p>
<p>MARIA LOURDES Y. TANATE Vice President - Group Internal Audit Head</p> <p><u>Age</u>: 54</p> <p><u>Citizenship</u>: Filipino</p>	<p><i>Ms. Maria Lourdes Y. Tanate</i> 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 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.</p>
<p>CHRISTINE C. KEMPENEERS Data Privacy Officer</p> <p><u>Age</u>: 32</p> <p><u>Citizenship</u>: Filipino</p>	<p><i>Ms. Christine C. Kempeneers</i> 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.</p>

<p>MAILENE M. DE LA TORRE Assistant Vice President – Assistant Corporate Secretary</p> <p><u>Age:</u> 38</p> <p><u>Citizenship:</u> Filipino</p>	<p><i>Ms. Mailene M. de la Torre</i> 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.</p>
<p>SAMMY DAVE A. SANTOS Assistant Corporate Secretary</p> <p><u>Age:</u> 36</p> <p><u>Citizenship:</u> Filipino</p>	<p><i>Mr. Sammy Dave A. Santos</i> 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.</p>

PERIOD IN WHICH THE DIRECTORS SHOULD SERVE

The directors shall serve for a period of one year.

TERM OF OFFICE OF A DIRECTOR

Pursuant to the 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 SEPTEMBER 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 September 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							
	AS M	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
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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 <i>Chairman of the Board</i>	₱4,510,000.00
MIKEL A. ABOITIZ <i>Vice Chairman of the Board</i>	₱3,600,000.00
ERRAMON I. ABOITIZ* <i>Director</i>	₱3,240,000.00

SABIN M. ABOITIZ* <i>President and Chief Executive Officer</i>	₱3,240,000.00
ANA MARIA A. DELGADO* <i>Director</i>	₱2,410,000.00
EDWIN R. BAUTISTA* <i>Director</i>	₱3,140,000.00
RAPHAEL P.M. LOTILLA <i>Lead Independent Director</i>	₱5,000,000.00
JUSTICE JOSE C. VITUG (ret.) <i>Independent Director</i>	₱5,030,000.00
MANUEL R. SALAK III <i>Independent Director</i>	₱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 SEPTEMBER 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) ⁹ 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 ¹⁰ (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. ¹¹	Filipino	952,828,956 (Record)	16.92%
Common	3. Ramon Aboitiz Foundation, Inc. (RAFI) 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	5. PCD Nominee Corporation ¹² (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. ¹³	Non-Filipino	380,410,257 (Record)	6.76%

⁹ 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.

¹⁰ 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.

¹¹ 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 952,828,956 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.

¹² *Supra* Note 10.

¹³ *Supra* Note 11.

SECURITY OWNERSHIP OF MANAGEMENT AS OF SEPTEMBER 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%
Christine C. Kempeneers Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		0	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		227,925,634			4.04%

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. For further discussion, please see Note 34 of the consolidated audited financial statements.

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 2013 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 from 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.

AEV PHP 24 Billion Fixed Rate Bonds Due 2020, 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.

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 2019 Bonds, with a term of ten (10) years from issue date. The Series A 2019 Bonds has a fixed interest rate of 6.0157 % per annum and an optional redemption on the 4th anniversary of the Issue Date of the Series A 2019 Bonds or the immediately succeeding Banking Day if such date is not a Banking Day. On the other hand, the Series B 2019 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 2019 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 2019 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 2019 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. Picazo Law 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, 2018 and 2017 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	-	-
Total		
Total Audit and Non-Audit Fees	₱6,788,652.00	₱520,952.00

The 2019 audit-related fees include assurance and services that are related to the performance of review of AEV's financial statements pursuant to its bond issuance in 2019.

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 PhP1.50 for each PhP200, 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 PhP250,000.00 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 Financial 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