aboitiz

November 3, 2021

via electronic mail
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

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

via PSE EDGE
PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 28th Street cor. 5th Avenue,
Bonifacio Global City, Taguig City

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

via electronic mail
PHILIPPINE DEALING & EXCHANGE CORP.
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Attached is the SEC Form 20-IS (Preliminary Information Statement) of Aboitiz Equity Ventures Inc. for the 2021 Special Stockholders' Meeting for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

NAC Tower, 32nd Street, Bonifacio Global City, Taguig 1634, Metro Manila, Philippines
Tel: (632) 886-2800 | Fax: (632) 886-2404 | www.aboitiz.com

COVER SHEET

C	E	O	2	5	3	6				

S.E.C. Registration Number

A B O I T I Z   E Q U I T Y   V E N T U R E S   I N C .

(Company's Full Name)

3 2 N D   S T R E E T , B O N I F A C I O   G L O B A L

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

P H I L I P P I N E S

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

Contact Person	Company Telephone Number
MANUEL ALBERTO R. COLAYCO	**02-8 886-2338**

Fiscal Year (*Month* / *Day*)	FORM TYPE	Annual Meeting (*Month* / *Day*)
1 2 / 3 1	2 0 - I S	4th Monday of April 0 4 / 2 6

N/A

Secondary License Type, if Applicable

Dept. Requiring this Doc	Amended Articles Number/Section
SEC	N/A

Total No. of Stockholders	Domestic	Foreign
	x	

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = Pls. use black ink for scanning purposes

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NOTICE AND AGENDA
OF SPECIAL MEETING OF STOCKHOLDERS

ABOITIZ EQUITY VENTURES INC.

32nd Street, Bonifacio Global City
Taguig City, Metro Manila 1634, Philippines

NOTICE is hereby given that the Special Meeting of the Stockholders of **ABOITIZ EQUITY VENTURES INC.** (the "Company") will be held on **December 10, 2021**, **Friday at 1:00 p.m**. (the "2021 SSM") The meeting will be conducted virtually, from NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, and will be accessible through the hyperlink available in the Company's website at *https://aboitiz.com/2021ssm* (the "SSM Portal") beginning on November 8, 2021.

The Agenda* of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting and Determination of Quorum
3. Approval and Ratification of the Sale of 1,840,334,941 Common Shares, Equivalent to 25.01% Equity Interest, in Aboitiz Power Corporation
4. Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management
5. Other Business
6. Adjournment

Only stockholders of record at the close of business on November 5, 2021 are entitled to notice and to vote at this meeting.

In light of the continuing COVID-19 global pandemic and government-imposed restrictions on mass gatherings, the Company will once again conduct a virtual stockholders' meeting. The 2021 SSM will be streamed live through the SSM Portal at 1:00 p.m. (Philippine time) on December 10, 2021.

Stockholders may attend by registering at SSM Portal beginning November 8, 2021 until 10:00 a.m. on December 10, 2021. Once registered, stockholders may send in questions or remarks through the SSM Portal.

Stockholders may vote through proxy, or remotely or *in absentia*.

Registered stockholders may cast their votes by remote communication or *in absentia* using the online voting platform available at the SSM Portal beginning November 8, 2021. Votes cast by registered stockholders until 10:00 a.m. of December 10, 2021, will be tabulated and presented during the 2021 SSM. Stockholders may still vote after the cut-off time, and the final votes received through proxy and through the SSM Portal will be included in the minutes of the 2021 SSM and posted in the Company's website. The procedures for attendance and voting during the 2021 SSM is included in the Information Statement and will be distributed to the stockholders and published in the Company's website at *www.aboitiz.com* and in the PSE EDGE portal at *edge.pse.com.ph.*

Stockholders may send their duly accomplished proxies on or before the close of business hours on December 3, 2021 to the Corporate Secretary through email at *aboitizboardsecretariat@aboitiz.com* and hard copies at the 18th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City. Validation of proxies will be on December 7, 2021 at the Office of the Corporate Secretary. **WE ARE NOT SOLICITING PROXIES.**

For the Board of Directors:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

**The rationale for each Agenda item is explained in the attached Annex "A" and may also be viewed at AEV's website at https://aboitiz.com/2021ssm under Special Stockholders' Meeting in the Investor Relations Page.*

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

1. Check the appropriate box:
   [X] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **ABOITIZ EQUITY VENTURES INC.**

3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

4. SEC Identification Number: **CEO2536**

5. BIR Tax Identification Code: **003-828-269-000-V**

6. Address of principal office: **32ND STREET, BONIFACIO GLOBAL CITY**
   TAGUIG CITY, METRO MANILA
   1634 PHILIPPINES

7. Registrant's telephone number, including area code: **(02) 8 886-2800**

8. Date, time and place of the meeting of security holders:

   Date : **DECEMBER 10, 2021**
   Time : **1:00 P.M.**
   Place : Streamed live from NAC Tower, 32nd Street, Bonifacio Global City, Taguig City accessible through the link available at the Company's website at *https://aboitiz.com/2021ssm* beginning November 8, 2021

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **NOVEMBER 16, 2021**

10. In case of Proxy Solicitations: **No proxy solicitation is being made.**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act (Information on number of shares and amount of debt is applicable only to corporate registrants):

Authorized Capital Stock: **₱10,000,000,000**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	9,600,000,000	₱9,600,000,000
Preferred	₱1.00	400,000,000	₱400,000,000
Total		**10,000,000,000**	**₱10,000,000,000**

No. of Common Shares Outstanding **5,630,225,457**
Amount of Debt Outstanding as of June 30, 2021 **₱ 329,151,712,000.00**

Fixed-Rate Peso Retail Bonds Issued by the Company:

Issue Date	Series	Amount of Issuance	Maturity Date	Tenor
November 2013	Series A	₱6.2 billion	November 2020	7 years
November 2013	Series B	₱1.8 billion	November 2026	10 years
August 2015	Series A	₱10.5 billion	August 2020	5 years
August 2015	Series B	₱8.5 billion	August 2022	7 years
August 2015	Series C	₱5 billion	August 2027	12 years
June 2019	Series A	₱3.4 billion	June 2024	5 years
June 2019	Series B	₱1.7 billion	June 2029	10 years

November 2020	Series C	₱6.9 billion	November 2023	3 years
November 2020	Series D	₱0.7 billion	November 2025	5 years
August 2021	Series E	₱5 billion	August 2025	4 years
August 2021	Series F	₱5 billion	August 2028	7 years

For a discussion on the Company's bond issuances, please refer to Part I(C) Item 9.

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

Yes _X_ No ___

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

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time, and place of the 2021 Special Stockholders' Meeting

Date of meeting	:	**December 10, 2021**
Time of meeting	:	**1:00 p.m.**
Place of meeting	:	Stream live from NAC Tower, 32nd Street, Bonifacio Global City, Taguig City accessible through the hyperlink provided in the Company's website at *https://aboitiz.com/2021ssm* beginning November 8, 2021
Approximate mailing date of this statement	:	**November 16, 2021**
Complete mailing address of the principal office of the Registrant	:	**18th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila 1634 Philippines**

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the 2021 Special Stockholders' Meeting ("2021 SSM") that may give rise to a possible exercise by the stockholders of their appraisal rights.

Generally, however, the stockholders of Aboitiz Equity Ventures Inc. ("AEV" or the "Company, or the "Registrant"), in accordance with Section 80 of the Republic Act ("RA") No. 11232 or the Revised Corporation Code of the Philippines ("Revised Corporation Code"), have the right of appraisal in the following instances: (a) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (c) in case of merger or consolidation; and (d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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

(a) No current director or officer of AEV, or any associate of any of the foregoing persons, has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting.

(b) No director has informed AEV in writing that he intends to oppose any action to be taken by AEV at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of September 30, 2021:

Nationality	Class of Voting Shares	Number of Shares	Percentage
Filipino	Common	5,263,731,179	93.49%
Non-Filipino		366,494,278	6.51%
Total No. of Shares Entitled to Vote		**5,630,225,457**	**100%**

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

(b) Record Date

All stockholders of record as of **November 5, 2021** are entitled to notice of and to vote at AEV's 2021 SSM.

Security Ownership of Certain Record and Beneficial Ownership and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of September 30, 2021

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")**[1] 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 (Filipino)**[2] 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.[3]	Filipino	978,389,812 (Record)	17.38%
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	4. **PCD Nominee Corporation**[4] **(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.[5]	Non-Filipino	350,392,431 (Record)	6.22%

[1] 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.
[2] 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.
[3] 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 978,389,812 shares held by PCD Nominee Corporation (Filipino), at least 325,889,166 shares or 5.08% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.
[4] *Supra Note 3.*
[5] *Supra Note 4.*

(2) Security Ownership of Management as of September 30, 2021 (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%
		1,950,300	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%
		11,987,763	Indirect		0.20%
Ana Maria A. Delgado Director	Common	500	Direct	Filipino	0.00%
		26,358,285	Indirect		0.47%
Justo A. Ortiz Director	Common	1	Direct	Filipino	0.00%
		0	Indirect		0.00%
Romeo L. Bernardo Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Joanne G. De Asis Independent Director	Common	100	Direct	Filipino	0.00%
		0	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%
		228,987	Indirect		0.00%
Susan V. Valdez Senior Vice President and Chief Corporate Services Officer	Common	769,926	Direct	Filipino	0.01%
		320,637	Indirect		0.00%
Manuel Alberto R. Colayco Senior Vice President – Chief Legal and Compliance Officer / Corporate Secretary	Common	45,087	Direct	Filipino	0.00%
		19,630	Indirect		0.00%
Maria Veronica C. So Senior 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%
		500	Indirect		0.00%

Maria Lourdes Y. Tanate Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		66,036	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		**229,540,166**			**4.08%**

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

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

No action is to be taken during the 2021 SSM with respect to the election of the Company's directors.

Item 6. Compensation of Directors and Executive Officers

No action is to be taken during the 2021 SSM with respect to (a) the election of directors; (b) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate; (c) any pension or retirement plan in which any such person will participate; or (d) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities, other than warrants or rights issued to security holders as such, on a pro rata basis.

Item 7. Independent Public Accountant

No action is to be taken during the 2021 SSM with respect to the election, approval or ratification of the Company's independent public accountant.

Item 8. Compensation Plans

No action is to be taken during the 2021 SSM with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

No action is to be taken during the 2021 SSM with respect to authorization or issuance of any securities other than for exchange of outstanding securities.

The following is a discussion of the Company's outstanding registered securities.

Recent Issuance of Registered Debt Securities

(a) Ten Billion Fixed Rate Retail Bonds Issued in November 2013

On November 11, 2013, SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for AEV's ₱10 bn-retail bonds (the "2013 Bonds"). The 2013 Bonds received the highest possible rating of PRS "Aaa" from Philippine Rating Services Corporation ("PhilRatings"). Of the aggregate amount of ₱10 bn, ₱8 bn were subsequently listed with the Philippine Dealing & Exchange Corporation ("PDEx") on November 21, 2013.

The 2013 Bonds were issued in two series, seven-year bonds with a fixed interest rate of 4.4125% per annum, and ten- year bonds with a fixed interest rate of 4.6188% per annum. Interest is paid quarterly in arrears every May 21, August 21, November 21, and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

The Company has the option, but not the obligation, to redeem in whole any series of the outstanding bonds, on the following dates or the immediately succeeding banking day if such date is not a banking day: (i) for the seven-year bonds on the fifth year and one quarter and on the sixth year from the issue date; and (ii) for the ten-year bonds on the seventh year, on the eighth year and on the ninth year from the issue date.

AEV received the aggregate [net] proceeds of ₱8 bn from the offer and sale of 2013 Bonds. The breakdown of the use of proceeds is set out below:

	Projected Usage (Per Prospectus)	Actual Usage
AboitizLand - Joint Venture with Ayala Land, Inc.	₱1,499,600,000.00	₱1,350,000,000.00
AboitizLand - Additional landbank purchases	500,000,000.00	590,000,000.00
AboitizLand - Purchase of Lima Land Shares	1,545,500,000.00	1,546,000,000.00
AboitizLand - Purchase of Lima Land Shares	-	985,000,000.00
Sub-total	**3,545,100,000.00**	**4,471,000,000.00**
Payment of Existing Short-term Debt to Finance:		
Capital Infusion into AEV Aviation	500,000,000.00	500,000,000.00
Purchase of UnionBank shares in 2012	1,030,000,000.00	1,030,000,000.00
Purchase of UnionBank shares in 2013	1,768,000,000.00	1,768,000,000.00
Sub-total	**3,298,000,000.00**	**3,298,000,000.00**
Aseagas - Liquid Bio Methane Project	622,437,041.00	295,472,520.00
Bond Issuance Costs	79,603,125.00	86,113,658.00
Warchest	454,859,834.00	-
TOTAL	**₱8,000,000,000.00**	**₱8,150,586,178.00**

The Company intends to fully prepay the outstanding ₱1.8 bn 10-year 2013 Bonds maturing in November 2023, with a redemption price of 101% of its face value. The prepayment will be completed on November 21, 2021.

AEV has been paying interest to its bond holders since February 21, 2014.

(b) Twenty-Five Billion Fixed Rate Retail Bonds Issued in July 2015

On July 27, 2015, the SEC issued the Order of Registration and Certificate of Permit to Offer Securities for AEV's fixed- rate retail bonds in the aggregate amount of up to ₱25 bn, inclusive of oversubscription (the "2015 Bonds"). The 2015 Bonds were then offered to the public on July 28, 2015 until July 31, 2015. The first tranche, equivalent to ₱24 bn was issued in 2015 in three series, as follows:

Series	Maturity Date	Interest Rate Per Annum
Series A	Five Years and three months	4.4722%
Series B	Seven Years	5.0056%
Series C	Twelve Years	6.0169%

The 2015 Bonds were listed with PDEx on August 5, 2015 for secondary market trading. Interest on the 2015 Bonds is paid quarterly in arrears every August 6, November 6, February 6, and May 6 of each year for each subsequent interest payment date at which the bonds are outstanding.

AEV received the aggregate [net] proceeds of ₱24 bn from the offer and sale of 2015 Bonds. The breakdown of the use of proceeds is set out below:

	Projected Usage (Per Prospectus)	Actual Usage*
Capital Infusion into Aboitiz Land, Inc.	₱9,892,000,000.00	₱10,000,000.00
Capital Infusion into Apo Agua Infrastructura, Inc.	2,055,000,000.00	14,000.00
Capital Infusion into Aseagas Corporation	311,000,000.00	222,500,000.00
Capital Infusion into PETNET, Inc.	765,000,000.00	125,000,000.00
Full repayment of existing long-term debt to fund purchase of UBP shares in 2010 & 2011	1,188,000,000.00	1,188,000,000.00
Bond Issuance Costs	214,076,625.00	219,925,521.28
Acquisition of a stake in the Philippine business of Lafarge S.A.	9,574,923,375.00	22,234,560,478.72
TOTAL	**₱24,000,000,000.00**	**₱24,000,000,000.00**

** The actual amount spent for the above projects in 2015 reached ₱25.5 bn. The funding came from the ₱24 bn retail bond proceeds and the ₱1.5 bn balance from internally-generated funds.*

On August 10, 2021, the Company fully paid the outstanding seven-year 2015 Bonds amounting to ₱8.47 bn, a year ahead of its 2022 maturity schedule.

AEV has been paying interest to its bond holders since November 6, 2015.

(c) Thirty Billion Fixed Rate Peso Denominated Retail Bonds

On January 29, 2019, the Board approved the issuance of a fixed-rate peso-denominated retail bonds in the aggregate amount of up to ₱30 bn, to be registered under the shelf registration program of the SEC (the "2019 Bonds"). Subsequently, the members of the Board approved the issuance of the first tranche of its 2019 Bonds equivalent to ₱3 bn and with an oversubscription option of up to ₱2 bn (the "First Tranche Bonds") on March 7, 2019.

On June 3, 2019, the SEC issued the Order of Registration and Certificate of Permit to Offer Securities for AEV's 2019 Shelf Program and the public offering of its First Tranche Bonds which was issued in two series.

Series	Maturity Date	Interest Rate Per Annum
Series A	Five Years	6.0157%
Series B	Ten Years	6.3210%

The First Tranche Bonds was listed with PDEx on June 18, 2019 for secondary market trading. Interest is paid quarterly in arrears every May 21, August 21, November 21, and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AEV received the aggregated [net] proceeds of ₱4.94 bn from the offer and sale of First Tranche Bonds.

The breakdown of the use of proceeds is set out below (amount in thousand pesos):

	Projected Usage (Per Prospectus)	Actual Usage
Repayment of Medium-term Loan of AEV International Pte. Ltd.	₱4,936,384	₱4,937,310
Bond issuance costs	63,616	62,690
TOTAL	**₱5,000,000**	**₱5,000,000**

On November 5, 2019, the Board approved the issuance of up to ₱10 bn fixed-rate retail bonds (the "Second Tranche Bonds"). The SEC issued the Certificate of Permit to Offer Securities on October 29, 2020 for the Second Tranche Bonds, which was then offered to the public from October 29, 2020 until November 6, 2020. The Second Tranche Bonds, equivalent to ₱7.55 bn including oversubscription, were issued in two series:

Series	Maturity Date	Interest Rate Per Annum
Series C	Three Years	2.8403%
Series D	Five Years	3.3059%

The Second Tranche Bonds was listed with PDEx on November 16, 2020 for secondary market trading. Interest is paid quarterly in arrears every November 16, February 16, May 16, and August 16 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AEV received the aggregate [net] proceeds of ₱7.45 bn from the offer and sale of Second Tranches. The breakdown of the use of proceeds is set out below (in thousand pesos):

	Projected Usage (Per Prospectus)	Actual Usage[6]
Payment of the maturing 2013 Series A Bonds	₱6,200,000	₱6,200,000
Payment of the maturing 2015 Series A Bonds	2,664,112	1,245,578
Partially finance the 2021 equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao	1,000,000	-

6 The full allotment for the oversubscription was not availed.

Bond issuance costs	135,888	104,422
TOTAL	**₱10,000,000**	**₱7,550,000**

On April 26, 2021, the Board approved the issuance of up to ₱10 bn fixed-rate retail bonds (the "Third Tranche Bonds"). The SEC issued the Certificate of Permit to Offer Securities on July 26, 2021 for the Third Tranche Bonds, which was then offered to the public from July 26, 2021 until July 30, 2021. The Third Tranche Bonds, equivalent to ₱10 bn including oversubscription, were issued in two series.

Series	Maturity Date	Interest Rate Per Annum
Series E	Four Years	3.2977%
Series F	Seven Years	3.3059%

The Third Tranche Bonds was listed with PDEx on August 9, 2021 for secondary market trading. Interest is paid quarterly in arrears every February 9, May 9, August 9, and November 9 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AEV received the aggregate [net] proceeds of ₱10 bn from the offer and sale of the Third Tranches. The breakdown of the use of proceeds is set out below (in thousand pesos):

	Projected Usage (Per Prospectus)	Actual Usage
Refinance facilities drawn to fund the early redemption of the 2015 Series B Bonds	₱8,467,030	₱8,467,030
Partially finance Aboitiz InfraCapital's 2021 equity contributions to Apo Agua to fund its requirements for the construction of a hydroelectric-powered bulk water treatment facility in Davao	750,000	750,000
Finance future funding requirements of Aboitiz InfraCapital in 2022 for its towers project	643,629	-
Bond issuance costs	135,341	133,249
TOTAL	**₱10,000,000**	**₱9,350,279**

AEV has been paying interest to its bond holders since September 18, 2019 and February 16, 2021, for the First and Second Tranche Bonds, respectively. The Company will start paying interest to its bond holders for the Third Tranche Bonds beginning on November 9, 2021.

Item 10. Modification or Exchange of Securities

No action is to be taken during the 2021 SSM with respect to modification of any other class of issued securities of AEV, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

No other action is to be taken during the 2021 SSM with respect to any matter specified in Items 9 or 10.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the 2021 SSM with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with AEV; (ii) acquisition by AEV or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of AEV; or (v) liquidation or dissolution of AEV.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the 2021 SSM with respect to acquisition or disposition of any property of AEV.

Item 14. Restatement of Accounts

No action is to be taken during the 2021 SSM with respect to restatement of any asset, capital or surplus account of AEV.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

No action is to be taken during the 2021 SSM with respect to any report of the registrant or of its directors, officers or committees or minutes of any meeting of its security holders.

The following action require approval and ratification from the stockholders during the 2021 SSM:

(a) ***Approval and Ratification of the sale of the Company's 1,840,334,941 common shares, equivalent to 25.01% equity interest, in Aboitiz Power Corporation ("AboitizPower").*** *To present to the stockholders the sale of 1,840,334,941 common shares, equivalent to 25.01% equity interest in AboitizPower to JERA Asia Partnership Limited ("JERA Asia"), an affiliate of JERA Co., Inc. ("JERA"), for approval and ratification as the proper and appropriate corporate opportunity for the Company.*

A Special Committee, composed of the Company's three Independent Directors and one Non-Executive Director, was organized and tasked by the Board of Directors to evaluate the offer from JERA for JERA Asia to purchase up to 27% equity stake in AboitizPower, and thereafter make the necessary recommendation to the AEV's Board of Directors. The Special Committee, after evaluating JERA's offer, and taking into account the Company's existing obligations and commitments, made a recommendation to accept the offer to purchase 1,840,334,941 common shares, equivalent to 25.01% equity stake in AboitizPower as the proper and appropriate corporate opportunity for the Company.

During the Special Board Meeting held on September 27, 2021, the Company's Board of Directors unanimously approved the recommendation from management and the Special Committee to accept the offer from JERA Asia to sell/dispose of 1,840,334,941 common shares, equivalent to 25.01% equity interest in AboitizPower. The Board of Directors took into consideration the potential adverse regulatory, financial, and operational risks to AEV should AEV dispose of the entire 27% ownership stake in AboitizPower as offered by JERA (including violations of covenants and warranties in existing loan and financing agreements, and issues on the expected increase in the required minimum public ownership of AboitizPower). The Board of Directors also considered that a sale by the Company of 25.01% of AboitizPower to JERA would allow the Company to maintain a clear majority ownership interest in AboitizPower, while still resulting in significant cash proceeds to the Company and allow it to pursue the Aboitiz Group's growth objectives.

In the same meeting, the Board of Directors called a special stockholders meeting, this 2021 SSM, to approve and ratify the sale of 1,840,334,941 common shares, equivalent to 25.01% equity interest in AboitizPower.

A resolution approving the sale shall be presented to the stockholders for approval and ratification.

(b) ***Ratification of Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers and Management from April 26, 2021 up to the date of this Information Statement.*** The proposal is intended to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers, and management in the ordinary course of business. The board resolutions are enumerated in this Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and can be downloaded at the Company's website at *www.aboitiz.com*.

Below is the list of the resolutions approved by the Board of Directors from April 26, 2021 to September 27, 2021:

Regular Board Meeting, April 26, 2021

(i) Issue Retail Bonds in the amount of up to ₱10 bn Inclusive of Oversubscription;
(ii) Enter into Agreements with the Partners Group and Infuse Capital to Unity Digital Infrastructure, Inc.;
(iii) Subscribe to Additional Issuance of Shares by Singlife Philippines in the amount of up to ₱45 mn;
(iv) Renew Authority of Representatives to Attend and Represent the Company during the Meetings of its Investee Companies and Special Interest Groups;
(v) Renew Authority to Enter into Non-Disclosure Agreements and other Preliminary Agreements Involving for Business Development and Appointment of Authorized Representatives;
(vi) Renew Authority to Enter into Non-Disclosure Agreements and other Preliminary Agreements Involving Human Resources and Information Technology and Appointment of Authorized Representatives;
(vii) Renew Authority to Purchase, Sell or Deal in Any Manner with the Motor Vehicle of the Company and Appointment of Authorized Representatives;
(viii) Renew Authority of Representatives to File Reports to the Philippine Stock Exchange, Inc. Philippine Depository & Trust Corp., and the Securities Exchange Commission;
(ix) Renew Authority to Buyback AEV, Union Bank of the Philippines (UBP), and AboitizPower Shares;
(x) Submit Updated Customer Information Sheet with AON Insurance;
(xi) File the 2020 Country-by-Country Report in HongKong;
(xii) Open and Maintain Accounts and Avail of Investment Product and Services with Various Banks;
(xiii) Amend the Financial Levels of Authority;
(xiv) File an Application for CWT Refund for the Years 2019 and 2020 with the BIR; and
(xv) Prepay the ₱8.5 bn AEV Bonds Maturing in 2022.

Special Board Meeting, June 30, 2021

(i) Enter into a Joint and Several Undertaking with Aboitiz InfraCapital, Inc. and its Airport Projects;
(ii) Participate through an unincorporated consortium with Aboitiz InfraCapital, Inc. for its Airports Projects

Regular Board Meeting, July 29, 2021

(i) Revised Code of Ethic and Business Conduct and Revised Whistleblowing Policy;
(ii) Prepay the P1.8 bn AEV Bonds Maturing in 2023 and Delegate the Authority on the Timing and Other Terms of the Redemption;
(iii) Update/Change the Ex-officio members in Board Cybersecurity Committee; and
(iv) Ratify the Resolutions Approved during the Executive Committee on June 28, 2021.

Special Board Meeting, August 30, 2021

(i) Creation of the Special Committee to Review the Proposal to Dispose of a Significant Minority Interest in AboitizPower

Special Board Meeting, September 27, 2021

(i) Accept the Proposal and Binding Offer from JERA Asia to Purchase up to 1,840,334,941 common shares of AboitizPower;

(ii) Conduct of an Online 2021 SSM;
(iii) Set the Agenda, Date, Venue, and Record Date for Stockholders Entitled to Vote in the 2021 SSM;
(iv) Appoint Luis Cañete as Board of Election Inspector;
(v) Appoint the Members of the Proxy Validation Committee;
(vi) Enter into a Derivative Transaction and Structured Investment with various banks;

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers and management from April 26, 2021 up to the date of this Information Statement shall be presented to the stockholders for approval

Item 16. Matters Not Required to be Submitted

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

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

No action is to be taken during the 2021 SSM with respect to the amendment of the Company's Charter, By-Laws or other documents.

Item 18. Other Proposed Actions

No action is to be taken with respect to any matter not specifically referred to the above-mentioned Items 1 to 17.

Item 19. Voting Procedures

(a) Votes Required for Matters Submitted to Stockholders for Approval and Election of Directors

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

For the matters submitted to the stockholders for approval, the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the 2021 SSM is required to approve the proposed actions. There are no proposed actions in the 2021 SSM that requires approval by a higher percentage of votes from the stockholders.

(b) The Method by which Votes will be Counted

The Company intends to conduct the 2021 SSM through remote communication, in accordance with the Revised Corporation Code and the applicable SEC Circulars. Stockholders who are unable to attend the meeting may execute a proxy in favor of a representative, or vote electronically *in absentia* using a hyperlink at *https://aboitiz.com/2021ssm* that is made available beginning on November 8, 2021. Stockholders voting electronically *in absentia* shall be deemed present for purposes of quorum. See **Annex "C"** for complete information on the process for voting via remote communication or *in absentia* and the requirements for doing so.

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

AEV has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the 2021 SSM.

This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Special Stockholders' Meeting of the Company. AEV stockholders may likewise request for a copy of the 2020 Annual Report in SEC Form 17-A which will be given free of charge upon written request. Please write to:

Investor Relations Office Aboitiz Equity Ventures Inc.
NAC Tower, 32nd Street,
Bonifacio Global City
Taguig City, Metro Manila
1634 Philippines
email: aev_investor@aboitiz.com

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

This Information Statement will also be posted at AEV's website: www.aboitiz.com and in the PSE EDGE portal at edge.pse.com.ph

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on November 3, 2021.

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

DEFINITION OF TERMS

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 Power Group	Aboitiz Power Corporation and its Subsidiaries
Abovant	Abovant Holdings, Inc.
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV Aviation	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.
AEV, the Company, the Issuer or the Registrant	Aboitiz Equity Ventures Inc.
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person
Ambuklao-Binga Hydroelectric Power Complex	Refers to SN Aboitiz Power-Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
Amended Guidelines	AEV's Amended Guidelines for the Nomination and Election of Independent Directors
Apo Agua	Apo Agua Infrastructura, Inc.
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)
AS	Ancillary Services
ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but 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 Hydro Plant	Refers to Luzon Hydro Corporation's 70-MW Bakun run- of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
Balamban Enerzone	Balamban Enerzone Corporation
BCM	Business Continuity Management
BCQ	Bilateral Contract Quantity
BIR	Bureau of Internal Revenue
BOI	The Philippine Board of Investments
BOT	Build-Operate-Transfer
BPIA	Bohol Panglao International Airport
BPO	Business Process Outsourcing
BSP	Bangko Sentral ng Pilipinas
Bunker C	A term used to designate 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

CAAP	Civil Aviation Authority of the Philippines
CBA	Collective Bargaining Agreement
CDPEI	Cebu District Property Enterprise, Inc.
Cebu Coal Project	Refers to the construction and operation of the 3x82-MW coal-fired power plant of Cebu Energy Development Corporation located in Toledo City, Cebu.
Cebu Energy	Cebu Energy Development Corporation
CFB	Circulating Fluidized Bed
CIPDI	Cebu Industrial Park Developers, Inc.
CitySavings	City Savings Bank, Inc.
Cleanergy	Cleanergy, Inc. (formerly Northern Mini-Hydro Corporation)
Coal Group or Coal Business Units	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 of Ethics	Refers to the Company's Code of Ethics and Business Conduct
Contestable Customer/ Contestable Market	Refers to the electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with Sec. 4(h) of the EPIRA
Contracted Capacity	Refers to the total capacity sold to customers at a given point in time
Control	A term which refers to possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings
Cotabato Light	Cotabato Light & Power Company
CPDC	Cebu Praedia Development Corporation
CPPC	Cebu Private Power Corporation
CRH Aboitiz	CRH Aboitiz Holdings, Inc.
CSEE	Contract for the Supply of Electric Energy
CSP	Competitive Selection Process
Davao Light	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
Dependable Capacity or Sellable Capacity	Refers to the capacity of a power plant, excluding station use and fuel constraints
DICT	Department of Information and Communications Technology
Distribution Utilities or Power Distribution Group	Refers to the companies within the AboitizPower Group engaged in Power Distribution, such as Balamban Enerzone, Cotabato Light, Davao Light, Lima Enerzon, Malvar Enerzone, Subic Enerzone, SFELAPCO and Visayan Electic. "Distribution Company" or "Distribution Utility" may refer to any one of the foregoing companies.
DOE	Department of Energy
DOLE	Department of Labor and Employment
DOTr	Department of Transportation
EAUC	East Asia Utilities Corporation
ECC	Environmental Compliance Certificate
Enerzone Group or Enerzone Business Units	A term collectively referring to Balamban Enerzone, Lima Enerzone, Mactan Enerzone, Malvar Enerzone, Subic Enerzone and other Distribution Utilities of the AboitizPower Group operating within special economic zones
EO	Executive Order
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
ERC	Energy Regulatory Commission
ESG	environment, social, and governance
FIA	Foreign Investments Act of 1991
Filagri Holdings	Filagri Holdings, Inc.
FIT	Feed-in-Tariff
FIT-All	Feed-in-Tariff Allowance
Food Group	A term collectively referring to Pilmico and its Subsidiaries and Pilmico International and Subsidiaries, which includes GCMH, the parent company of the Gold Coin Group; the Company's Business Units engaged in the food business
GCMH	Gold Coin Management Holdings, Ltd.
Generation Companies or Power Generation Group	Refers to the companies within the AboitizPower Group engaged in Power Generation; "Generation Companies" may refer to any one of these companies.
GEOP	Green Energy Option Program
GMEC	GNPower Mariveles Energy Center Ltd. Co. (formerly GNPower Mariveles Coal Plant Ltd. Co. or GMCP)
GNPD	GNPower Dinginin Ltd. Co.
Gold Coin Group	GCMH and its Subsidiaries
Government	The Government of the Republic of the Philippines
Greenfield	Refers to power generation projects that are developed from inception on previously undeveloped sites
Grid	As defined in the Implenting Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas, and Mindanao or as may be otherwise determined by the ERC in accordance with Section 45 of the EPIRA

GRSSA	Geothermal Resources Supply and Services Agreement
GWh	Gigawatt-hour, or 1,000,000 kilowatt-hours
Hedcor	Hedcor, Inc.
Hedcor Group or Hedcor Business Units	Refers to the companies within the AboitizPower Group engaged in hydroelectric power generation, such as Hedcor, Inc., Hedcor Bukidnon, Inc., Hedcor Sabangan, Inc., Hedcor Sibulan, Inc., and Hedcor Tudaya, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
HEPP	Hydroelectric Power Plant
IEMOP	Independent Electricity Market Operator of the Philippines Inc.
Installed Generating Capacity or Gross Capacity	Refers to the registered capacity of a power plant in WESM, inclusive of the power plant's station use
IPO	Initial Public Offering
IPP	Independent Power Producers
IPPA	Independent Power Producer Administrator
IRR	Implementing Rules and Regulations
ISMS	Information Security Management System
ISO	International Organization for Standardization
IT	Information Technology
Joint Venture	Refers to a type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually-agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require anonymous 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
Land Group	refers to AboitizLand and the Company's Business Units engaged in the real estate
LGC	Local Government Code of 1991
LGU	Local Government Unit
LHC	Luzon Hydro Corporation
Lima Enerzone	Lima Enerzone Corporation
Lima Water	Lima Water Corporation
LimaLand	Lima Land, Inc.
LTC	LIMA Technology Center
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Mactan Enerzone	Mactan Enerzone Corporation
Magat Plant	Refers to the 360-MW HEPP of SN Aboitiz Power - Magat, located at the border provinces of Isabela and Ifugao
Malvar Enerzone	Malvzar Enerzone Corporation
Maris Plant	The 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant
MCIAA	Mactan - Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MOA	Memorandum of Agreement
MORE	Manila – Oslo Renewable Enterprise, Inc.
MT	Metric Tons
MVA	Megavolt Ampere
MW	Megawatt, or one mn watts
MWh	Megawatt-hour
MWP	Megawatt-peak
Net Attributable Capacity	Refers to the capacity attributed to a company's ownership in the power plant, excluding station use and fuel constraints
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
Oil Group or Oil Business Units	Refers to the following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation, which own and operate Bunker C-fired power plants
Open Access	Retail Competition and Open Access
ORR	Operational Readiness Review
OT	Operations Technology
Pagbilao Plant	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
PAN-JSC	Pilmico Animal Nutrition Joint Stock Company (formerly: Eurofeed) which was folded into the Gold Coin Group and renamed Gold Coin Feedmill (Binh Duong)
PANC	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
PAO	Provisional Authority to Operate
PBI	Progressive Bank, 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.
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	Means 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
PGC	Philippine Grid Code
PGPC	Philippine Geothermal Production Company, Inc.
Philippine IPO	Philippine Intellectual Property Office
Philippine Pesos or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Pilmico	Pilmico Foods Corporation
Pilmico International	Pilmico International Pte. Ltd.
Pmax or Maximum Stable Load	The maximum demand in MW that a generating unit or generating block or module in the case of a combined cycle power plant, can reliably sustain for an indefinite period of time, based on the generator capability tests. It also refers to the registered maximum capacity.
Pmin or Minimum Stable Load	The minimum demand in MW that a generating unit or generating block or module in the case of a combined cycle power plant, can reliably sustain for an indefinite period of time, based on the generator capability tests. It also refers to the registered minimum capacity.
PPA	Power Purchase Agreement
Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSE	The Philippine Stock Exchange, Inc.
PV	Photovoltaic
PVN	Pilmico Vietnam Company Limited
PVN Trading	Pilmico Viet Nam Trading Compay Ltd.
PV Sinag	PV Sinag Power, Inc.
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.
RE Law	RA 9513, otherwise known as the Renewable Energy Act of 2008
REC	Renewable Energy Certificates
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Renewable Energy Supply Agreement
RESC	Renewable Energy Service Contracts
Revised Corporation Code	Republic Act No. 11232 or the Revised Corporation Code of the Philippines
Revised Manual	Refers to the Company's Revised Manual on Corporate Governance
RORB	Return-on-Rate base
RP Energy	Redondo Peninsula Energy, Inc.
RPS	Renewable Portfolio Standards
RPT	Related Party Transactions
RTC	Regional Trial Court
Run-of-river hydroelectric plant	Refers to a hydroelectric power plant that generates electricty from the natural flow and elevation drop of a river
Sacasun	San Carlos Sun Power Inc.
Sacasun Plant	Refers to the 59 MWp Greenfield, stand-alone solar power generation project of Sacasun located at San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SBU	Strategic Business Units
SEC	The Securities and Exchange Commission of the Philippines
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
SME	small and medium sized enterprises
SN Aboitiz Power - Benguet	SN Aboitiz Power - Benguet, Inc. (formerly SN Aboitiz Power Hydro, Inc.)
SN Aboitiz Power - Magat	SN Aboitiz Power - Magat, Inc.
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power,

	and refers to MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
Scatec ASA	Renewable Power Company recently acquired SN Power, a leading hydro power developer and IPP
SN Power	SN Power AS, a consorti between Statkraft AS and Norfund of Norway
SN Power Group	Refers to the group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It is the leading Norwegian hydropower group with operations in Asia, Africa and Latin America
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines
SSS	Social Security System
STEAG Power	STEAG State Power Inc.
Subic Enerzone	Subic Enerzone Corporation
Subsidiary	In respect of any Person, refers to any entity: (i) who has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) 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
Systems Loss or DSL	Refers to the Electric Energy Input minus the Electric Energy Output, as defined in ERC Resolution No. 10-2018
TCIC	Taiwan Cogeneration International Corporation
TeaM Energy	Team Energy Corporation
THC	Tsuneishi Holdings (Cebu), Inc.
Tiwi-MakBan Geothermal Facilities	Refers to the geothermal facilities composed of twelve geothermal plants and one binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power - Visayas, Inc.
TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
TSA	Transmission Service Agreements
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
UBPIC	UBP Investments Corporation
UBX PH	UBX Philippines Corporation
UnionBank or the Bank	Union Bank of the Philippines
UPE	Ultimate Parent Entity
US$	The lawful currency of the United States of America
VAT	Value Added Tax
Visayan Electric	Visayan Electric Company, Inc.
Vivant Group	Refers to Vivant Corporation and its subsidiaries
WCIP	West Cebu Industrial Park, Inc.
WCIP-SEZ	West Cebu Industrial Park-Special Economic Zone
WESM	Wholesale Electricity Spot Market
WIPO	World Intellectual Property Office
WMPC	Western Mindanao Power Corporation

PART I – BUSINESS AND GENERAL INFORMATION

A. Item 1. Business of the Registrant

Overview of Business of the Registrant

Aboitiz Equity Ventures Inc., is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of January 31, 2021, it is the fifth largest Philippine conglomerate 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.

On September 27, 2021, the Board of Directors of the Company approved, and the Company executed a share purchase agreement for the sale of 1,840,334,941 common shares in Aboitiz Power Corporation ("AboitizPower") (equivalent to 25.01% of the total outstanding capital stock of AboitizPower) to JERA Asia, an affiliate of JERA, Japan's largest power generation company. Including AboitizPower shares expected to be acquired from Aboitiz & Company, Inc. ("ACO"), JERA Asia will own 27% of the total outstanding capital stock of AboitizPower upon completion of the transaction. This transaction is expected to unlock significant capital in AEV to fuel the future growth and expansion of its businesses, and at the same time pave the way for future collaboration with JERA towards achieving AboitizPower's renewable energy growth plan and potential collaboration on optimization plans for plant operations and maintenance.

As of September 30, 2021, ACO owned 48.59% of the outstanding capital stock of AEV, 4.11% are owned by directors, officers and related parties, while the remaining 47.31% are owned by the public

As of September 30, 2021, AEV had a market capitalization of ₱274 billion ("bn"), with a share price of ₱48.60 per share.

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

The Company's key business groups representing each of its strategic business units ("SBU") are as follows:

Power. AEV's power generation, distribution and retail electricity supply business is operated through AboitizPower and its Subsidiaries, Joint Ventures, and Associates (collectively, "AboitizPower Group"). Based on Energy Regulatory Commission ("ERC") Resolution No. 05-2021, dated March 11, 2021, 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 Department of Energy's ("DOE") Distribution Development Plan 2018-2027) and the second largest market share (based on share in total retail market demand and number of customers presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of August 2021) 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. 05-2021 dated April 12, 2021). AboitizPower's common shares are listed on the PSE and as of September 30, 2021, AboitizPower had a market capitalization of ₱228 bn, with a share price of ₱31.00 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 (collectively 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 2,300 employees and 21 production facilities, with an installed milling capacity of three million ("mn") metric tons ("MT") per year as of September 30, 2021. 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., a thrift bank, UBP Investments Corporation, a holding company, and UBX Philippines Corporation, 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 based on assets as of December 31, 2020, as reported in disclosures made by private universal banks to the PSE. UnionBank had a market capitalization of ₱103 bn, with a common share price of ₱84.70 as of September 30, 2021.

Real Estate. AEV's development of residential communities is through AboitizLand, Inc. ("AboitizLand"). As of September 30, 2021, AboitizLand had six commercial projects in operation and 13 residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums. In addition, AboitizLand is the developer and operator of three economic zones: (a) the Mactan Economic Zone II in Lapu-Lapu City, Cebu; (b) the West Cebu Industrial Park in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc.; and (c) the LIMA Technology Center in Malvar, Batangas.

The six commercial projects under development, namely: (a) *The Outlets at Lipa* in Lipa, Batangas; (b) *Lima Exchange*, both in Lipa and 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. In line with the Aboitiz Group's direction to scale the growth of industrial-anchored Integrated Economic Center projects, management of the Industrial and Commercial Business Units shifted from AboitizLand to Aboitiz InfraCapital, Inc. on September 1, 2020.

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"). As of September 30, 2021, Aboitiz Infracapital's business portfolio includes (i) administrative franchises to provide water and wastewater-related services to residential, commercial and industrial customers in Batangas, Cebu and Davao, among others, (ii) digital infrastructure, (iii) regional airports, and (iv) integrated economic center projects. 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, 2021, 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.

B. ABOITIZ EQUITY VENTURES INC.

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 IPO 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 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.

The AEV group strategy is best understood through four strategic pillars that guide it in creating long-term value for all its stakeholders: (i) grow the business, (ii) engage stakeholders, (iii) build human capital, and (iv) 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 seeks 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

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 active participation, candidness, and robust discussions are not only encouraged but are the norm. The members of the AEV Board include three Independent Directors, five Non-Executive Directors, and one Executive Director, all of whom come from 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. The AEV Board is supported by a capable and accountable management team and empowered team members, united in living the time-honored Aboitiz core values of Integrity, Teamwork, Innovation, and Responsibility.

In all its business ventures, AEV has adopted sound corporate governance practices, robust internal controls and compliance monitoring processes, and a well-functioning enterprise risk management system to satisfy the heightened expectations of its various stakeholders. AEV has been recognized by 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 and corporate social responsibility.

Sustainability and Corporate Governance

Sustainable business practices have enabled the Aboitiz Group to operate commercially for 100 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. The Company remains committed to strengthening its environment, social, and governance ("ESG") practices and communication strategy. AEV's goal is to grow profitably, while partnering with its stakeholders to create shared value, and minimizing its environmental impact.

In 2020, the AEV Board approved the amendments on its Revised Manual on Corporate Governance and renamed the Board Corporate Governance Committee to the Board Environment, Social and Corporate Governance Committee to assist the Board in establishing a governance structure that will provide a group-wide integrated approach in the promotion, identification, implementation, monitoring, assessment, and communication of programs, activites, and policies to address material ESG issues concerning the businesses, operations, performance or public image of the Aboitiz Group.

COVID-19 IMPACT

Since the Philippine government declared a State of Public Health Emergency in March 2020 and implemented 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 Company believes that a majority of its industries are resilient and not as vulnerable as other business sectors. It prepared contingency plans for its supply chains 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.

The Aboitiz Group's response to COVID-19 was focused on three 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 and regularly monitors them for potential exposure history or infection that may put their colleagues at risk. As of October 26, 2021, 69% of the Aboitiz Group's organic team members have been fully vaccinated.

On Process, the Aboitiz Group is ensuring that each Business Unit prepares 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, the Company ensured 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.

All of the Aboitiz Group's businesses are operating and business continuity plans were 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 ₱2.2 bn, 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 primarily 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 delays in the construction and completion of new facilities.

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, two-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. As a result, GNPD Unit 1 is expected to start commercial operations in the fourth quarter of 2021 while Unit 2 is expected to start commercial operations in the third quarter of 2022.

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 2.9 mn customers as of June 30, 2021. Of this, more than 804,000 customers were digital accounts opened through UnionBank's Online App. Corporate digital customers in *"The Portal"* already reached more than 21,000 customers as of June 30, 2021. UnionBank Online app transactions have also continued an upward trend.

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' ways of working and alternative channels to pursue service offerings while mitigating the risks associated with COVID-19. Provisions for loan losses were at P3.1 bn as of June 30, 2021, lower by 56% year-on-year as non performing loans started to stabilize.

In praise of UnionBank's efforts, it was recognized as one of the most helpful banks in Asia-Pacific[7] during the COVID-19 crisis.

In a move that will further enable UnionBank to cater to those who are unbanked and underserved by traditional banks, especially during this period of reduced mobility, the BSP approved UnionBank's digital bank application last July 15, 2021. This development is essential in UnionBank's overall digital strategy as it fast tracks the onboarding of customers into its digital channels. This also affirms UnionBank's goal of promoting inclusive prosperity as it enables more Filipinos to bank digitally especially amidst the pandemic.

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 immediate 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.

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. This digital strategy, combined with enhanced construction activity, resulted in increased revenues for the residential business.

The impact of COVID-19 to the Infrastructure Group was seen in the dramatic slowdown of construction activities for its bulk water project, particularly during the enforcement of COVID-related community quarantines. Nevertheless, Apo Agua expects to commence operations by 2022.

To cope with the above impact while supporting its aggressive plan, Apo Agua and its contractor, JVACC, increased its manpower to over 5,000 workers. This was supplemented by simultaneous construction activities and extended hours on different worksites, as well as increased subcontracting works to fast-track project completion. To ensure that projects remained on track versus target project completion, the Infrastructure Group's engineering, procurement and construction ("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 impact on the commercial business, consisting of retail centers and office buildings complementing the group's industrial and residential developments, was the physical closure or limited operating

[7] https://www.bankquality.com/global-rankings/most-helpful-banks-in-asia-pacific-during-covid-19

capacity of stores and office spaces during the quarantine period. The industrial business, which caters to export-oriented locators within the group's industrial parks, suffered the least adverse effects.

To cope with the above impact, the commercial business scaled up their operations while implementing safety protocols as foot traffic continued to increase with the easing of quarantine restrictions. Industrial business operations remain resilient with land development activities on track to be completed as scheduled.

To help the country cope during this period of limited mobility, Aboitiz InfraCapital officially launched Unity Digital Infrastructure, Inc. ("Unity"), its joint telecommunications infrastructure platform with Partners Group. Through Unity, Aboitiz InfraCapital will build and operate telecommunication towers, and support infrastructure across the country to help Mobile Network Operators improve connectivity, service reliability, and address the needs of the general public arising from the shift to work-from-home set-ups and online education.

(a) DESCRIPTION OF REGISTRANT

(i) Principal Products or Services

As of September 30, 2021, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into five main categories: (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 in the relevant portions of each SBU.

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. (Please see Annex "**B**" for the corporate structure of AEV showing the different business segments.)

(ii) Sales

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

(in ₱ millions)	2Q 2021 (Unaudited)	2Q 2020 (Unaudited)	2020	2019	2018
Revenue	₱102,334	₱94,606	₱186,726	₱201,157	₱186,943
Operating Profit	₱14,961	₱12,651	₱31,474	₱32,655	₱39,162

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	2020		2019		2018	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Philippines	₱130,066	70%	₱154,001	77%	₱163,984	98%
Rest of Asia	₱56,660	30%	₱47,157	23%	₱22,959	2%
Total	₱186,726	**100%**	₱201,157	**100%**	₱186,943	**100%**

Contribution to Net Income Attributable to Parent	2020		2019		2018	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Philippines	₱15,125	98%	₱21,276	97%	₱21,999	99%
Rest of Asia	₱309	2%	₱760	3%	₱234	1%
Total	**₱15,434**	**100%**	**₱22,036**	**100%**	**₱22,233**	**100%**

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

Contribution to Revenue

	2Q 2021 (Unaudited)		2Q 2020 (Unaudited)		2020		2019		2018	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Power	₱60,351	58%	₱53,032	56%	₱110,377	59%	₱125,635	62%	₱131,572	70%
Food	40,804	39%	39,989	42%	72,597	38%	71,155	35%	50,253	27%
Financial Services	-	0	-	0	-	0	-	0	645	0%
Real Estate	1,760	2%	1,147	1%	3,618	2%	4,196	2%	4,001	2%
Infrastructure	67	0%	42	0%	96	0%	96	0%	96	0%
Others	565	1%	508	1%	1,450	1%	1,550	1%	1,819	1%
Subtotal	**102,547**	**100%**	**94,718**	**100%**	**188,138**	**100%**	**202,632**	**100%**	**188,386**	**100%**
Eliminations	(1,213)		(112)		(1,413)		(4,786)		(1,443)	
Total	**₱102,334**	**100%**	**₱94,606**	**100%**	**₱186,725**	**100%**	**₱201,157**	**100**	**₱186,943**	**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.*

(iii) Distribution Methods of the Products 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 level agreements that may include the provision of human resources, internal audit, legal, treasury and corporate finance services, among others. AEV itself maintains a pool of highly qualified professionals with business expertise relevant to the businesses of the entire 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.

(iv) 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. The Company is in constant pursuit of opportunities within and beyond its current investment portfolio to expand its businesses, locally and within the ASEAN region.

On February 15, 2021, the Aboitiz Group formed the Aboitiz Data Innovation (ADI), a Singapore-based subsidiary engaged in the utilization of data science and artificial intelligence (DSAI) in business development. ADI will consolidate and leverage on the DSAI operating model across the Aboitiz Group and promote a data-driven culture within the organization. It is tasked to be at the forefront of the group-wide effort to transform data into business opportunities, exploit information to make better decisions, reinvent business models, and develop high-value solutions to create new processes, products, and services.

(v) 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.

(vi) Sources of Raw Materials and Supplies

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.

(vii) 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.

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

AEV and its Subsidiaries, in their regular conduct of business, have entered into RPT consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are all 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 Group to realize cost synergies. Transactions are priced on an arm's-length basis, and documented by 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 various construction projects.

The Company's Fund is in the form of a trust being maintained and managed by an independent committee of select officers of the Company. The Fund has investments in the equity of one of its Subsidiaries.

The above RPTs 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. Other than what has been discussed in this Information Statement and the Company's 2020 Annual Financial Statements, there are no other related party transactions entered into by the Company with related parties, including transactions with directors or self-dealings by the Company's directors.

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 undergo the appropriate approval process.

For detailed discussion on related party transactions, please refer to Note 35 (Related Party Transactions) of the Company's 2020 consolidated financial statements.

(ix) 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 ("Philippine IPO") 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 August 8, 2019	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 November 7, 2019	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 March 3, 2020	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 (Non-Madrid)

Trademarks	Owner	Country of Application	Status
Aboitiz (Word Mark) (Class No. 30)	Aboitiz Equity Ventures, Inc.	Malaysia	Registered.
Aboitiz (Word Mark) (Class No. 35)	Aboitiz Equity Ventures Inc.	Malaysia	Registered.
Aboitiz (Word Mark) (Class No. 36)	Aboitiz Equity Ventures Inc.	Malaysia	Registered.
Aboitiz (Word Mark) (Class No. 37)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 39)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 40)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 42)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Class No. 42)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 40)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 39)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 37)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 36)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 35)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 30)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.

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.
Aboitiz (Word Mark) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	Laos	Registered.
Aboitiz (Word Mark) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	Singapore	Registered.
Aboitiz (Word Mark) (Class Nos. 30, 35, 36, 27, 29, 40 and 42)	Aboitiz Equity Ventures Inc.	Brunei	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.

(x) Government Approvals

AEV and its Subsidiaries rely on government approvals relative to the industries in which they operate. They secure various government approval such as environmental compliance certificate, development permits, license to sell, business permits, import permits, ect. as part of the normal course of its business.

(xi) Effect of Existing or Probable Government 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 value added tax ("VAT") exemptions on transmission charges and sale of electricity by cooperatives duly registered under the Cooperative Development Authority.

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced VAT refund system. Upon the successful establishment and implementation of an enhanced VAT refund system, refunds of creditable input tax shall be granted by the BIR within 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 on almost all covered instruments, except debt instruments where the increase is 50%. Only the documentary stamp tax 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.

2. Corporate Recovery and Tax Incentives for Enterprises Act

RA No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act, was signed into law by President Duterte on March 26, 2021 and took effect on April 11, 2021. The law 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.

The salient features of the CREATE Act are as follows:

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

The CREATE Act is the second package of the Comprehensive Tax Reform Program of the Duterte Administration. On June 21, 2021, the Department of Finance (DOF) and the Department of Trade and Industry (DTI) signed the implementing rules and regulations (IRR) of the CREATE Act.

The lower income tax provided by the CREATE Act will generate substantial amounts of tax savings to the Company and its subsidiaries which were under the 30% tax regime prior to the effectiveness of the said law. While some of the subsidiaries have been availing of incentives under special laws which have been repealed by the CREATE Act, the law provides for sunset provisions by (i) allowing the entities granted with income tax holiday to enjoy it until it expires and (ii) granting subsidiaries who enjoyed income tax holiday and are entitled to the 5% gross income earned ("GIE") incentive after their income tax holiday the benefit to continuously avail of the 5% GIE rate for the next ten years.

3. Revised Corporation Code

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 Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the 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 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, 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. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the SEC.
d) Allowing the creation of a "One Person Corporation" except for banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others. This restriction also applies with respect to close corporations.
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. This manner of voting is deemed available for stockholders of corporations vested with public interest, 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 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 SEC approves any merger or consolidation; or any voluntary dissolution involving these entities.
i) In case of transfer of shares of listed companies, the 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 SEC.

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

4. The Philippine Competition Act

Pursuant to Bayanihan 2 Act, which was signed into law on September 11, 2020, all mergers and acquisitions with transaction values below ₱50 bn shall be exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two years from the effectivity of Bayanihan 2 Act. As of September 14, 2021, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act are already subject to the PCC *motu proprio* review power.

Any voluntary notification shall constitute a waiver to the exemption from review. With the in Bayanihan 2 Act, the thresholds are as follows:

Test	New Threshold (effective 15 September 2020 until September 22, 2022)
Size of Person Test	₱50 bn
Size of Transaction Test	₱50 bn

This means that the value of the assets or revenues of the UPE of at least one of the parties must exceed ₱50 bn instead of ₱6 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired, target or merged entity must exceed ₱50 bn instead of ₱2.4 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply.

5. Foreign Investment 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 registered 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.

6. 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.

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 National Privacy Commission. The Data Privacy Act IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

In 2017, the Company launched its data privacy compliance program which includes the implementation of Information Security Management System ("ISMS") for the entire Aboitiz Group. Since then, the Group and its Business Units have been able to establish a fundamental awareness of data privacy principles and the related ISMS philosophies, through various learning channels including e-learning modules, face to face trainings and forums. The Group developed and ensures the implementation of Data Privacy Policies, manuals, and supporting guidelines which are aligned with the Data Privacy Act, its implementing rules and supporting circulars issued by the National Privacy Commission. Also, the Aboitiz Group has since begun to build each SBU's business continuity resilience, especially with regard to Information Security and Data Breach Management. In 2020, AEV initiated the integrated approach to information security incident management which brought together actors from Data Privacy, Information Security, IT Security, Business Continuity, Human Resources, Legal and other subject matter experts. This brings a more holistic approach to the handling of information security and data breach incidents.

As the Aboitiz Group continues to operate in a highly digital and fast changing environment, the Data Protection Teams of each Business will strive to keep up with the expectations of their Data Subjects as well as with the evolving guidelines of the National Privacy Commission. This constant review of requirements, downloading of information, updating of processes, and testing of capabilities aims to ensure that Aboitiz is able to meet the expectations of its stakeholders.

7. Registration with the Board of Investments

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 Board of Investments ("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.

8. Labor Laws

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 (RA No. 8282), the National Health Insurance Act of 1995 (RA No. 7875), as amended, and the Home Development Fund Law of 2009 (RA No. 9679). On the other hand, the Occupational Safety and Health Law (RA 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 (RA 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 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 RA No. 10606, the National Health Insurance Act of 2013.

On February 20, 2019, the Universal Health Care Act (RA 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 (RA No. 9679), all employees who are covered by SSS must also be registered with and covered by the Home Development Mutual Fund ("HDMF", 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. Except for foreign expatriates, 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 (RA No. 11058) was signed into law 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 (RA No. 9165), a national drug abuse prevention program implemented by the 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 (RA 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 (RA 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.

(xii) Amount Spent on Research and Development

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.

(xiii) Cost 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 Environmental Impact Study and an Environmental Compliance Certificate 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.

(xiv) Employees

On the parent company level, AEV has a total of 217 employees as of September 30, 2021, composed of executives, managers, supervisors, and rank and file employees. There are no existing collective bargaining agreements (CBA) covering any of AEV's employees.

The following table provides a breakdown of total employee headcount per SBU, divided by function, as of September 30, 2021:

Number of Employees	AEV Corporate	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	Gold Coin and Subsidiaries	Aboitiz InfraCapital and Subsidiaries	RCBM and Subsidiaries	AboitizPower and Subsidiaries
Executives	55	289	40	8	45	19	7	173
Managers	69	949	83	28	152	36	122	315
Supervisors	44	1904	368	91	327	59	306	859
Rank & File	49	615	265	31	2,103	58	363	2,438
TOTAL	**217**	**3,757**	**756**	**158**	**2,627**	**172**	**798**	**3,785**
Unionized Employees	N/A	615	24	N/A	199	N/A	609	451
Expiry of CBA	N/A	May 31, 2025	N/A	N/A	GCI: Aug 2021 GCSI: Aug 2021 GCFM: Dec 2019 GCSSB: Feb 2021	N/A	N/A	APRI: Feb 28, 2022 Hedcor: Sept 19, 2022 Visayan Electric: Dec 31, 2016[8] Cotabato Light: June 30, 2024 Davao Light: June 15, 2021 SFELAPCO: May 9, 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

[8] The Secretary of Labor and Employment issued an Order dated September 6, 2019 resolving the labor dispute. Management decided for a prospective implementation of salary increase and other benefits in the collective bargaining agreement effective September 25, 2019, which the union opposed. Union filed a Motion for Clarification on December 3, 2020 requesting clarification on the retroactive clause. Visayan Electric filed its Comment on the motion on July 23, 2021, which is currently pending for resolution

and adjusted to retain current employees and attract new talent. The Company currently has no stock option plans available to its employees. As of September 30, 2021, 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 years.

(xv) Major Risk/s Involved in Business of AEV and its Subsidiaries

Part of the governance of Risk Management is the regular review of the Risk Management Plans of all its business units. This is being conducted at least twice a year but all Business Units are encouraged to do a review as soon as there are major changes in the Group's operating environment. Outputs of this exercise are utilized to create a consolidated Top Risk at the Group-wide level which is reported to the Senior Management and the Board Risk and Reputation Committee.

In June 2021, the AEV Risk Management Team performed a risk interconnection analysis which was adopted from the Global Economic Forum Global Risk Report. This analysis shows that 81% of the Group's top risks are interconnected or associated with one another. This means that one risk can either trigger another risk or vice versa.

1. Regulatory Risks

Each type of industry the Aboitiz Group is engaged in - power, food, banking, construction, real estate, and infrastructure - have specific regulatory risks. With the Group's regulatory landscape continuously challenging and changing, the Company has to keep up with the need for regulation compliance both locally and globally. Failure to understand and align with the new and changing regulations will have negative consequences both in the Group's operations, net income, and reputation.

Regulatory Risk is one of the two risks that have the most number of interconnections. Consequently, the Company's exposure from other risks may increase once this risk materializes. Thus, it is important for the organization to ensure this risk is being proactively managed.

Subject matter experts like Government Relations and Legal teams continue to monitor and look out for any changes in laws and regulations. It is also important that the Company participates in consultative processes to have more public discussions over the necessity or propriety of specific regulation, or their relevance to current business practices; and technology changes that could lead to the development of new regulations and policies that will be beneficial not just to the Company but to the power industry as a whole, and this applies to the other businesses that the Company operates.

2. Information Security Risks

Due to the increasing number of information security breach events happening globally, for both Information and Operation Technologies, information security risk is considered as one of the top risks of the Company. As it transitions to a hybrid workforce set-up, the Company's potential exposure from this risk is further aggravated by the current work from home set-up and the increasing hours that its employees spend online. Despite this, the Company was able to protect itself from these potential breaches which can have catastrophic implications on the organization's bottom line and reputation.

To address this risk, the Aboitiz Group has been continuously working hard to strengthen its security and resilience for the potential consequences of information security breaches through the ongoing implementation of the Information Security Management System (ISMS) and Operational Technology Security Governance. The current situation did not stop the Company in building an information security risk – aware culture to further strengthen prevention, detection and comprehensive response processes to keep pace with the information security threat landscape.

The Group also continued on developing its Level 4 in Cyber Security Maturity. This level translates to having a formal cybersecurity policy that covers all critical systems as well as means to measure and monitor its cybersecurity activities and behavior. And to achieve this, different Information Technology and Operational Technology Teams across the Group came together to build a roadmap geared towards strengthening its technology, people, and processes.

3. Business Interpretation Due to Natural and Man-made Calamities

There are risks of loss of, and/or damage to, facilities caused by natural calamities such as earthquakes, typhoons, and floods may result in significant business interruptions within the Aboitiz Group. Interruptions may also be caused by other factors such as critical equipment breakdown, IT and OT security breaches, fires and explosions, hazardous waste spills, workplace injuries and fatalities, terrorism, and other serious risks, including actions taken by local government units and indigenous communities that have rights and local autonomy in the areas where the Aboitiz Group operates.

Business Continuity Management (BCM) is an integral part of the Risk Management framework of the Company to mitigate such business interruption risks. The purpose of risk management in the Aboitiz Group is to sustain its risk maturity level in order to achieve enterprise resilience.

AEV has identified the following risks that could impact its objectives if not properly managed and would result in business interruption: Loss of Staff, Loss of Technology, Loss of Facility and Supply Chain disruption. There are several scenarios prepared around these risk drivers and the Company has documented business continuity plans during emergency response, incident management and crisis management. This includes business recovery plans as well.

The Business Continuity Management Program follows the Plan – Do – Check - Act Cycle which aims to continuously improve and ensure its alignment to the evolving needs of the Business. Existing business interruption scenarios and continuity plans for each of these scenarios are reviewed regularly, evaluated, and updated through Business Continuity plan exercises and "lessons learned" sessions. These practices and plans remain relevant with the current business conditions. In addition, teams are prepared for emergencies through mandatory training and drills while testing and improving procedures are performed on an ongoing basis.

And as part of the enhancement of the Company's business continuity plans, the Group is currently working on enhancing the West Valley Fault business continuity plans which was halted in 2020 by the COVID-19 events. Aside from damage to facilities and impact on people, this event could also potentially result in reduced output of the different operating plants. Several scenarios related to climate change were also identified that would have significant physical, financial, and transitional impacts to the different business units across the Group, thereby resulting in business interruptions. Thus, the Company continued its review of the scenario analysis for succeeding business integration as the company aligns to Task Force on Climate Related Financial Disclosures

Notwithstanding the successive disruptive events the Company encountered last year, it was able to further improve its capability building activities through the release of e-learnings and the conduct of the first Business Continuity Awareness week across the Group which aim to strengthen the business continuity management awareness and understanding of all employees.

4. Financial Risk

AEV has identified and continuous to manage the following financial risks that could have an impact to the Group:

- Refinancing and liquidity risk in terms of the Company's ability to borrow money to fund future projects. This can also potentially arise from balloon/bullet payments for existing loans;
- Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency-denominated placements, transactions and

borrowings.

Aside from the negative implication of these risks to the Group's net income, these risks would also put constraints on AEV and its Subsidiaries plans of growth. Furthermore, failure to pay existing loans will eventually lead to reputation risk.

To ensure that the Financial Risk Management Framework is still aligned with the current requirements of the business, the Risk and Treasury Teams continue to review and update (if needed) this document, which was first established in 2019, and aims to provide a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the Group.

5. Project Risks

As the Aboitiz Group continues to expand, project risk remains to be one of the top risks group-wide. Risk drivers include delays in the completion of greenfield projects, aggravated further by the mandated travel restrictions due to COVID-19, that resulted in higher cost and inability to meet the projected net income.

To ensure the stability and success of a project, the concept of risk management is embedded in project management. The project team continuously monitors and evaluates risks associated for each project, together with its corresponding treatment plans, beginning from its development, up to its execution and until it transitions to operations.

Lessons learned sessions continue to be part of the process for each major project milestone. This exercise not only allows 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 operating model of the new business, site, system or organization.

For major projects like power plants, Operational Readiness Review (ORR) was also implemented. This is conducted at least 12 months before project completion. The ORR is critical as the project transitions from construction to operational phase, to make sure that the facility is constructed as designed and is functional and can be operated safely. Part of the objectives of ORR is also to determine whether the facility is operated by competent people and assess if complete documentation is in place.

6. Climate Transaction Risk

AEV recognizes that some of its stakeholders are starting to impose policies aligned with the global transition plan in response to climate change. This triggered AEV to revisit its existing risk which is more focused on the Power unit and expand its context to a Group-wide perspective. With this context, the Company (a) provides more focus on the underlying reason behind the negative action against coal, which is climate change and (b) understands that if this risk materializes, it will not just affect the Power Group but also other units who also contribute in terms of Scope 1 to 3 emission.

In 2020, AEV Strategy, Reputation and Risk Management Teams spearheaded an initiative to understand further the exposure of the Group if the government decides to issue policies/regulations to support the country's commitment. Though results of this initiative were initially rolled out to the other Subsidiaries this year, a little more time is still needed for the Group to fully understand and operationalize it based on the context of their operating environment.

Ultimately, this risk, if it materializes, will not only impact our operations but also the future of the organization in the long run. As such, it is critical that the company starts to identify proper mitigation plans early.

To assess how various climate risk drivers may impact the company and our value chains, we recognize the utility of Task Force on Climate-Related Financial Disclosures' (TCFD) categorization of transition and physical climate risks. Transition risks are those that arise from actions associated with a transition to a low-carbon economy, such as the introduction of new climate policies or low-carbon technologies or climate reputational risks and changes in market sentiments. Physical risks are those that arise from the physical impacts of climate change; these can be chronic (such as changes to temperature and precipitation patterns or sea level rise) or acute (such as extreme weather events like storms/super typhoons).

In 2020, AEV and its Subsidiaries have initially identified climate related actions and programs that would help the Aboitiz Group achieve a data-driven approach in setting out its transition pathways, partnerships and engagement for climate action, operational and resource efficiency, and improved climate disclosures:

- 50:50 Clenergy & Thermal Portfolio of AboitizPower
- Carbon sink program: "*A-Park*"
- Resource efficiency measures "*Wealth out of Waste Framework*" and "*Race to Reduce*",
- Improvements in the Group's green house gas ("GHG") Accounting and Reporting
- Support to TCFD
- Community engagements and partnerships for Climate Action

Furthermore, the Aboitiz Group created a holistic approach to ESG related risks by creating the "One Aboitiz Sustainability Framework", which continues to uphold best practices in its business operations, focusing on environmental management, social responsibility and good governance while ensuring financial growth and business resiliency. It continues to monitor and manage the ESG related risks and concerns of our stakeholders as it strives to further improve its ESG performance for long term value creation and greater contribution to the global sustainability goals

7. Talent Risk

The Company recognizes that having team members with the right capabilities at the right time is critical in the accomplishment of its long-term strategies as well as to the future organization. It also acknowledges that the transitioning to a hybrid workforce as a result of the new normal also poses a threat to the employees' mental, physical and psychological well-being.

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. Also, the negative implication to the employees' health and well–being will also affect the overall productivity of the Company.

To mitigate this risk, the Company embedded the Strategic Workforce Planning to the Business Strategic Plan. This aims to proactively identify the current and future needs of the organization and serve as an input for attraction, learning /organization development and succession. The Group also looked into its employer brand and attraction strategy. Engagement programs across the different business units were enhanced to consider the current needs of all team members and leaders. Regular performance evaluations are being conducted to identify areas for improvement and further development of team members. Also, plans of digital learning and development were accelerated to ensure that the current situation will not halt the development of all team members and leaders.

8. Emerging Risks

The current risk environment is rapidly shifting as a result of events that many times are not within the Company's control, often as a result of global events. Such emerging risks cannot yet be fully assessed due to high uncertainty, but could have a major impact on an organization in the future. To ensure these risks are captured and discussed, the Risk Management Team and Subject Matter Experts (SMEs) regularly collaborate to identify and monitor emerging risks especially in the following areas: political, economic, social, technology, legal and environment. The Risk Management Council and the Board Risk and Reputation Management Committee include such risks in their regular discussions.

Risk Management in the Aboitiz Group will continue to identify and monitor such risks and adopt a holistic approach by integrating with other business functions to drive a more robust response to these risks.

9. Pandemic Risks

Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect AEV's business, financial condition and results of operations.

As of October 31, 2021, the Philippine Department of Health reported 2,787,276 total cases of COVID-19 nationwide with 43,172 deaths attributed to COVID-19. The Philippines continues to add thousands of cases reported per day with 3,410 new cases on October 31, 2021. The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the COVID-19 outbreak, the Philippines has imposed community quarantine measures and travel bans on several affected countries, which may have an adverse impact to the Company's ability to operate as efficiently as before COVID-19.

To manage these risks, the Group has put in place different treatment plans and controls such as (but not limited to):

- Continuous review and update of plans and processes to align with the changing environment and requirements. This includes business continuity plans, guidelines, and protocols;
- Release of awareness campaigns;
- Maximization of digital platforms;
- Strict enforcement of health and safety protocols in sites and facilities; and
- Health and wellness initiatives are launched to protect the psychological and mental health of the employees.

Apart from the risks enumerated above, the Group recognized the opportunities that emerged from this pandemic. The disruption in the supply chain has accelerated the shifting to a hybrid workplace which was already being practiced by some of the Business Units. Though it has its own set of challenges, this current set-up enabled the Group to test the effectiveness of its IT capabilities which it started to develop and roll-out pre-COVID. The delays in project execution and decline in market demand drove the accelerated planning and implementation of fast to execute initiatives with minimal or no investment required. Despite the pandemic, the organization did not stop in extending its hand to its communities. The Group has re-channeled its resources to align with helping the medical communities and local government in their response efforts.

STRATEGIC BUSINESS UNITS

I. POWER

Overview of the Business

AEV's power Business Unit, AboitizPower, is a publicly-listed company incorporated on, and has been in business since, February 13, 1998. AboitizPower was incorporated as a holding company for the Aboitiz Group's investments in electricity generation and distribution. Ownership in AboitizPower was opened to the public through an initial public offering of its common shares in the PSE on July 16, 2007. Through its Subsidiaries and Affiliates, AboitizPower is considered a leader in the Philippine power industry, being one of the leading companies in the power generation, power distribution, and retail electricity supply sectors. As of September 30, 2021, AboitizPower had a market capitalization of ₱ 228 bn, with a share price of ₱ 31.00 per share.

Driven by the pursuit of creating a better future for its customers, its host communities, and the nation, AboitizPower's business operations have developed into four strategic business units: (a) Power Generation, (b) Power Distribution, (c) Retail Electricity Services (RES), and (d) Distributed Energy. AboitizPower will continue to pursue its international aspirations with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments.

The power generation business of AboitizPower is among the leaders in the Philippines in terms of installed capacity.[9] Moreover, AboitizPower operatesthe Philippines' second largest distribution utility, in terms of captive customer connections and energy sales[10]. AboitizPower's Subsidiaries engaged in the supply of retail electricity account for the second largest distribution utility in terms of number of customers, and the third largest RES company in terms of share in total retail market demand[11]. AboitizPower is a pioneer in building and the operation of run-of-river hydropower plants in the country. Today, through its renewable energy Subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control.

Business Development

AboitizPower through its Subsidiaries, Joint Ventures, and Associates, is a leading player in the Philippine power industry with interests in privately-owned power 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 baseload 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. Its Generation Companies have an installed capacity is equivalent to a 16.58% market share of the national grid's installed generating capacity[12]. As of September 30, 2021, AboitizPower owned 4,654 MW of net attributable capacity, of which 3,495 MW is currently operating. AboitizPower aims to increase its total generation portfolio to 9,200 MW. This will be done by adding 3,700 MW of renewable energy and 1,000 MW of natural gas, resulting in a 50:50 balance between the Company's thermal and renewable energy portfolio by 2030, without adding new coal. This increased capacity is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower's renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. (ARI) and its Subsidiaries and Joint Ventures.

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 5,572,874 MWh during the nine-month period ending on September 30, 2021.

AboitizPower's power generation business supplies power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA"), and for trading in the Wholesale Electricity Spot Market (WESM). The power distribution business is engaged in the distribution and sale of electricity to end-users, 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 sold a total of 3.26 Terawatt hours (TWh) during the nine-month period ending on September 30, 2021.

As of September 30, 2021, AEV owned 77.00% of the outstanding capital stock of AboitizPower, 1.31% is owned by directors, officers, and other related parties, while the remainder was owned by the public. On September 27, 2021, AEV entered into an agreement to sell 1,840,334,941 common shares in

[9] Based on ERC Resolution No. 05, Series of 2021, "A Resolution Setting the Installed Generating Capacity and Market Share Limitation Per Grid and the National Grid for 2021", dated April 12, 2021
[10] Based on DOE's Distribution Development Plan 2019-2028
[11] ERC Competitive Retail Electricity Market Monthly Statistical Data as of August 2021
[12] Based on ERC Resolution No. 05, Series of 2021, dated April 12, 2021

AboitizPower (equivalent to 25.01% of AboitizPower total outstanding capital stock) to JERA Asia, an affiliate of JERA, Japan's largest power generation company. The completion of the transaction is subject to certain customary conditions precedent. Upon completion of the transaction (including the acquisition from ACO), JERA Asia will own 27% equity interest in AboitizPower.

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

History and Milestones

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired a 20% ownership interest in Visayan Electric Company, Inc. ("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 and Power Company ("Cotabato Light"). In July 1946, the Aboitiz Group further strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light and Power Company ("Davao Light"), which is now the third-largest privately-owned distribution utility in the Philippines in terms of customers and annual gigawatt hour (GWh) sales.

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

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group ventured into 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.), which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating 14 plants with combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a Build-Operate-Transfer (BOT) agreement with NPC to develop and operate the 70-MW Bakun AC hydroelectric plant (the "Bakun AC Hydro Plant") in Ilocos Sur.

The table below sets out milestones in AboitizPower's development since 1998:

Year	Milestones
1998	Incorporated as a holding company for the Aboitiz Group's investments in power generation and distribution.
2005	Consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini hydroelectric assets to Hedcor, Inc. (Hedcor).
2007	Entered into a share swap agreement with AEV in exchange for AEV's ownership interest in the following distribution utilities: i. An effective 55% equity interest in Visayan Electric; ii. A 100% equity interest in each of Davao Light and Cotabato Light; iii. An effective 64% ownership interest in Subic Enerzone Corporation ("Subic Enerzone"); and; iv. An effective 44% ownership interest in San Fernando Electric Light & Power Company ("SFELAPCO").
	As part of the reorganization of the power-related assets of the Aboitiz Group, the Company: (i) Acquired 100% interest in Mactan Enerzone Corporation ("Mactan Enerzone") and 60% interest in Balamban Enerzone Corporation ("Balamban Enerzone") from AboitizLand; and (ii) Consolidated its ownership interests in Subic Enerzone by acquiring the combined 25% interest in Subic EnerZone held by AEV, SFELAPCO, Okeelanta Corporation, and Pampanga Sugar Development Corporation. These acquisitions were made through a Share Swap Agreement, which involved the issuance of the Company's 170,940,307 common shares issued at the IPO price of ₱5.80 per share in exchange for the foregoing equity interests in Mactan Enerzone, Balamban Enerzone, and Subic Enerzone.
	Together with its partner, Statkraft Norfund Power Invest AS of Norway, through SN Aboitiz Power-Magat, acquired possession and control of the Magat Plant following its successful bid in an auction by the Power Sector Assets and Liabilities Management Corporation (PSALM).

	Formed Abovant Holdings, Inc. (Abovant) with the Vivant Group as the investment vehicle for the construction and operation of a coal-fired power plant in Toledo City, Cebu ("Cebu Coal Project"). Abovant entered into a Memorandum of Agreement (MOA) with Global Business Power Corporation (Global Power) of the Metrobank group for the acquisition of a 44% equity interest in Cebu Energy Development Corporation (Cebu Energy).
	Therma Power, Inc. (TPI) entered into a MOA with Taiwan Cogeneration International Corporation (TCIC) for the Subic Coal Project, an independent coal-fired power plant in the Subic Bay Freeport Zone. Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company.
	Acquired 50% of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. and 60% of Cebu Private Power Corporation (CPPC).
	Purchased 34% equity ownership in STEAG State Power, Inc. (STEAG Power) from Evonik Steag GmbH in August 2007.
	Purchased Team Philippines Industrial Power II Corporation Industrial Power II Corp.'s 20% equity in Subic Enerzone.
2008	SN Aboitiz Power–Benguet submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex.
	Acquired Tsuneishi Holdings (Cebu), Inc. (THC)'s 40% equity ownership in Balamban Enerzone, bringing AboitizPower's total equity in Balamban Enerzone to 100%.
2009	AP Renewables, Inc. (APRI) acquired the 234-MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan Geothermal Facilities").
	Therma Luzon, Inc. (TLI) became the Independent Power Producer Administrator (IPPA) for the 700-MW contracted capacity of the Pagbilao Coal-Fired Power Plant ("Pagbilao Plant"), becoming the first IPPA of the country.
2010	Therma Marine, Inc. (TMI), acquired ownership over Mobile 1 (Power Barge 118) and Mobile 2 (Power Barge 117) from PSALM.
2011	Meralco PowerGen Corporation (MPGC), Taiwan Cogeneration International Corporation ("TCIC"), and Therma Power, Inc. ("TPI") entered into a Shareholders' Agreement to formalize their participation in Redondo Peninsula Energy Corporation ("RP Energy"). MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.
	Therma Mobile, Inc. (TMO) acquired four barge-mounted floating power plants and their operating facilities from Duracom Mobile Power Corporation and EAUC. In the same year, the barges underwent rehabilitation and started commercial operations in 2013.
2013	Aboitiz Energy Solutions, Inc. (AESI) won 40 strips of energy corresponding to 40 MW capacity of Unified Leyte Geothermal Power Plant (ULGPP). The contract between AESI with PSALM with respect to the ULGPP capacity was terminated on October 26, 2019.
2014	TPI entered into a joint venture agreement with TPEC Holdings Corporation to form Pagbilao Energy Corporation (PEC) to develop, construct, and operate the 400 MW coal-fired Pagbilao Unit 3.
	Therma Power-Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC). SPC Power Corporation (SPC), the other bidder, exercised its right-to-top under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement, and PSALM declared SPC as the winning bidder. After protracted legal proceedings, TPVI accepted the turn-over for the NPPC plant on July 16, 2018.
	Acquired 100% of Lima Enerzone Corporation (Lima Enerzone) from Lima Land, Inc., a wholly-owned Subsidiary of AboitizLand.
	TPI entered into a Shareholders' Agreement with Vivant Group, for the latter's acquisition of 20% issued and outstanding shares in Therma Visayas, Inc. (TVI).
2015	ARI formed a Joint Venture, San Carlos Sun Power, Inc. (SacaSun), with SunEdison Philippines to explore solar energy projects. In 2017, AboitizPower International completed the acquisition of SacaSun from SunEdison Philippines, and ownership of SacaSun was consolidated in AboitizPower.
	Therma South, Inc. (TSI) commenced full commercial operations of its Unit 1.
2016	TSI commenced full commercial operations of its Unit 2.
	TPI acquired an 82.8% beneficial ownership interest in GNPower Mariveles Coal Plant Ltd. Co. (now: GNPower Energy Center Ltd. Co. or GMEC) and a 50% beneficial ownership interest in GNPower Dinginin Ltd. Co. (GNPower Dinginin or GNPD).
	Through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.
2017	AboitizPower International completes its acquisition of SunEdison Philippines, and consolidates ownership of Sacasun
2018	Aseagas permanently ceased operations of its 8.8-MW biomass plant in Lian, Batangas.
	TPVI accepted the turnover of the Naga Power Plant Complex from PSALM.
	Pagbilao Unit 3 started began commercial operations.
	TVI commenced commercial operations of its Unit 1.

2019	TMO signed a PSA with Meralco, after's the facility went into preservation mode on February 5, 2019.
	TMO re-registered again with Independent Electricity Market Operator of the Philippines Inc. (IEMOP) on April 26 2019.
	AboitizPower acquired a 49% voting stake and a 60% economic stake in AA Thermal.
	TVI commenced commercial operations of its Unit 2
2020	TPVI started commercial operations.

AboitizPower plans to enter the rooftop solar business through APX1 and expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. In November 2020, AboitizPower announced its two battery projects – the TMI Hybrid BESS and SN AboitizPower-Magat BESS ("SNAP BESS") projects. TMI Hybrid BESS is located in Maco, Compostela Valley, has a storage capacity of 49 MWh, and is intended to be used for ancillary services. SNAP BESS is located in Ramon, Isabela, has a storage capacity of 20 MWh, and will also be used to provide ancillary services.

As of September 30, 2021, AboitizPower had 928 MW of attributable net sellable capacity, through its partners, under its Cleanergy brand. AboitizPower is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

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

(i) Principal Products and Services

GENERATION OF ELECTRICITY

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. As of September 30, 2021, he power generation business accounted for 96% 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 September 30, 2021 and full year 2020, compared to the same period in 2019 and 2018:

Generation Companies	Energy Sold				Revenue			
	9M 2021	FY 2021	FY 2019	FY 2018	9M 2021	FY 2020	FY 2019	FY 2018
	(in GWh)				(in mn Pesos)			
APRI	2,032	3,055	2,968	2,857	8,297	11,253	12,545	12,518
SacaSun	49	44	49	41	251	250	269	197
Hedcor	108	161	226	172	565	697	881	694
LHC	117	266	262	291	503	761	787	970
Hedcor Sibulan	187	201	191	213	1,394	1,399	1,282	1,385
Hedcor Tudaya	30	33	29	32	174	261	172	191
Hedcor Sabangan	41	49	51	53	240	395	300	315
Hedcor Bukidnon	183	261	284	115	1,311	1,418	1,605	573
SN Aboitiz Power-Magat	1,518	1,891	2,054	2,379	4,871	5,352	6,608	7,182
SN AboitizPower-Benguet	1,563	1,936	1,975	2,085	5,085	5,668	6,065	6,070
TLI	5,676	6,686	6,812	6,808	22,440	20,505	25,410	26,603
TSI	1,416	1,531	1,393	1,959	7,905	8,276	9,099	11,141
TVI	1,846	2,232	1,710	269	7,978	8,490	6,254	702
Cebu Energy	1,518	2,025	1,900	1,978	6,504	7,719	8,578	9,728
STEAG Power	1,381	1,845	1,840	1,840	2,862	4,022	4,791	4,373
GMEC	1,924	5,003	3,909	5,498	12,031	17,821	19,373	23,492
WMPC	598	819	638	438	1,116	1,390	1,158	1,393
SPPC	0	0	0	161	0	0	0	161
CPPC	371	540	550	551	1,148	998	1,685	1,253

EAUC	272	226	383	368	780	571	1,013	819
TMI	928	743	1,200	1,432	952	990	1,865	2,016
TMO	1,035	381	938	814	889	668	1,970	1,694
TPVI*	23	3	-	-	293	30	-	-
Davao Light** (decommissioned)	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

** The TPVI plant started commercial operations on August 7, 2020 and was first dispatched based on an offer into the WESM on August 26, 2020.*
*** 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.

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing operations in 1998.

As of September 30, 2021, AboitizPower's renewable energy portfolio comprised of net sellable capacity of approximately 939.6228 MW in operation, divided into 46.08 MW of solar, 591.62 MW of hydro, and 302 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 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)	Installed Capacity	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	627.8	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet 1-11 (Luzon) ***	53.92	52.7	52.7	FIT/ Bilaterals
		Davao 1-5 (Mindanao)	4.5	4.5	4.5	Distribution Utility
Hedcor Bukidnon	100%	Manolo Fortich (Mindanao)	73.3	68.8	68.8	FIT
Hedcor Sabangan	100%	Sabangan (Luzon)	14.1	14	14	FIT
Hedcor Sibulan	100%	Sibulan (A, B and Tudaya A) (Mindanao)	52.15	49.1	49.1	Distribution utility
Hedcor Tudaya	100%	Tudaya (B) (Mindanao)	8.1	7	7	FIT
LHC	100%	Bakun AC (Ilocos Sur, Luzon)	74.8	74.8	74.8	NPC (2026)
SacaSun	100%	SacaSun (Visayas)	46.8	46.8	46.8	Bilaterals
SN Aboitiz Power-Benguet	60%**	Ambuklao (Benguet, Luzon)	105	105	52.5	WESM
		Binga (Luzon)	140	140	70	WESM/ASPA
SN Aboitiz Power-Magat	60%**	Magat (Luzon)	380	388	194	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	8.5	8.50	4.25	FIT
		Total	**1,588.97***	**1,248.2***	**928.4***	

Notes:
** Sum figures will differ due to rounding effect.*
***The 60% equity is owned by MORE.*
****Based on Certificate of Compliance*

Run-of-River Hydros

During 2020, the Hedcor Group generated a total 956 GWh of Cleanergy, lower as compared to 2019's 964 GWh. Over 60% of the decrease was due to insufficient water supply caused by an extended *El Niño* season. Approximately 40% of the decline was due to planned and unplanned outages. The Hedcor Group also recorded a Weighted Unplanned Outage Factor at 0.73% in 2020, which is the company's lowest figure over the past five years. This means that Hedcor Group's hydropower facilities have been steadily improving plant reliability as the group monitored the lowest record of unprecedented shutdown of hydropower units.

On November 18, 2020, Hedcor inaugurated its first-ever Regional Control Center. With this, all nine plants in Southern Mindanao, composed of the five hydro facilities in Davao City and four hydro facilities in Davao del Sur owned by Hedcor, Hedcor Sibulan, and Hedcor Tudaya, respectively, can be operated remotely in a single control room. This is a significant milestone as part of the organization's multi-year digitization and integration projects which aims to connect all of Hedcor's hydro facilities to a single National Operations Control Center by 2024.

Luzon Hydro Corporation (LHC)

LHC, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river Bakun AC hydropower plant with a total installed capacity of 74.8 MW located in Amilongan, Alilem, Ilocos Sur (the "Bakun AC Hydro Plant"). LHC was incorporated on September 14, 1994.

LHC was previously ARI's Joint Venture 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 AC Hydro Plant was constructed and operated under the government's BOT scheme. Energy produced by the Bakun AC Hydro 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 AC Hydro Plant will be purchased by NPC for a period of 25 years from February 2001. The PPA also requires LHC to transfer the Bakun AC Hydro Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

In 2018, the Bakun AC Hydro Plant gained its ISO 22301:2012 Business Continuity Management System Certification, aligning with international standards in improving its business resilience. In 2020, it was recommended by BSi Group for Quality, Environmental, Asset Management, and Information Security management systems ISO recertification while successfully transitioning to ISO 45001:2018 Occupational Safety and Health management system.

Hedcor, Inc. (Hedcor)

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

In 2005, ARI consolidated all its mini-hydroelectric generation assets, including those developed by HEDC and Northern Mini Hydro Corporation (NMHC) (now: Cleanergy, Inc.), into Hedcor. Hedcor owns, operates, and manages run-of-river hydroelectric power plants in Northern Luzon and Davao City, with an increased combined net sellable capacity of 57.25 MW, attributed to the addition of the La Trinidad Hydro which started operations in July 2019.

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.

The electricity generated from Hedcor's hydropower plants are sold under bilateral agreements. Irisan 1 Hydro and La Trinidad Hydro are under the Feed-in-Tariff ("FIT") mechanism through a Renewable Energy Payment Agreement (REPA) with the National Transmission Corporation ("Transco").

On June 30, 2021, the three hydropower plants under Hedcor, the FLS Hydro, Lower Labay Hydro, and Lon-oy Hydro plants, were voluntarily closed by management for security and safety of Hedcor's local employees and the entire Bakun community. This came after the Bakun LGU and National Commission on Indigenous Peoples - Cordillera Autonomous Region ("NCIP-CAR") issued a forced shutdown notice due to alleged irregularities regarding the Free Prior Informed Consent-Memorandum of Agreement between Hedcor and the Bakun Inidigenous Tribes Organization ("BITO") which was signed on October 15, 2019. The total affected net sellable capacity is 12.15MW, which is approximately 0.3% of AboitizPower's total net sellable capacity.

On June 25, 2021, the DOE sent a letter to Hedcor, directing it to continue operating its FLS Hydro, Lon-oy Hydro, and Lower Labay Hydro Plants citing the "shortage of available capacity from the grid.

On July 28, 2021, FLS Hydro, Lon-oy Hydro, and Lower Labay resumed operations and synchronized to the Luzon grid following the successful conduct of a negotiations with the BITO and the local government officialsof Bakun.

Hedcpr, BITO and and NCIP-CAR are currently working together to execute a Supplemental Memorandum of Agreement.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Incorporated on December 2, 2005, Hedcor Sibulan is a wholly-owned Subsidiary of ARI. The company, owns, operates, and manages the hydropower plants composed of three cascading plants with a total installed capacity of 49.24 MW, located in Santa Cruz, Davao del Sur. Hedcor Sibulan consists of Sibulan A Hydro, Tudaya 1 Hydro, and Sibulan B Hydro. ERC issued a Certificate of Compliance (COC) for Tudaya 1 Hydro on March 5, 2019, a Provisional Authority to Operate (PAO) for Sibulan A Hydro in February 2020, and in November 2020 for Sibulan B Hydro. The energy produced by the Sibulan grid is sold to Davao Light through a PSA signed in 2007.

In 2018, Hedcor Sibulan gained its ISO 22301:2014 Business Continuity Management Certification. Likewise, it has passed all recertification and surveillance audits in 2020, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity. Also, the organization was successful in its transition to ISO 45001:2018 Occupational Safety and Health management system in September 2020.

The Hedcor Sibulan plant is part of the Hedcor Group's Regional Control Center.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya, a wholly-owned Subsidiary of ARI, owns, operates, and manages the Tudaya 2 Hydro run-of-river hydropower plant with an installed capacity of 8.1 MW, located in Santa Cruz, Davao del Sur. The company was incorporated on January 17, 2011.

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

Together with Hedcor Sibulan, Hedcor Tudaya also gained its ISO 22301:2014 Business Continuity Management Certification in 2018. Likewise, the company passed all recertification and surveillance audits in 2020, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity. Hedcor Tudaya also successfully transitioned to ISO 45001:2018 Occupational Safety and Health management system.

The Tudaya 2 Hydro plant is part of the Hedcor Group's Regional Control Center.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Hedcor Sabangan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the Sabangan run-of-river HEPP with a net sellable capacity of 14.13 MW. The company 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. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River.

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

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

The Manolo Fortich Plant is composed of the 45.9-MW Manolo Fortich 1 Hydro and the 27.39-MW Manolo Fortich 2 Hydro. Both plants harness the power of the Tanaon, Amusig, and Guihean rivers.

Persistent rains in the locality that occurred during the second half of 2020 caused soil saturation, erosion, and mudslides resulting in pipe dislocations, pipe bursts, and damage to the high head penstock line of Manolo Fortich 1 resulted its units 3 and 4 temporarily de-energized to make way for pipe repairs. Hedcor Bukidnon remains operational then at a derated generating capacity.

The Manolo Fortich plant sells energy under the FIT mechanism through RESAs with various Mindanao cooperatives and private distribution utilities.

Large Hydros

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

Incorporated on November 29, 2005, SN Aboitiz Power-Magat owns and operates the Magat Plant with a nameplate capacity of 360 MW 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").

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. In October 2020, Norway-based Scatec Solar ASA ("Scatec") signed a binding agreement to acquire 100% of the shares in SN Power from Norfund for a total equity value of US$ 1,166 mn. On January 29, 2021, Scatec announced it has received all necessary approvals and that conditions are fulfilled to close the acquisition pursuant to the agreement with Norfund. As of September 30, 2021, SN Aboitiz Power-Magat is 60% owned by MORE, while SN Power Philippines Inc. owned the remaining 40% equity interest.

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.

The Maris Plant, which is composed of two generator units with a nameplate capacity of 4.25 MW each and was completed in November 2017. The plant was granted entitlement to the FIT system in its operations pursuant to the COC issued by ERC in November 2017.

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 were uprated by 2 MW each, or from 95 MW to 97 MW per unit. This means that the Magat Plant is capable of producing, under normal to best conditions, up to 388 MW as compared to its nameplate capacity of 360 MW. SN Aboitiz Power-Magat COC expired in November 2020, and upon filing for its renewal, the ERC issued a PAO. Compliance with the conditions in the PAO is currently ongoing.

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

As of September 30, 2021, the Magat Reservoir's 2021 inflow volume has been 100% of normal. The strong *La Niña* in the fourth quarter of 2020 carried over its effects to the first quarter of 2021, driving the total inflows for the first quarter of 2021 to 233% of normal. However, in transition to normal climate, the second quarter summer season in Magat was significantly below normal at 57% of normal. Third quarter inflows started to normalize with the resumption of typhoons, which resulted in third quarter inflows totaling at 76% of normal. The inflow in Magat for fourth quarter 2021 is forecasted to be above normal with the expected return of a weak *La Niña* in fourth quarter.

Driven by higher inflows, Magat Plant's total sold quantities from spot energy generation and ancillary services as of September 30, 2021 was at 1.4TWh, which is higher than the 1TWh sold capacity in the same period in 2020. This is equivalent to a sold capacity factor of 57%, compared to 43% in 2020. Spot and AS revenue as of September 30, 2021 was ₱4.38 bn, 78% higher than the ₱2.46 bn recorded in the same period in 2020. SN Aboitiz Power-Magat's Bilateral Contract Quantity (BCQ) margin as of September 30, 2021 was a loss of ₱277 mn, significantly lower than the ₱439 mn recorded in the same period in 2020. This was mainly driven by the higher spot market prices during 2021 compared to 2020.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating photovoltaic project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of the SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The pilot floating solar project has proven its technical and commercial viability, and the initial pre-feasibility studies have shown positive results. On October 21, 2020, the company began the engineering design for a 67 MW facility. The project is currently in the detailed feasibility study stage, which is expected to run for ten to twelve months. Initial efforts have been focused on securing all pertinent permits and endorsements, conduct of applicable stakeholder consultations, completion of environmental and social baseline studies, refinement of commercial assumptions, and completion of technical site investigations necessary for a feasibility level design. Depending on the final technical solution and layout, the facility can be expanded to 150 MW. SN Aboitiz Power-Magat is also working on the renewable energy service contract ("RESC") application with the DOE. SN Aboitiz Power-Magat has also secured an extension of its memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir.

SN Aboitiz Power–Magat's Battery Energy Storage System ("Magat BESS") project is located in Ramon, Isabela. It is an energy storage system with a 20-MW capacity and 20-MWh energy storage to be used primarily for ancillary services. Site survey works have been completed as part of the pre-construction. Preparatory activities have been completed, including site surveys and basic engineering design. Coordination is ongoing with the NGCP on transmission, particularly the reconductoring/upgrading of the Magat-Santiago 230 kV transmission line. The benefit of this upgrade is to ensure full dispatch of the Magat power plant's capacity, battery energy storage system, and proposed expansion in the floating solar plant. The addition of BESS complements the rise of variable renewable energy in the country. The influx of variable renewable energy capacity increases frequency variability of the grid, which necessitates a more balanced power supply in the system.

On October 22, 2020, the DOE ssued a Green Energy Option Program (GEOP) Operating Permit to SN Aboitiz Power-Magat, which authorizes the company to enter into electricity supply contracts with qualified end-users according to the GEOP or RA No. 9513 or the Renewable Energy Act of 2008 ("RE Law"). This permit is valid for five years. SN Aboitiz Power-Magat also has a RES license valid until 2025.

SN AboitizPower-Magat retained its Integrated Management System certifications for ISO 14001 for Environmental Management System, ISO 9001 for Quality Management System, ISO 45001 for Occupational Health and Safety Management Systems, and ISO 55001 Asset Management System, as verified and audited by DQS Philippines in 2019. The company recorded 1.9 mn manhours without lost time incident as of September 30, 2021.

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 ("Ambuklao Plant") and the 140-MW Binga HEPP ("Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province. The company was incorporated on March 12, 2007. As of September 30, 2021, MORE owned 60% equity interest, while SN Power owned the remaining 40%.

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 the plant re-commenced operations in 2011. The Binga Plant also underwent refurbishment from 2010 to 2013, which increased 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 COC reflects Binga's latest uprating, raising its capacity to 140 MW. The Ambuklao and Binga Plants sell capacity from spot energy generation and ancillary services to the national transmission system and related facilities that convey power.

As of September 30, 2021, the inflow volume in Ambuklao Reservoir for 2021 is 113% of normal. The strong *La Niña* during the fourth quarter of 2020 also carried over its effects to the first quarter of 2021 in Ambuklao, with total inflows for the first quarter reaching 170 % of normal. However, in transition to normal climate from the *La Niña* in the first quarter of the inflow during the second quarter summer season in Ambuklao was also significantly below normal at just 44%. The Habagat season in 2021 was significantly stronger compared to 2020. Thus, Ambuklao third quarter inflows totaled 126% of normal. The forecasted return of a weak *La Niña* in the fourth quarter should also lead to an above normal fourth quarter in the Benguet dams.

The resulting combined spot and ancillary services revenue of the Ambuklao and Binga Plants for as of September 30, 2021 was ₱4.21 bn, compared to ₱2.92 bn the same period in 2020. SN Aboitiz Power-Benguet's BCQ margin as of September 30, 2021 was ₱58 mn loss, which was significantly lower than 2020's BCQ margin of ₱693 mn. This was mainly driven by the higher spot market prices during 2021 compared to 2020.

Both the Ambuklao and Binga Plants have retained their Integrated Management System certifications (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and ISO 55001 for Asset Management) in 2020. The company also successfully migrated and was certified as ISO 45001 Occupational Health & Safety Management System from OHSAS 18001. The Ambuklao and Binga Plants jointly have more than 5.1 mn man hours of no lost time incident as of September 30, 2021.

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. 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 Philippine Geothermal Production Company, Inc. (PGPC) signed a Geothermal Resources Supply and Services Agreement (GRSSA) for the supply of steam and drilling of new production wells for the Tiwi-MakBan Geothermal Facilities. The GRSSA effective date will run until the expiration of APRI's initial DOE operating contract 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, with a minimum of 50 MW aggregated individual well capacity, by 2023 in order to increase steam availability. The GRSSA also provides for more equitable and competitive fuel pricing in the long run.

The first Steam Production Enhancement Campaign (SPEC) make-up well Bulalo 114 for MakBan was completed and started flowing into the system onApril 10, 2021 and provided an added steam equivalent to 5.41 MW to Makban Plant B. For Tiwi, Kapipihan 36, the first well drilled under the SPEC program was completed in December 2019 and was tested at 12.11 MW capacity in January 2020. Additional two wells in MakBan were completed, Bulalo 115 contributed 4.86 MW and Bulalo 116 added 3.31 MW based on the tests conducted on June 2 and July 29, 2021 respectively. Atotal of two additional new make-up wells will be contributing to the generation of APRI's 234 MW geothermal power facility in Tiwi, Albay and the six remaining new make-up wells will be contributing to the 394.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") for a total of 12 new make-up wells under the SPEC program within 2021 -2023.

APRI was granted a RES license on February 18, 2020 which is valid until February 17, 2025.

Solar

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

SacaSun owns and operates the 59-megawatt peak (MWp) solar photovoltaic (PV) power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental (the "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 September 30, 2021, the energy generated from the SacaSun Plant benefited more than 31,999 homes within the Visayas Grid and displaced the energy equivalent to19,822,475 gallons of gasoline or approximately 194,709,320 pounds of coal burned.

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.

PV Sinag Power, Inc. (PV Sinag)

PV Sinag is the project company for the construction of the 74MW Cayanga solar project located in Cayanga, Bugallon, Pangasinan. PV Sinag issued a notice to proceed NTP for an access road to the plant site on September 15, 2021, which is 11.33% completed as of September 30, 2021. Tendering for the EPC contractor for the solar plant and transmission facilities is ongoing and NTP is expected to be issued in November 2021. The total project cost is estimated at ₱3.7 bn and will be funded through project finance and equity contributions. The project is expected to commence commercial operations by December 2022, in line with PV Sinag's power supply agreement with a retail customer.

PV Sinag (formerly: Hedcor Ifugao, Inc.) was incorporated on October 1, 2013, and is wholly-owned by ARI.

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

APX1 and APX2 (formerly: Kookabura Equity Ventures, Inc.) are the project companies engaged 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 intended to serve customers operating within PEZA zones.

As of September 30, 2021, APX had appropriately 4.2 MWp of rooftop solar projects, perating under a Power Purchase Agreement, a turnkey solution for customers, or about to start construction/installation. A number of rooftop PV solar systems were also commissioned during the first quarter of 2021, with an additional 13 MWp of proposed projects currently being considered for development.

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.

One of SN Aboitiz Power-Gen's most significant projects in 2020 is the proposed 390-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (which is currently on hold due to market constraints), and the 20-MW Olilicon hydropower plant (the "Alimit Project").

The Alimit hydropower complex project completed its feasibility study phase and the Free Prior and Informed Consent (FPIC) process with the indigenous communities in the covered areas. The Environmental Compliance Certificate (ECC) for the complex has been issued by the DENR. However, the project has since been put on hold since ground engagements and activities have been restricted by the COVID-19 pandemic

Pursuant to the mandate of adding capacity, the Magat BESS and floating solar projects are expected to contribute 20 MW and 67 MW, respectively, to SN Aboitiz Power Group's portfolio. SNAP BESS Project was approved to move to the pre-construction phase in 2020. Pertinent permits, contractual agreements, and other technical studies were completed in the same year. Approval to move to the construction phase will be sought in 2021. Preparatory activities have been completed, including site surveys and basic engineering design. Coordination is ongoing with the NGCP on transmission issues, particularly the advance implementation of the Magat-Santiago 230 kV transmission line reconductoring/upgrading.

SN Aboitiz Power-Gen was incorporated on March 10, 2011. As of September 30, 2021, 60% equity interest in the company is owned by MORE, with the remaining 40% owned by SN Power Philippines.

Non-Renewable Energy

Therma Power, Inc. (TPI)

AboitizPower's investments and interests in various non-renewable energy projects are held primarily through its wholly-owned Subsidiary, TPI and its Subsidiary power generation companies. TPI was incorporated on October 26, 2007. As of September 30, 2021, AboitizPower, by itself, through and/or with TPI, owns equity interests in the following:

Generation Company	Percentage Ownership	Plant Name (Location)	Installed Capacity	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Coal Group						
TLI	100%	Pagbilao (Luzon)	700	700	700	Bilaterals/WESM
PEC	50%	Pagbilao 3 (Luzon)	420	388.4	194.2	Bilaterals
TSI	100%	TSI Plant (Mindanao)	301.4	260	260	Bilaterals
TVI	80%	TVI Plant (Visayas)	353.9	300	240	Bilaterals/WESM
Cebu Energy	26.4%	Cebu Energy (Visayas)	246	216	57	Bilaterals
GMEC	78.32%	Mariveles Project (Luzon)	632	632	495	Bilaterals/WESM
STEAG Power**	34%	STEAG Power Plant (Mindanao)	210	210	71.4	NPC (2031)
Oil Group						
CPPC**	60%	CPPC Plant (Visayas)	64	64	38.4	WESM
EAUC	100%	EAUC Plant (Visayas)	43.5	43.5	43.5	Bilaterals
SPPC**	20%	SPPC Plant (Mindanao)	61.72**	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	96	96	96	Bilaterals/ASPA
		Power Barge Mobile 2 (Mindanao)	96	96	96	Bilaterals/ASPA
TMO	100%	Power Barges Mobile 3-6 (Luzon)	202.2	200	200	ASPA/WESM

TPVI	100%	TPVI[13] Plant (Visayas)	40.61	39.27	29.27	WESM
WMPC**	20%	WMPC Plant (Mindanao)	107	100	20	Bilaterals
Cotabato Light**	99.94%	Bunker Cotabato (Mindanao)	4	4.45	4.45	N/A
		Total	**3,578.33***	**3,404.6***	**2,566.2***	

** Sum figures will differ due to rounding effect*
*** Directly owned by AboitizPower*
****Based on Certificate of Compliance*

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 dependable capacities of TMI are currently contracted with the NGCP in an ASPA. TMI was registered as a WESM Trading Participant beginning January 8, 2020, in anticipation of WESM in Mindanao.

In November 2020, AboitizPower announced its two battery projects, with TMI Hybrid BESS being one of two battery energy storage system projects of AboitizPower. Located in Maco, Davao de Oro, TMI Hybrid BESS has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with TMI's Power Barge Mobile 1. The TMI Hybrid BESS project is expected to commence commercial operations in 2022.

Therma Mobile, Inc. (TMO)

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

On January 7, 2019, TMO notified Meralco that it will physically disconnect from Meralco's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to Philippine Electric Market Corporation (PEMC), DOE, ERC, and IEMOP, following applicable legal notice requirements. Afterwards, TMO signed a one-year PSA with Meralco that expired on April 25, 2020.

Thereafter on July 14, 2020, TMO and NGCP entered into ASPAs for Reactive Power Support and Dispatchable Reserve. Both ASPAs have been provisionally approved by the ERC.

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.

[13] ASPA will commence in 2021.

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 company that was awarded the winning bid for the privatization of the 25.3-hectare 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, the NPPC was physically turned over and accepted by TPVI from PSALM. Following the completion of rehabilitation works, on August 7, 2020, TPVI commenced commercial operations 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, one of the largest diesel-powered plants on the island of Cebu. The company was incorporated on July 13, 1994. Commissioned in 1998, the CPPC plant was constructed to supply 62 MW of power to Visayan Electric. CPPC is currently trading in the WESM.

CPPC is a Joint Venture between AboitizPower and the Vivant Group. As of September 30, 2021, AboitizPower beneficially owned 60% of CPPC.

Southern Philippines Power Corporation (SPPC)

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

As of September 30, 2021, AboitizPower had a 20% equity interest in SPPC, a Joint Venture 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.

As of September 30, 2021, AboitizPower had a 20% equity interest in WMPC, a Joint Venture 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, was the first IPPA in the country, and assumed the role of the registered trader of the contracted capacity of the 700-MW net (2x350 MW net) coal-fired 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. TLI was granted a RES license on August 12, 2020 which is valid until August 11, 2025.

Pagbilao Energy Corporation (PEC)

PEC owns and operates the 400-MW Unit 3 coal-fired power plant ("Pagbilao Unit 3") 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. Pagbilao Unit 3 is not covered by either TLI's IPPA with PSALM or TeaM Energy's BOT contract with NPC/PSALM, and commenced operations in March 2018.

Through TPI, AboitizPower has 50% equity interest in PEC, while TPEC Holdings Corporation owns the remaining 50% as of September 30, 2021.

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 net (2x150MW net) circulating fluidized bed (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 was granted a PAO, which was initially valid from September 1, 2020 until August 31, 2021. The PAO was extended for one year effective September 1, 2021 until August 31, 2022.

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 owns and operates the 300-MW net (2x150 MW net) CFB coal-fired power plant located in Toledo City, Cebu. Commercial operations for Unit 1 and Unit 2 began in April and August 2019, respectively.

AboitizPower, through TPI, effectively owns 80% equity interest of TVI as of September 30, 2021. The remaining 20% is held by Vivant Group.

TVI supplies power to Visayan Electric and its RES Affiliates – Aboitiz Energy Solutions, Inc. (AESI), Advent Energy, inc.("AdventEnergy"), and Prism Energy, Inc. ("Prism Energy").

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

Abovant is a Joint Venture 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. The company owns the 3x82-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.

Cebu Energy consistently ensures delivery of the highest level of service, and actively undertakes accreditations on Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), and Occupational Health and Safety Management System (OHSAS 18001:2007). The company 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.

As of September 30, 2021, Abovant had a 44% equity interest in Cebu Energy, while Global Formosa owned the remaining 56%. Consequently, AboitizPower, through TPI, held a 26.4% effective ownership interest in Cebu Energy.

Redondo Peninsula Energy, Inc. (RP Enegy)

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 Subic Bay Freeport Zone (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. As of September 30, 2021, AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

STEAG State Power Inc. (STEAG Power)

Incorporate in December 19, 1995, 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 STEAG Power Plant consists of two units built under a BOT arrangement and started commercial operations on November 15, 2006. It has a 25-year PPA with NPC, which is backed by a Performance Undertaking issued by the Philippine government.

As of September 30, 2021, AboitizPower had 34% equity interest in STEAG Power. Evonik Steag GmbH (now STEAG GmbH or STEAG) and La Filipina Uy Gongco Corporation (LFUGC) currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

In January 2021, STEAG Power applied for the renewal of ERC COC which expired last August 29, 2021. ERC issued a PAO valid until August 29, 2021.

From December 2020 to May 13, 2021, one of its two units was required to be in economic shutdown by NPC/PSALM in accordance with the PPA due to the following factors: (i) grid demand, and (ii) high water level of hydro power plants aggravated by the pandemic quarantine effects. Both units have since resumed normal operations, save only during the long plant maintenance schedule which ran from June 30 to August 9, 2021.

STEAG Power entered into two coal supply agreements in December 2019 that secured the plant's fuel requirements for the next three years on a fixed base and option tonnage. The company entered into a Charter Party Agreement, as amended, for the transportation of coal in bulk from January 1, 2020 to December 31, 2025.

AA Thermal, Inc.

On May 2, 2019, AboitizPower completed its acquisition of 49% voting stake and 60% economic stake in AA Thermal, 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 GMEC and GNPD, where AboitizPower, through TPI, already holds direct partnership interests.

GNPower Mariveles Energy Center Ltd. Co. (GNPower Mariveles or GMEC)

GMEC, formerly known as GNPower Mariveles Coal Plant Ltd. Co., is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x345 MW (gross) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines (the "Mariveles Project"). GMEC registered its Amended Articles of Partnership to reflect GMEC's change in partnership name, which was subsequently approved by the SEC on October 14, 2020.

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 2014.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line from Mariveles to Hermosa substation. The transmission line is owned, and operated, and maintained 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 the 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 its receipt of the necessary approvals from the Board of Investments (BOI) and PCC, TPI completed the acquisition of GMEC and GNPD on December 27, 2016. Beginning October 13, 2017, through its general and limited partners, AboitizPower's sharing percentage on GMEC's: (i) profits and losses and (ii) distributions, including net distributable liquidation proceeds, has been at 66.075%.

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

During the first quarter of 2021, GMEC informed AboitizPower of an unscheduled outage of the Mariveles Project's Unit 1 ("GMEC Unit 1"), attributable to the damage found in a portion of GMEC Unit 1's boiler. Actual repairs to the boiler were completed on August 12, 2021. Parallel to this repair works, GMEC Unit 1 went on general maintenance outage. With the extended outage activities, GMEC Unit 1's return-to service date was moved to October 31, 2021. In view of the resulting business interruption, GMEC has initiated an insurance claim for the outage. The Mariveles Project represents approximately 8,96% of the total gross capacity under AboitizPower's market control of 3,850 MW. GMEC Unit 1 delivers a net sellable capacity of 316 MW, which represents approximately 9.06% of AboitizPower's net sellable capacity of 3,494 MW.

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 2x744 MW (gross) supercritical coal-fired power plant to be located in Mariveles, Bataan.

GNPD started the construction of Unit 1 in September 2016, the commissioning and testing of which is currently on-going, with delivery thereof targeted to take place by the fourth quarter of 2021. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017, with expected target delivery thereof in the third quarter of 2022. Both units are in the final stages of construction but continue to face challenges due to the COVID-19 pandemic and travel restrictions. Due to these circumstances, commercial operations of Unit 1 and 2 are expected to commence by the end of fourth quarter 2021 and second quarter 2022, respectively.

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 Unit 2, an additional identical 668MW (net) unit, and its associated ancillary facilities. The electricity that will be produced by Unit 1 of GNPD will be initially exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Once NGCP's 500kV high voltage transmission line is completed, energy from both GNPD's Unit 1 and Unit 2 will be exported through the same.

On December 27, 2016, TPI completed the acquisition of the partnership interests held by the 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.). AboitizPower's sharing percentage on GNPD's (i) profits and losses and (ii) distributions therein, through its general and limited partners, was eventually 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, resulting in TPI directly owning a 45% partnership interest in GNPD by December 31, 2018.

In February 2019, GNPD secured the Certificate of Energy Project of National Significance from the DOE.

GNPD renewed its registration with the Authority Freeport Area of Bataan (AFAB) in December 2020 for the calendar year 2021. As an AFAB Registered Enterprise, GNPD is entitled to the incentives granted under Republic Act No. 9728, the organic law creating the AFAB. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

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

Other Generation Assets

As of September 30, 2021, Cotabato Light maint6ains a stand-by maximum capacity of 4.45-MW Bunker C-fired power plant capable of supplying approximately 13.98% of its requirements.

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, AboitizPower, 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

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 it 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 2020, the wholly-owned Distribution Utilities and Visayan Electric completed a rebranding initiative to modernize the look and feel of the brands and visually show their relation to AboitizPower.

The Distribution Utilities' earnings contribution to AboitizPower's business segments in 2020 was equivalent to 28.03%. The Distribution Utilities had a total customer base of 1,099,661 as of September 2021 compared to 1,068,820 as of year-end 2020, and 1,030,726 as of end-2019.

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

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	YTD Sept 2021	2020	2019	YTD Sept 2021	2020	2019	YTD Sept 2021	2020	2019
Davao Light	**1,936,901**	2,476,991	2,633,920	**459**	452	454	**455,084**	440,304	420,666
Cotabato Light	**132,963**	170,363	173,114	**33**	32	31	**46,417**	45,044	43,449
Visayan Electric	**2,398,409**	3,119,850	3,500,781	**554**	583	601	**475,469**	462,699	450,088
SFELAPCO	**535,319**	686,694	714,948	**147**	134	140	**118,104**	116,293	112,091
Subic Enerzone	**198,978**	262,393	329,633	**50**	56	62	**3,540**	3,477	3,473
Mactan Enerzone	**83,555**	99,927	117,433	**21**	21	22	**87**	87	87
Balamban Enerzone	**65,129**	92,771	101,885	**25**	28	27	**28**	29	34
Lima Enerzone	**221,074**	242,455	249,394	**56**	49	44	**924**	882	834
Malvar Enerzone	**547**	158	51	**0.76**	0.12	0.06	**5**	5	4
Total	**5,572,874**	**7,151,601**	**7,821,159**	**1,346**	**1,355**	**1,382**	**1,099,661**	**1,068,820**	**1,030,726**

Visayan Electric Company, Inc. (Visayan Electric)

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

Visayan Electric is the Aboitiz Group's first involvement in the power industry, with the acquisition by some family members of 20% ownership interest in the early 1900s. Directly and through its predecessors-in-interest, the company has been in the business of distributing electricity in Cebu since 1905. In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The franchise was renewed in September 2005 for a period of 25 years or until September 2030.

As of September 30, 2021, Visayan Electric's total systems loss was at 6.76%. This included a feeder loss level of 5.02%, which is below the government-mandated feeder loss cap in 2021 of 5.5%.

Visayan Electric has energized 100% of all the barangays, and electrified 99.77% of all the households within its franchise area. A goal of 100% total electrification is set on December 31, 2022, in line with the national goal set by the DOE.

Visayan Electric is true to its vision of becoming a world-class electric utility by implementing innovations such as the implementation of a full digital substation using IEC 61850 station and process bus for its Paknaan substation. The newest application for distribution automation, fault location, isolation, and service restoration (FLISR), is an ongoing project to be applied to four feeders within the franchise.

Visayan Electric's Underground Distribution System (UDS) project, which began in 2013, aims to convert overhead conductors to underground cables along Cebu City's Sinulog Route with a total length of approximately five kilometers (kms). As of September 30, 2021, approximately 3.6 kms have been completed.

Visayan Electric has reinforced and improved the existing capacity and reliability of its 23kV West Cluster with the addition of another 33 MVA Power Transformer in the Calamba Substation. This will enhance electricity service for the increasing demand of both commercial and densely residential customers within its franchise area.

Another milestone for Visayan Electric is the construction and completion of the Visayan Electric System Control Center building. This dedicated building was constructed to safeguard the operation of all the substations and remotely-operated devices installed across the entire franchise area.

As of September 30, 2021, AboitizPower directly held a 55.26% equity interest in Visayan Electric, with 34.81% 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. Its franchise area covers two cities and three municipalities in the Davao region, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms.

Davao Light was incorporated on October 11, 1929, and was acquired by the Aboitiz Group in 1946. The company's original 50-year franchise, covering Davao City, was granted in November 1930 by the Philippine Legislature. Pursuant to RA No. 11515, Davao Light's franchise was extended for an additional 25 years from 2025, or until 2050.

The company's power supply is also sourced from renewable energy sources coming from NPC-PSALM hydro, Hedcor Sibulan, Hedcor's Talomo plant, Hedcor-Bukidnon (Manolo Fortich), all hydropower.

Davao Light continuously upgrades its distribution network infrastructure to increase capacity and adopts digital technology in its substations to enhance the reliability and flexibility in the sub-transmission and distribution network. Its UDS project along C.M Recto St., Davao City, which commenced in 2018, is already 100% complete. The second phase of the project along San Pedro Street is ongoing and is expected to be completed done by December 2022. Also, a new 69 kV sub-transmission line was recently built and completed to improve power quality and reliability in the southern areas of the city specifically, in Maa, Ecoland, Matina, Bangkal, and Ulas.

To respond to the challenges of the Covid-19 pandemic, Davao Light has opened diverse digital channels and online facilities to provide ease to its customers in their business transactions such as payments, requests, and inquiries. One innovation is the introduction of MobileAP, a mobile application that allows customers to access their billing and accounts anytime and anywhere. Davao Light also introduced different payment facilities to cater to receipt of payments across different channels accessible to its customers. These payment channels allow transactions to be safely done online without physically going to the service centers.

Davao Light retained its certification for the ISO 9001:2015, or the Quality Management System (QMS), and passed the surveillance audit for ISO 45001:2018 - Occupational Health and Safety (OH&S) Management System and ISO 14001:2015 – Environmental Management (EM) System.

As of September 30, 2021, Davao Light's total systems loss is 8.03%. This included a feeder loss of 4.97%, which was below the government-mandated feeder loss cap in 2021 of 5.50%.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Sultan Kudarat, and Datu Odin Sinsuat, 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 a period of 25 years, or until 2039.

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 13.54% 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.

Cotabato Light's total systems loss as of September 30, 2021 is at 8.26%. This included a feeder loss of 6.84% which was above the government-mandated feeder loss cap in 2021 of 5.5%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

As of September 30, 2021, AboitizPower directly owned a 99.94% equity interest in 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. and the municipality of Floridablanca and Brgys. Talang and Ligaya, with an estimated area of 175.5 sq. kms. As of September 30, 2021, it includes 633.57 circuit km 13.8-kV medium voltage lines and 1,032.92 circuit km of 240v low voltage distribution lines.

SFELAPCO's total systems loss as of September 30, 2021 was at 5.32%. This included a feeder loss of 3.76%, which was below the 2021 government-mandated feeder loss cap of 5.50%.

As of September 30, 2021, AboitizPower had an effective equity interest of 43.73% 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, 2021, Subic Enerzone served a total of 3,540 customers, consisting of 86 industrial locators, 1,260 commercial locators, 2,072 residential customers, 102 streetlights and 20 industrial locators under RES.

Subic Enerzone's total systems loss as of September 30, 2021 was at 3.64%. This included a feeder loss of 1.84%, which was below the 2021 government-mandated feeder loss cap of 5.5%

As of September 30, 2021, AboitizPower owned, directly and indirectly through Davao Light, a 99.98% equity interest in Subic Enerzone.

Mactan Enerzone Corporation (Malvar 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's contract with SN Aboitiz Power-Magat terminated last February 26, 2021. The Department of Energy approved the exemption to conduct Competitive Selection Process (CSP) for the Contract for the Supply of Electric Energy (CSEE) with the PSALM for the period of one year from February 26, 2021 to February 25, 2022. Mactan Enerzone still sources some of its power from Green Core Geothermal Incorporated pursuant to a CSEE.

As of September 30, 2021, Mactan Enerzone served a total of 49 captive industrial locators, 28 captive commercial locators, and 10 industrial locators under RES.

Mactan Enerzone's total systems loss as of September 30, 2021 was 7.01%. This included a feeder loss of 0.45%, which was below the 2021 government-mandated feeder loss cap of 5.50%.

As of September 30, 2021, AboitizPower owned a 100% equity interest in 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, 2021, Balamban Enerzone served a total of 10 captive industrial customers, 12 captive commercial customers, and six contestable industrial customers.

Balamban Enerzone's total systems loss as of September 30, 2021 was 0.41%. This included a feeder loss of 0.16%, which is below the 2021 government-mandated feeder loss cap of 5.50%.

As of September 30, 2021, AboitizPower directly owned a 100% equity interest in 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, 2021, Lima Enerzone served a total of 96 captive industrial locators, 16 captive commercial locators, 80 captive residential customers, eight street lamps, and 24 industrial locators under RES.

As of September 30, 2021, Lima Enerzone's total systems loss was 5.28%. This included a feeder loss of 0.72%, which was below the 2021 government-mandated feeder loss cap of 5.50%.

As of September 30, 2021, AboitizPower directly owned a 100% equity interest in 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 will manage the operation and maintenance of the power distribution of LISP IV for 25 years. LISP IV has two 50MVA transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters. As of September 30, 2021, Malvar Enerzone served a total of three captive industrial locators, four captive commercial locators and one streetlight.

As of September 30, 2021, Malvar Enerzone's total systems loss was 22.73% due to the energization of the two 50MVA power transformers at very minimal load factor. This includes a feeder loss of 2.56%, which was below the 2021 government-mandated feeder loss cap of 5.50%.

As of September 30, 2021, AboitizPower directly owned a 100% equity interest in 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. AdventEnergy, AESI, and Prism Energy are registered under the Renewable Energy Market and were recently granted by the Department of Energy operating permits allowing them to participate in the Green Energy Option Program.

Aboitiz Energy Solutions, Inc.

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.

AESI served 42 customers at the start of commercial operations of Open Access on June 26, 2013. During the nine-month period ending on September 30, 2021, AESI supplied retail electricity to a total of 205 customers, with total energy consumption of 1,569.23 mn kWh. As of September 30, 2021, AboitizPower owned a 100% equity interest in AESI.

Adventenergy, Inc.

AdventEnergy was specifically formed to serve Contestable Customers who are located in economic zones. It was granted a license to act as a RES valid until June 17, 2022. The company was incorporated on August 14, 2008.

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.

During the nine-month period ending onSeptember 30, 2021, AdventEnergy supplied retail electricity to 90 customers with a total consumption of 1,124.01 mn kWh.

As of September 30, 2021, AboitizPower owned a 100% equity interest in AdventEnergy.

Prism Energy, Inc.

Prism Energy was incorporated in March 2009 as a Joint Venture between AboitizPower and Vivant Energy 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. During the nine-month period ending onSeptember 30, 2021, Prism Energy supplied retail electricity to 44 customers with a total energy consumption of 134.38 mn kWh.

As of September 30, 2021, AboitizPower directly owned a 60% equity interest in Prism Energy.

SN Aboitiz Power – Res, Inc.

SN AboitizPower-RES is a Retail Electricity Supplier that caters and offers energy supply and solutions tailored to the needs and preferences of customers under the Retail Competition and Open Access (RCOA) market. Starting in February 2021, the RCOA market allow has lowered its threshold to Phase III, allowing electricity end-users with an average peak demand of at least 500kW to source their electricity requirements from their RES of choice.

SN AboitizPower-RES together with SN AboitizPower-Magat were granted GEOP Operating Permits by the DOE, allowing both RES companies of the SN AboitizPower Group to participate and supply in the GEOP. The GEOP enables end-users with a minimum average peak demand of 100kW to source renewable energy from RE Suppliers with GEOP Operating Permits.

As of September 30, 2021, Manila Oslo Renewable Enterprise Inc. (MORE) owned a 60% equity interest in SN Aboitiz Power-RES, with the remaining 40% owns by SN Power Philippines.

(ii) Sales

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

Comparative amounts of revenue, profitability and identifiable assets as of September 30, 2021, 2020, 2019, and 2018, are as follows:

	September 2021	September 2020	September 2019	September 2018
Gross Income	₱93,602	₱81,130	₱94,681	₱100,105
Operating Income	21,103	19,277	22,233	27,755
Total Assets	₱405,152	₱404,108	₱404,785	₱375,738

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

Comparative amounts of revenue contribution and corresponding percentages to total revenue by business group for the nine months ended September 30, 2021, 2020, 2019, and 2018 are as follows:

	September 2021		September 2020		September 2019		September 2018	
Power Generation	**₱66,985**	**58%**	₱54,950	**55%**	₱63,683	53%	₱64,085	54%
Power Distribution	**33,814**	**29%**	32,161	**32%**	35,971	30%	35,265	29%
Retail Electricity Supply	**14,509**	**12%**	12,060	**12%**	19,550	15%	19,640	16%
Services	**726**	**1%**	815	**1%**	946	1%	1,011	1%
Total Revenue	**116,033**	**100%**	99,986	**100%**	**120,149**	**100%**	**120,001**	**100%**
Less: Eliminations	(22,431)		(18,856)		(25,468)		(19,896)	
Net Revenue	**₱93,602**		**₱81,130**		**₱94,681**		**₱131,572**	

'ote: Values are in Million Pesos.

(iii) Distribution Methods of the Product or Services

POWER GENERATION BUSINESS

The AboitizPower's Generation Companies sell their capacities and energy through bilateral PSAs with private distribution utilities, electric cooperatives, RES, other large end-users, and through the WESM. AboitizPower has Subsidiaries and Affiliates that sell ancillary services through ASPAs with NGCP. The majority of AboitizPower's Generation Companies have transmission service agreements with NGCP for transmission of electricity to the Grid.

DISTRIBUTION UTILITIES BUSINESS

Ancillary Services are necessary to help ensure a reliable and stable Grid, which co-exist with the energy market or WESM. NGCP signs ASPAs with AS-certified generators to fulfill specific ancillary service requirements per Grid. Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, TMO, TLI, APRI, Cebu Energy, and WMPC have ASPAs with NGCP. In the Luzon grid, the SN Aboitiz Power Group delivers regulating, contingency, and dispatchable reserves, blackstart service, and reactive power support through its Ambuklao, Binga, and Magat Plants. TMO, on the other hand, is located at the load center Metro Manila and served the necessary voltage support and dispatchable reserve. In addition, TLI's Pagbilao and APRI's Makban plants are delivering contingency reserves and Reactive Power Support Ancillary Services, respectively. In Visayas, AboitizPower delivers Contingency Ancillary Service through Cebu Energy. TMI provides both contingency and dispatchable reserves requirements in Mindanao. As a recent development to the Ancillary Service Contracting Process, it was mandated by the Department of Energy that AS will now undergo CSP, the same as that for Energy CSP.

In addition, the run-of-river hydroelectric power plants - Tudaya Hydro 2, Irisan Hydro 1, Sabangan, and Manolo Fortich 1 and 2, and Hedcor La Trinidad Hydro - all in commercial operations, have been approved for inclusion in the FIT system. Hedcor, Hedcor Tudaya, Hedcor Sabangan, and Hedcor Bukidnon, the legal entities that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-Allowance ("FIT-All") Administrator, for the collection and payment of the FIT.

In the absence of WESM in Mindanao, Tudaya Hydro 2, and Manolo Fortich Hydro 1 have entered into RESAs with their host distribution utilities and/or electric cooperatives.

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. Prism Energy primarily serves contestable customers under the Visayan Electric franchise.

In addition, APRI and TLI were granted Retail Electricity Supplier licenses in 2020 and became registered members of the Renewable Energy Market on July 6, 2021.

(iv) New Products/Services

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

(v) 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. Drastic increases in coal prices also put coal fired power assets at a significant disadvantage in terms of prices among competitors especially to competitors in the RE space where prices have become more competitive and operating costs are generally not affected by commodity prices.

As of September 30, 2021, consumption of power has returned to the pre-pandemic levels. AboitizPower believes the Philippines has long term energy requirements that will continue to grow, attracting many competitors - including multinational development groups and equipment suppliers - to explore opportunities in 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 trajectory of the Philippines. AboitizPower is positioning itself to become a significant player in the RE space and intends to have 50% of its generating assets from renewable sources by the end of the current decade.

Based on ERC Resolution No. 05, Series of 2021, there are over 30 players representing a total installed capacity of 23,422 MW for the Philippine Grid. The largest is SMC Global Power (5,345 MW), a Subsidiary of San Miguel Corporation which was founded in 1890 and which, through time, has built strong stakeholder relationships and enjoyed long-running commercial success. AboitizPower is the second largest generation company by attributable installed capacity (3,882 MW). The third largest is First Gen Corporation (3,485 MW), which prides itself as one of the leading suppliers of renewable energy in 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, 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 RCOA and lowering of thresholds for contestability, foreign and local generation companies, and other independent RES players, 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.[14]

RETAIL ELECTRICITY SUPPLY BUSINESS

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of August 2021, there are 43 RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas.MPower RES has the largest market share at 35.74%, with a contracted capacity of 1,463.51 MW. Its main strength is its affiliation as a subsidiary of the country's largest distribution utility, MERALCO, which has the financial and market strength, as well as goodwill, that comes from its size, long history, and dominance. AboitizPower, through its RES companies, has the second-largest market share at 20.29%,[15] with contracted capacity of 830.93 MW[16] as of August 2021. The Ayala Group has the third largest market share at 13.10%, with a contracted capacity of 536.80 MW.

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

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

DISTRIBUTION UTILITIES BUSINESS

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

(vi) 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: 17% hydropower, 8% geothermal, 1% solar, 58% coal, and 16% oil. In 2020, renewable fuel sources comprised 27% of attributable net selling capacity, while thermal accounted for 73%.

AboitizPower's run-of-river hydropower facilities harness the energy from the flow of water from neighboring rivers to generate electricity. 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 Resources Supply and Services Agreement. Under the agreement, the price of steam is based on 50% of the Marketing Clearing Prices starting September 26, 2021. Prior to this date, the price of steam was indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on 24 August 2018

[14] Based on ERC's Competitive Retail Electricity Market Report released in December 2020.
[15] Excluding SFELAPCO which is 20.284% owned by AboitizPower.
[16] Excluding SFELAPCO which is 20.284% owned by AboitizPower.

under which PGPC will drill 12 new production wells with a minimum of 50 MW aggregated individual well capacity by 2023.

Oil-fired plants use Bunker-C heavy fuel oil and automotive diesel oil to generate electricity. SPPC and WMPC source fuel from Pilipinas Shell Petroleum Corporation and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, TMO, and TPVI secure its fuel oil requirements from has a fuel supply agreement with Pilipinas Shell, Phoenix Petroleum, and/or PTT Philippines Corporation. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for both the performance and blending coal requirements of Pagbilao Units 1 and 2. Likewise, a three-year coal supply contract for Pagbilao Unit 3 was signed in 2019.

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

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

GNPD, GMEC, STEAG Power, and Cebu Energy 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 must be approved by the ERC. ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from affiliated Generation Companies.

To address long-term power supply requirements, Davao Light and Cotabato Light entered into 25-year PSCs with TSI for 100 MW and 5 MW, respectively, and started drawing their contracted capacity in September 2015. In June 2016, Davao Light and TSI filed a Joint Manifestation with ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a 10-year PSC with San Miguel Consolidated Power Corporation (SMCPC) for a supply of 60MW in 2016. SMCPC began supplying the 60-MW contracted capacity in February 2018. Davao Light also renewed its CSEE with PSALM for a period of two years from 2021 to 2022 for 163 MW. To cover its peak demand requirement for 2018 to 2021, Davao Light conducted a CSP for the supply of 50MW which TMI won. Davao Light also addressed the projected increase in load for 2020 by entering into an Emergency PSC with SMCPC for 50MW with a term of one year while waiting for the commercial operations of the wholesale spot market in Mindanao.

To address long-term power supply requirements, Visayan Electric entered into a 25-year Electric Power Purchase Agreement with Cebu Energy 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 was terminated on 26 August 2021. ERC allowed Visayan Electric to continue drawing power from CPPC under the terms and conditions of the PPA pending the approval of the 2013 PSA which has since been terminated and withdrawn considering that, in the absence of ERC approval, it has not become effective. Visayan Electric also has a PPA with CPPC which is set to expire in 2023 and a 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Subic Enerzone conducted a CSP to reduce its WESM exposure. Masinloc Power Partners Co. Ltd. (MPPCL) won the 10MW PSA starting December 26, 2021.

Similarly, Lima Enerzone conducted its own CSP as replacement to its expiring contract. TLI won the contract at 7MW for five years starting in May 2021.

Malvar Enerzone sources its power supply from the WESM 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 (TSA) 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
Lima Enerzone	July 25, 2022
Cotabato Light	August 25, 2023
SFELAPCO	December 25, 2023
Davao Light	January 25, 2024
Visayan Electric	January 25, 2024
Mactan Enerzone	January 25, 2025
Balamban Enerzone	January 25, 2025
Malvar Enerzone	December 25, 2025

The Distribution Utilities have negotiated agreements with the NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs. Mactan Enerzone has already applied and submitted the requirements for connection to the Grid.

(vii) Major Customers

POWER GENERATION BUSINESS

As of December 31, 2020, out of the total electricity sold by AboitizPower's Generation Companies, approximately 93% is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 7%, is sold by the Generation Companies through the WESM.

RETAIL ELECTRICITY SUPPLY BUSINESS

As of February 28, 2021, AboitizPower's RES business has approximately 294 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.

POWER DISTRIBUTION UTILITIES

AboitizPower's Distribution Utilities have wide and diverse customer bases. As such, AboitizPower believes that loss of any one customer is not expected to have a material adverse impact on the company. 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 account, or special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

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

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

Details of the significant account balances of the foregoing related party transactions of the Power Group can be found in the consolidated financial statements of the AboitizPower.

(ix) Patents, Copyrights and Franchises

AboitizPower and its Subsidiaries have secured all material permits required to operate its businesses. These are discussed below.

POWER GENERATION BUSINESS

Power generation is not considered a public utility operation under RA No. 9136 or the Electric Power Industry Act of 2001 ("EPIRA"). Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a COC from ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

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

Cotabato Light has its own generation facilities and is required under the EPIRA to obtain a COC. Davao Light's generation facility was decommissioned last 26 November 2018. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of ERC.

AboitizPower's HEPPs are required to obtain water permits from NWRB for the water flow used to run their respective hydroelectric facilities. The permit specifies the source of the water, the allowable water volume, and the terms and conditions of its use.. The water permits have no expiration date.

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 plants, 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
Provisional Authority to Operate	Hedcor, Inc.	La Trinidad	Hydroelectric Power Plant	La Trinidad, Benguet	20.4 MW	Hydro	Oct. 5, 2020 - Oct. 5, 2021	October 6, 2020
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 20-08-M-00061M	Hedcor, Inc.	Talomo 1	Hydroelectric Power Plant	Brgy. Malagos, Davao City	1 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00062M	Hedcor, Inc.	Talomo 2	Hydroelectric Power Plant	Brgy. Mintal, Davao City	0.6 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00063M	Hedcor, Inc.	Talomo 2A	Hydroelectric Power Plant	Upper Mintal, Davao City	0.65 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	0.3 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00065M	Hedcor, Inc.	Talomo 3	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	1.92 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant (FLS)	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
Provisional Authority to Operate	Hedcor Sibulan, Inc.	Sibulan A – Unit 1 Sibulan A – Unit 2	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW 8.164 MW	Hydro	February 9, 2021 - February 8, 2022	Nov. 04, 2020
Provisional Authority to Operate	Hedcor Sibulan, Inc.	Sibulan B – Unit 1 Sibulan B – Unit 2	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW 13.128 MW	Hydro	November 23, 2020- November 22 2021	Nov. 04, 2020

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		
Provisional Authority to Operate	Hedcor Sabangan, Inc.	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.139 MW	Hydro	September 29, 2021 – September 28, 2022	September 15, 2021
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/ Diesel	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		
Provisional Authority to Operate	SN Aboitiz Power – Magat, Inc.	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	November 29, 2020 - November 28, 2021	November 18, 2020
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Black Start Diesel Generator Set	Blackstart		600 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I Hydroelectric Power Plant	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 Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 - March 11, 2022	March 9, 2017

		Binga Hydroelectric Power Plant – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant – 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		
Certificate of Compliance No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 16, 2016 – August 30, 2021	August 18, 2016[17]
		Ambuklao Hydroelectric Power Plant – Unit 2			34.85 MW			
		Ambuklao Hydroelectric Power Plant – 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		
Provisional Authority to Operate	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2021 - August 29, 2022	September 17, 2022
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 19-09-S-00013M	STEAG State Power, Inc.	N/A	Diesel	Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	400 kW	Diesel	September 5, 2019 - September 4, 2024	September 5, 2019
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Bay, Plant A, Unit 1	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	December 1, 2020 to November 30, 2021	November 18, 2020
		Makban – Bay, Plant A, Unit 2			63.2 MW			
		Makban – Bay, Plant D, Unit 7			20.0 MW			
		Makban – Bay, Plant D, Unit 8			20.0 MW			
Provisional Authority to OperateL	AP Renewables, Inc.	Makban – Calauan, Plant B, Unit 3	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	December 1,2020 to November 30, 2021	November 18, 2020

[17] SN AboitizPower-Benguet filed an application for the issuance of a PAO, which is currently pending with the ERC.

		Makban – Calauan, Plant B, Unit 4			63.2 MW			
		Makban – Calauan, Plant C, Unit 5			55.0 MW			
		Makban – Calauan, Plant C, Unit 6			55.0 MW			
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E, Unit 9	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	December 1, 2020 to November 30, 2021	December 2, 2020
		Makban – Sto. Tomas, Plant E, Unit 10			20.0 MW			November 18, 2020
Provisional Authority to Operate	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	December 12, 2020 - December 11, 2021	July 28, 2021
		Plant A, Unit 2			60 MW			March 17, 2021
Provisional Authority to Operate	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	December 12, 2020 - December 11, 2021	March 17, 2021
		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
Provisional Authority to Operate	San Carlos Sun Power Inc.	Sacasun Solar Power Plant	Solar Power Plant	Brgy. Punao, San Carlos City, Negros Occidental	58.981 MWp DC	Solar	14 July 2021- 13 July 2022	July 7, 2021
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.Sta Ana, 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

Provisional Authority to Operate	Therma Power-Visayas, Inc.	Naga Oil-Fired Power Plant (NOPP)	Oil-Fired Power Plant	Brgy. Colon, Naga City, Cebu	44.58 MW	Bunker C	January 6, 2021 – January 5, 2022	December 16, 2020[18]
		Blackstart Diesel Engine Generating Unit	Blackstart		440 kW	Diesel		
Provisional Authority to Operate	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	September 1, 2020 - August 31, 2021	August 27, 2020[19]
		Unit 2			150 MW	Coal		
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 - September 19, 2024	September 20, 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal 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.[20]	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		

DISTRIBUTION UTILITIES 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 IRR of the 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	Valid until September 24, 2030

[18] On October 4, 2019, TPVI filed an application for the renewal of its PAO, which is currently pending with the ERC.
[19] TSI has filed an application for the issuance of a PAO, which is currently pending with the ERC.
[20] The company is in the process of amending its COC to reflect its new corporate name.

		was approved on September 1, 2005.	
	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, or from September 7, 2000	Valid until September 7, 2050
	ERC CPCN Decision dated February 26, 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	September 7, 2025
	RA No. 11515	25 years from expiration of the term granted under RA No. 8960, or from September 7, 2025 to September 7, 2050 (Lapsed into law 26 December 2020)	Valid until September 7, 2050
Cotabato Light	RA No. 10637	25 years from the 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 February 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, LIMA Technology Center, and LISP IV respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

RETAIL ELECTRICITY SUPPLY BUSINESS

Like power generation, the business of supplying electricity is not considered a public utility operation under EPIRA, but is considered a business affected with public interest. As such, EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from ERC. With the implementation of Open Access in 2013, AboitizPower's RES Subsidiaries and Generation Companies with RES licenses, AESI, AdventEnergy, APRI, SN Aboitiz Power – Magat, SN Aboitiz Power – RES, Prism Energy, and TLI, have all 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/ Description	Owner	Registration No./ Date Issued	Status
"A Better Future" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ 11 November 2010 Trademark has been renewed on November 11, 2020.	Registered
"Better Solutions" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ 11 November 2010 Trademark has been renewed on November 11, 2020.	Registered
"AboitizPower" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ 11 November 2010 Trademark has been renewed on November 11, 2020.	Registered
"AboitizPower Spiral and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ 10 February 2011 Trademark has been renewed on February 10, 2021.	Registered
"Cleanergy" word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ 13 January 2006 Trademark has been renewed on January 13, 2016.	Registered
"Cleanergy" word mark for the additional goods and services (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019	Registered
"Cleanergy Get It and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010 Trademark has been renewed on November 11, 2020.	Registered
"Cleanergy Got It and Device" device mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11, 2010 Trademark has been renewed on November 11, 2020.	Registered
"AboitizPower and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011 Trademark has been renewed on February 10, 2021.	Registered
Subic EnerZone Corporation and Logo trademark (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ August 20, 2007 Trademark has been renewed on August 20, 2017.	Registered
Subic EnerZone Corporation and Logo Word mark and device (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ August 20, 2007 Trademark has been renewed on August 20, 2017.	Registered

"Subic EnerZone Corporation" word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007 Trademark has been renewed on June 4, 2017.	Registered
"Cotabato Light" Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ October 20, 2019	Registered
"Davao Light" Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ October 20, 2019	Registered
"Balamban Enerzone" Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ February 10, 2020	Registered
"Mactan Enerzone" Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ February 20, 2020	Registered
"Lima Enerzone" Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ February 10, 2020	Registered
"Malvar Enerzone" Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ February 10, 2020	Registered
"Subic Enerzone" Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ October 20, 2019	Registered
"Visayan Electric" Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ December 29, 2019	Registered
"MORE" Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4-2018-00018077/February 21, 2019	Registered
"SN ABOITIZ POWER" Logo GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc., and SN Aboitiz Power-Benguet, Inc.	4-2018-00018076/ February 5, 2019	Registered
"SN ABOITIZ POWER-BENGUET, INC." Logo	SN Aboitiz Power-Benguet, Inc.	4-2014-00005209/ December 29, 2016	Registered
"SNAP ABOITIZ POWER-MAGAT, INC." Logo	SN Aboitiz Power-Magat, Inc.	4-2014-00005208/ March 9, 2017	Registered
Logo	SN Aboitiz Power-Magat, Inc.	4-2017-00018969/ June 7, 2018	Registered

International Trademarks (Madrid Protocol)

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
Cleanergy	Indonesia
AboitizPower	Myanmar
Aboitiz Power and Device	Myanmar
Cleanergy	Myanmar
Cleanergy Get It	Myanmar
Cleanergy Got It	Myanmar

The abovementioned trademarks are also in the process of being registered in Malaysia.

International Trademarks Application (Madrid Protocol)

AboitizPower has the following registered international trademarks from applications under the Madrid Protocol:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office ("WIPO")
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Word Mark (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Got It Device (Class Nos. 39, 40, 42)	WIPO

AboitizPower also has the following pending international trademark applications under the Madrid Protocol.

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Vietnam
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Indonesia
AboitizPower A Better Future (Class Nos. 39, 40, 42)	WIPO
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Word Mark (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)	Vietnam
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Indonesia

(x) Government Approval

AboitizPower and its Subsidiaries secure various government approvals such as the environmental compliance certificate, development permits, license to sell, business permits, etc. as part of the normal course of its business.

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

(xi) Effect of Existing or Probable Governmental Regulations

AboitizPower 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 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, and The Philippine Labor Code and its implementing rules, and other labor-related laws, regulations, and mandated work-related programs of DOLE.

The Power Group, closely monitors its compliance with the applicable laws and government regulations affecting its businesses.

1. WESM in Mindanao

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

(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 starting 2018 to ensure the readiness of eventual WESM participants in Mindanao. As of September 30, 2021, participants are still awaiting the announcement of the commercial operations date for WESM in Mindanao.

2. Independent Electricity Market Operator

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 IEMOP as an independent market operator, with PEMC remaining as WESM’s governing body. Previously, the PEMC oversaw 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.

On October 22, 2020, the DOE promulgated Department Circular No. DC2020-10-0021, which adopted amendments to the WESM Rules for the implementation of an Independent Market Operator.

3. 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
(r) Creation of a consumer advocacy office under the organizational structure of ERC; and
(s) Extension of lifeline rates.

As of September 30, 2021, proposed amendments are still pending in Congress.

4. Implementation of the Performance-based Rating-setting Regulation

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 for rulemaking entitled *In the Matter of Petition for Rules Change in Rate Setting Methodology for Distribution Wheeling Rate - Repeal of the Performance- Based Rate Making (PBR) Regulation and Return to Previous Return-on-Rate-Base (RORB) with Modification*, docketed as ERC Case No. 2015-008RM. Public consultations were held on various dates in Metro Manila, Cebu, and Davao. 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.

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. ERC issued its Decision dated September 24, 2020 on MSK's petition denying its petition to revert to RORB, without prejudice to its right to submit its comments in the revision of the rules during the next rate reset process of the distribution utilities.

Due to the rules change for PBR, all AboitizPower Distribution Utilities have not undergone regulatory reset starting from the third regulatory period. In January 2020, ERC requested private DUs distribution utilities to submit actual or historical expenditure covering the lapsed period. Due to the lockdown and quarantine restrictions, as well as unresolved clarifications as to what has to be provided to the ERC raised by the distribution utilities to the ERC through clarificatory meetings, private distribution utilities were not able to provide the data within the timeframe given by ERC.

In relation to this, the ERC issued show cause orders, all dated October 29, 2020, against Cotabato Light (docketed as ERC Case No. 2020-097 SC), Visayan Electric (docketed as ERC Case No. 2020-098 SC), Davao Light (docketed as ERC Case No. 2020-104 SC), and Subic Enerzone (docketed as ERC Case No. 2020-107 SC), requesting the foregoing distribution utilities to explain why they should not be penalized for the incomplete submission of the data requested by the ERC for its actual expenditure review. On January 7, 2021, the foregoing distribution utilities submitted their respective explanations, including a manifestation that all required data has been submitted as of December 29, 2020. ERC has yet to resolve these cases. If found liable, penalty for violation is ₱50,000.00 per distribution utilities, pursuant to ERC Resolution No. 03, series of 2009.

On March 16, 2021, the ERC issued the draft Rules for Distribution Wheeling Rates and Issues Paper, which puts the PBR regulatory reset in motion. Stakeholders were asked to provide comments to the draft Rules.

On April 22, 2021, the ERC posted a notice for all interested parties to submit their counter-comments and/or counter-proposals on any of the submitted comments by stakeholders on the foregoing draft. Comments from AboitizPower's Distribution Utilities were submitted last April 12, 2021, while counter-comments were provided on May 12, 2021.

5. ERC Regulation on System Loss Cap Reduction

In April 2018, ERC issued Resolution No. 10, Series of 2018 entitled *"A Resolution Clarifying the System Loss Calculation Cap and Providing the Effectivity of the Rules for Setting the Distribution Loss Cap".* This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period.

Under the ERC resolution, the DSL cap for private utilities was set at 6.5% for 2018, 6.25% for 2019, 6.00% for 2020, and 5.50% for 2021. The aforementioned caps are exclusive of sub-transmission and substation losses. The aforementioned rules also provide for a PIS, which is a price-linked reward for distribution utilities, with the goal of reducing the DSL passed on to customers and to promote efficiency in distribution systems in the long term.

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

In 2018, Cotabato Light filed an Application 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 as of September 30, 2021.

6. 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 processes 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 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.

In December 2020 and on May 12, 2021, the DOE posted a draft Department Circular amending the 2018 DOE Circular. It was subjected to public consultation in May 2021, and encouraged stakeholders to submit comments by 11 June 2021. As of August 31, 2021, the DOE has not yet issued the amended Department Circular on the Competitive Selection Process.

7. Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid

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. One of 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. 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 Systems Operator ("SO") shall ensure compliance with its obligation to procure the required level and specifications of AS in line with the following

(a) Regulating, Contingency, and Dispatchable Reserves shall be procured through firm contracts only;
(b) Reactive Power Support AS and Black Start AS shall be procured through firm contracts only; and
(c) The protocol for the central scheduling of energy and contracted reserves in the WESM shall still apply, in accordance with the WESM Rules and relevant Market Manuals.

Upon the commercial operation of the Reserve Market, the following rule shall govern the procurement of AS:

(a) SO shall procure Regulating, Contingency, and Dispatchable Reserves through firm contracts and the Reserve Market provided that the contracted levels per reserve region shall be as follows:
   (i) Regulating Reserve - Equivalent to 50% of the Regulating Reserve requirement;
   (ii) Contingency Reserve - Equivalent to 50% of the dependable capacity of the largest generating unit;
   (iii) Dispatchable Reserve - Equivalent to 50% of the dependable capacity of the second largest generating unit.

On June 21, 2021, the DOE issued an *"Advisory on the Implementation of Department of Energy (DOE) Circular No. DC2019-12-0018"*. The advisory directed the National Grid Corporation of the Philippines to expedite the procurement of the required AS in accordance with Department Circular No. DC2019-12-0018, and to convert NGCP's non-firm ASPAs into firm ASPAs.

8. Ancillary Services Pricing and Cost Recovery Mechanism

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

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

On September 14, 2018, NGCP filed a Petition seeking the Commission's approval of its proposed amendments to the Ancillary Services – Cost Recovery Mechanism, docketed as ERC Case No. 2018-005 RM. The decision of the ERC on these amendments remains pending.

Currently, the existing cost-recovery mechanism for Ancillary Services shall continue to be implemented until a new mechanism is recommended by the AS-TWG and adopted by ERC.

9. Energy Efficiency and Conservation Act

RA No. 11285 or the Energy Efficiency and Conservation Act (EEC) was signed into law on April 12, 2019. Apart from prescribing efficient use of energy standards and labeling requirements for energy-consuming products, EEC establishes certain obligations on the part of energy consumers who reach a certain annual energy consumption threshold ("designated establishments"). These obligations include, among others, reporting to the DOE of annual energy consumption, and energy consumption record keeping.

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 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 Energy Efficiency and Conservation Act'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.

Other Department Circulars promulgated by the DOE in relation to the Energy Efficiency and Conservation Act are as follows:

(a) Department Circular No. DC2020-06-0015 *"Prescribing the Guidelines of the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors and Dealers of Electrical Appliances and other Energy-Consuming Products (ECP)"*, which aims to empower consumers in choosing energy efficient products at the point of sale, help realize energy savings and reduction of energy consumption/bills through the use of energy efficient products; and reduce greenhouse gas emissions.
(b) Department Circular No. DC2020-06-0016 *"Prescribing the Minimum Energy Performance for Products (MEPP) covered by the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors, Dealers and Retailers of Energy-Consuming Products)"*, which aims to eliminate the entry and sale of inefficient and substandard products in the local market; and reduce greenhouse gas emissions;
(c) Department Order No. 2020-01-0001 *"Organizing the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC)"*;
(d) Department Circular No. DC2020-12-0026 *"Adoption of the Guidelines for Energy Conserving Design of Buildings"*, aims to encourage and promote the energy conserving design of buildings and their services to reduce the use of energy with due regard to the cost effectiveness, building function, and comfort, health, safety, and productivity of the occupants; and
(e) Department Circular No. DC2021-05-0011 *"Guidelines for the Endorsement of Energy Efficient Projects to the Board of Investments for Fiscal Incentives"*, establishes the rules and procedures in the endorsement of energy efficiency projects to avail of fiscal incentives from the BOI.

10. Energy Virtual One-Stop Shop Act

RA No. 11234 or the Energy Virtual One-Stop Shop Act ("EVOSS Act") was signed into law by President Duterte on March 8, 2019 and became effective on March 29, 2019. DOE issued the IRR on June 24, 2019. Under the EVOSS Act, 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 DOE already began the implementation of the EVOSS Online Platform.

The EVOSS Online Platform 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 develops 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 system utilizes electronic documents and monitors permit status via an online system.

On June 5, 2020, DILG-DOE Joint Memorandum Circular 2020-01 or the Guidelines for LGUs to Facilitate the Implementation of Energy Projects was published. The Guidelines direct the streamlining by LGUs of their processes in issuing the necessary permits for energy-related projects, in accordance with the energy regulatory reforms provided in the EVOSS Law.

On July 2, 2021, President Rodrigo Duterte created the Energy Virtual One-Stop Shop Task Group through Executive Order No. 143, to ensure the increasing operationalization of the EVOSS.

11. Net Metering

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

Pertinent provisions include:

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

The Net Metering Program became effective on December 18, 2020.

12. Reliability Performance Indices

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

This resolution aims to monitor the reliability performance of all generating units, as defined in the Rules for the Interim Reliabilty Performance Indices and equivalent Outage Days per Year of Generating Units annexed to ERC Resolution No. 10-2020 (the "Interim Reliability Rules"), at operations and maintenance level, egularly determine and specify the reliability performance of the Grid, aid the power industry in evaluating reliability and availability of generating plants (as defined the Interim Reliabilty Rules), and promote accountability of generation companies in order to achieve greater operation and economic efficiency. It applies to all generation companies, as defined by the Interim Reliabilty Rules, Conventional and Non-Variable Renewable Energy Generating Plants connected to the Grid, including Embedded Generating Plants, which have an aggregated capacity of 5MW and above. It includes the requirement for the System Operator and Transmission Network Provider to utilize the allowable planned outage days in Table 1 of the Resolution as a guide in preparing the Grid Operating and Maintenance Program. If the System Operator and Transmission Network Provider shall utilize unplanned outages beyond what is allowed in Table 1, the same shall provide a report as to the reason for such consideration as well as arrange the replacement.

ERC Resolution No. 10, Series of 2020 became effective on January 3, 2021.

The ERC issued a consolidated show cause order dated June 14, 2021, against Hedcor Bukidnon. requesting the latter to explain why it should not be held liable for violation of Article V of ERC

Resolution No. 10, Series of 2020 for the alleged excess unplanned outages for Hedcor Bukidnon's Manolo Fortich 1 Units 2, 3, and 4 (ERC Case Nos. 2021-075 SC, 2021-076 SC, and 2021-077 SC).

On July 8, 2021, Hedcor Bukidnon submitted its verified explanation, with attached documents to prove that the cause of the outage is a force majeure event or a planned outage, both of which should not be included in counting unplanned outage days. On August 25, 2021, Hedcor Bukidnon, Inc. manifested developments and submissions relating to the resumption of Manolo Fortich 1's operations. The case has not yet been resolved by the ERC.

13. 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 defined as unviable areas, which include unserved and underserved electricity customers, within the franchise areas of distribution utilities.

In July 2021, the DOE asked for comments on its amendments and supplements to its QTP guidelines. AboitizPower submitted its comments on July 23, 2021. The ERC is likewise working on its amendments to the 2006 Rules on the Regulation of Qualified Third Parties Performing Missionary Electrification in Areas Declared Unviable by the DOE. Both issuances are still awaiting finalization.

14. 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 ESS 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.

15. Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers Under 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 sources under the EPIRA.

GEOP is a renewable energy policy mechanism issued pursuant to RA No. 9513 or the RE Law that provides end-users the option to choose renewable resources as their sources of energy.

Under this issuance, all end-users with a monthly average peak demand of 100kW and above for the past 12 months may opt to voluntarily participate in the GEOP. Those with an average peak demand below 100 kW may also participate in the GEOP, but only after DOE, in consultation with NREB and industry stakeholders, is able to determine that the technical requirements and standards are met by the end-user. End-users with new connections can also opt to participate in the Program and choose renewable energy resources for their energy/electricity needs, provided their average peak demand meets the threshold provided in the GEOP Rules.

The participation of the end-users in the GEOP will be governed by a supply contract between the end-user and the renewable energy supplier, and conform with 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 April 22, 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.

16. 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 (REC) in the Philippines, intended as a venue for Mandated Participants obligated by RPS to comply with their RPS requirements. REM's objective is to accelerate the development of the country's renewable energy resources.

The RPS Transition Period defines Year 0 as 2018 and the RPS Compliance Year 1 shall be the year 2020, and the intervening period shall be the Transition Period.

The REM Rules will be administered and operated by the Renewable Energy Registrar. Moving forward, operational issues may still arise on who will be the RE Registrar.

As of September 30, 2021, the DOE is asking for public participation in the drafting of the REM Registration Manual, REM Manual (Allocation of RE Certificates for FIT-Eligible RE Generation), REM Enforcement and Compliance Manual (REM Investigation Procedures and Penalty Manual), and the REM Manual Dispute Resolution.

The REM's target implementation is within 2021.

17. Feed-in-Tarrif System

Pursuant to the RE Law, the FIT system is an energy supply policy aimed to accelerate the development of emerging renewable energy sources by providing incentives, such as a fixed tariff to be paid for electricity produced from each type of renewable energy resource over a fixed period not less than 12 years.

The ERC issued Resolution No. 16, Series of 2010 ("ERC Resolution No. 16-2010" or the "FIT Rules"), otherwise known as "Resolution Adopting the Feed-In Tariff Rules" which establishes the FIT system and regulates the method of establishing and approving the FITs and the FIT-All.

The FIT Rules are specific for each emerging renewable energy technology and to be applied only to generation facilities which enter into commercial operation after effectivity of the FIT Rules or to such parts of such existing facilities which have been substantially modified or expanded as provided under the FIT Rules.

Under the FIT Rules, the FITs are specific for each eligible renewable energy plants, which are those power facilities with COCs issued to them that utilize emerging renewable energy resources or to such parts of such existing facilities that have been substantially modified or expanded, which enter into commercial operation after effectivity of the FIT Rules. These include facilities intended for their owners' use, which are connected to the transmission or distribution networks and are able to deliver to such networks their generation or parts thereof but FIT shall only be paid for such amount of electricity actually exported to the distribution or transmission network and not utilized for their own use.

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

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

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On 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-All, Transco filed an application before the ERC asking for provisional authority to implement a FIT-All rate of ₱0.2278/kWh for Calendar Year (CY) 2020. 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 CY2019. 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 years.

On August 4, 2020, TransCo filed its Application for the FIT-All rate of CY2021 of ₱0.1881/kwh, effective the January 2021 billing period. In the alternative, it asked for a FIT-All rate of ₱0.2008/kWh based on a lower Forecast National Sales to account for the impact of COVID-19 to electricity consumption.

18. Revisions to the Guidelines for the Financial Standards of Generation Companies

On February 16, 2021, the ERC issued Resolution No. 03, Series of 2021, entitled "A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies".

The Revised Financial Guidelines aim to set out the minimum financial standards of 1.25x Debt Service Capability Ratio (DSCR) to ensure that generation companies meet these standards to protect the public interest as required under Section 43, b(ii) of the EPIRA and provided by Appendix 1, FS.A 1.3 of the Philippine Grid Code. A generation company failing to comply with the set financial standards shall submit to ERC a program to comply within 60 days of receipt of an ERC directive.

19. Green Energy Auction Policy

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

The industry is still awaiting issuance of ERC of the GEIA and GEAR price, as well as the revised timeline of implementation from the DOE.

(xii) Amount Spent on Research and Development Activities

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

(xiii) Costs and Effects of Compliance with Environmental Laws

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

The Safety Health Environment and Security (SHES") group of AboitizPower oversees the SHES programs and activities, including the accounting of all environmental impact, within its operational control from the corporate center to the business units and facility teams. For the Power Generation Group, the facilities include: (a) APRI's Tiwi-MakBan plants, (b) SacaSun San Carlos plant, (c) the

Benguet, Bakun, Sabangan, Sibulan A, Sibulan B, Tudaya A, Tudaya B, Manolo Fortich, and Talomo HEPPs of the Hedcor Group, (d) the SN AboitizPower Group's Ambuklao, Magat, and Maris plants, (e) the Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (f) the Coal Group's Davao and Toledo plants. For the Distribution Utilities, the facilities include 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 of AboitizPower's power plants and distribution utilities with international best practices is evidenced with AboitizPower's ISO certifications for the management systems of Quality, Environment, Occupational Health and Safety. However, due to the impact of the COVID-19 Pandemic in 2020, a few of AboitizPower Subsidiaries in Power Generation have decided to defer recertification and surveillance audits to the end of 2021 or to 2022. Meanwhile, Power Distribution maintained 100% certification on ISO 9001:2015 Quality Management Systems, ISO 45001 Occupational Health & Safety or OHSAS 18001 Occupational Health and Safety Management System, and ISO 14001 Environmental Management System. Finally, in 2020, AboitizPowers' Oil Group marked a milestone as the first in AboitizPower to be conferred with the ISO 50001:2018 "Energy Management Systems (EnMS)" certification.

In 2020, continuous improvement in managing environmental impacts is evident, as seen in the increased total environmental management expenses at ₱71.8 mn, which is a 10% increase compared with previous year at ₱65 mn. This is composed of ₱9.7 mn for APRI, ₱13mn for Hedcor, ₱15.7 mn for the Coal Group, ₱9.8 mn for the SN AboitizPower Group; ₱7.8 mn for the Oil Group, and a total of ₱15.3 mn for the Distribution Utilities.

Of the ₱71.8 mn total environmental management expenses, ₱24.9 mn was allocated for capital expenditure aimed at improving pollution prevention and control. The following projects were implemented: (a) APRI Makban's purchase of one new unit of Continuous Ambient Monitoring Station downwind; (b) APRI installation of additional Continuous Ambient Monitoring Station at Plant A in Tiwi; (c) SN AboitizPower-Benguet HEPP's improvement and rehabilitation of sewage treatment plant, oil, water, and grease separator in both Ambukalo and Binga facilities; (d) the Oil Group's improvement of its oil water separators and sewage treatment facility in Mobile 3-6; (e) the Coal group's ongoing construction of its improvement on sewage treatment plant at the Toledo plant; (f) offload regeneration and decontamination of transformers with Polychlorinated biphenyls at Visayan Electric; and (g) Cotabato Light's construction of new material recovery facility.

Operating expenditure projects were also implemented to improve environmental management practices on site. APRI Tiwi's projects include (a) the minimization of single-use plastics and residual wastes which resulted to a reduction of generated wastes by 5% in 2020; (b) a domestic water consumption reduction initiative that resulted in a reduction of 5% in consumed water in 2020; and (c) air dispersion modelling for mapping the extent of H_2S gas within the Tiwi Geothermal Power Plant to ensure safety of its workers. Cotabato Light's projects include: (a) the improvement of its transformer yard with oil trap; and (b) purchase of color-coded bins and health care waste bins to conform to AboitizPower SHES waste management standards.

AboitizPower and its Subsidiaries received a total of 103 SHES awards, certifications and citations in 2020. It received recognition from Safety & Health Association of the Philippine Energy Sector, Inc. (SHAPES) on: (a) APRI Tiwi's Platinum Corporate Safety and Health Excellence Award and Outstanding Safety and Health Professional Platinum Award; (b) SN AboitizPower-Magat's Outstanding Safety and Health Professionals Award, Corporate Safety and Health Excellence award, Special Recognition on Occupational Health Management of COVID-19 pandemic; and (c) SN AboitizPower-Benguet's Outstanding Safety And Health Professional for seven employees, and the Corporate Safety And Health Excellence Titanium Award.

AboitizPower's Subsidiaries received charges for alleged violations of environmental standards in 2020. In connection with DENR-PAB Case No. CAR-00874-16 entitled In the Matter of the Water Pollution Control and Abatement Case versus Hedcor Inc., Hedcor Sabangan, Inc., and Sta. Clara International, the respondents were directed to pay a fine of ₱200,000.00 for the alleged violation of the Clean Water Act. Payment was made for and on behalf of all the respondents by Sta. Clara International, the contractor for the Hedcor Sabangan hydro-electric power plant, in compliance with its contractual obligation during the construction of the plant. Hedcor received a Notice of Violation and a Cease and Desist Order from the Forest Management Bureau of DENR for unauthorized occupation of forest land without tenurial instruments in connection with its Irisan 1 and 3 plants. An Order lifting the Cease and Desist Order was issued on October 16, 2020, wherein no penalty was imposed but an initial amount of ₱500,000 representing back rentals was ordered to be paid by Hedcor. Hedcor was further ordered to pay a re-computation of back rentals upon determination of the area applied for a Special Agreement on Protected Area.

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

(xiv) Employees

At the parent company level, AboitizPower has a total of 423 employees as of September 30, 2021. These include executives, managers, supervisory, and rank-and-file staff employees. There is no existing CBAs covering AboitizPower employees.

The following table provides a breakdown of total employee headcount on a per business group basis, according to employees' function, as of September 30, 2021:

Business Group	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
Aboitiz Power	423	78	72	83	190	423	N/A
Generation Companies							
Run-of-River Hydros	405	13	20	47	325	111	September 19, 2022 (Hedcor)
Large Hydros	183	20	34	70	59	0	N/A
Geothermal	249	11	18	47	173	12	February 28, 2022 (APRI)[21]
Solar	5	0	0	1	4	0	N/A
Oil	398	12	34	198	154	0	N/A
Coal	1,329	22	73	277	957	0	N/A[22]
RES	4	0	1	1	2	0	N/A
Distribution Utilities	789	17	63	135	574	789	December 31, 2016[23] (Visayan Electric) June 30, 2024 (Cotabato Light) June 15, 2021 (Davao Light) May 9, 2024 (SFELAPCO)
Total No. of Employees	**3,785**	**173**	**315**	**859**	**2,438**	**451**	

**DOLE has granted the voluntary dissolution filed by Mariveles Power Station Employees Union ("MPSEU") with Registration Number RO302-BAT-1309-UR-III-001. Notice of Resolution was granted on 1 April 2020.*

[21] A letter request was sent to management for the disbandment of the union. The request for disbandment is currently pending approval by DOLE

[22] DOLE has granted the voluntary dissolution filed by Mariveles Power Station Employees Union (MPSEU) with Registration Number RO302-BAT-1309-UR-III-001. Notice of Resolution was granted on April 1, 2020

[23] The Secretary of Labor and Employment issued an Order dated September 6, 2019 resolving the labor dispute. Management decided for a prospective implementation of salary increase and other benefits in the collective bargaining agreement effective September 25, 2019, which the union opposed. Union filed a Motion for Clarification on December 3, 2020 requesting clarification on the retroactive clause. Visayan Electric filed its Comment on the motion on July 23, 2021, which is currently pending for resolution

*** The Secretary of Labor and Employment issued an Order dated 06 September 2019 on OS-AJ-2018-1001-0003 and a Motion for Clarification dated 3 December, 2020 was purportedly filed by Visayan Electric Company, Inc. Employees Union ("VECEU") on the matter of retroactivity date and is currently pending.*

AboitizPower does not anticipate any significant increase in manpower within the next 12 months unless new development projects and acquisitions would materially require an increase.

(xv) Major Risk/s Involved in the Business

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

Risk management is integrated in AboitizPower's strategic and operational planning and decision-making processes. Management and operating teams identify and assess the risk areas that may have an impact to the company's strategic objectives and day-to-day business operations. In addition, the company develops focused mitigation initiatives to address the drivers of the company's current top risks, as well as imminent and emerging risks that may significantly impact the business and its stakeholders. ESG focus areas are also embedded in the organizational planning and risk management processes, which include business continuity management and risk finance.

Risk management planning in AboitizPower is an iterative process that is conducted at least semi-annually for strategic risks. AboitizPower's Business Units review operational risks and implement mitigation measures more frequently. Following the Aboitiz Group Risk Management governance structure, the company's Top Risks, as follows, are regularly presented and discussed with Senior Management and the Board of Directors.

Following the completion of the 2021 year-end strategic risk consolidation at AboitizPower, the following top or strategic risks have been identified and reported to the top management executives:

1. Project Delays

AboitizPower has identified delay in project completion as a top risk as it continues to grow its power generation portfolio, in particular, with the construction and commissioning of the GNPD Project. The risk is currently driven by issues related to the management of COVID-19 onsite, issues with the EPC contractor, unresolved technical issues related to the boiler and steam turbine, and regulatory issues.

COVID-19-related travel restrictions, mandatory quarantine protocols, and on-site infections have delayed the achievement of the project milestones in 2021. Short term suspension of works by the EPC contractor became unavoidable as a preventive measure to arrest widespread transmission inside the facility. Implementation of stricter workplace protocols and improvement in business continuity plans and administration of vaccines to the workers were done to mitigate the COVID-19 threat which will likely drag on until 2022.

Unresolved issues with the EPC contractor have started to emerge as a major risk driver as Unit 1 of GNPD enters into performance testing. These issues which are typical of negotiations between owners and contractors during the turnover phase are managed through active stakeholders engagement not just by the joint venture operator but, likewise, directly by AboitizPower's own project development team and third party experts as part of the company's key risk treatment plan. Moreover, the project team has already developed possible alternative contingency plans in the event issues with the contractor become unmanageable to the point of compromising plant safety and project delivery. Currently, the contractor remains committed to working closely with the plant operator and AboitizPower.

Boiler combustion and turbine vibration issues remain as a threat to continuous generation of Unit 1. The contractor continues to supervise the operation of the unit to monitor parameters. There have been improvements in the performance of the boiler due to the support of specialist contractors who were engaged to resolve technical issues as part of the mitigation plans. The same approach of consulting third party experts in close coordination with the contractor will be pursued until the technical issues are resolved.

Regulatory issues are related to the delivery of the transmission assets owned by the NGCP in order to fully dispatch capacity from GNPD and the regulatory testing in order to secure the COC from the ERC. The delivery of the transmission assets is no longer at the critical path. Nevertheless, AboitizPower continues to work with NGCP to ensure the transmission assets are ready when Units 1 and 2 begin commercial operations. The COC application of Unit 1 is ongoing, with commercial operation date targeted at no later than December 2021. Operational readiness reviews are performed to ensure that new generating units are ready for commercial operations. Project post-mortem reviews are also conducted to determine key learnings that can be applied to ongoing and future projects.

As an overall risk mitigation plan, project risk management plans are thoroughly defined and regularly reviewed for each project in order to track issues related to quality, safety, compliance, schedule, and resources. This ensures that identified risk control measures and recovery actions are implemented. Appropriate project insurance coverage, as well as periodic performance reviews of selected partners, reputable contractors, and third-party suppliers, are also in place.

2. Sustainability

Investments are at risk if these are not able to sustain a viable economic return due to a combination of technology, regulatory, and/or market changes. Among these changes, ESG strategies continue to be the trend in the global community where investors seek to mitigate exposure to fossil-based fuel and diversifying portfolios to prioritize renewable energy. In the event that future laws or contracts are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilizing fossil fuels, certain capital expenditures or operating expenses or financing costs may not be fully recoverable.

The growing multi-sectoral negative action against coal has led many financial institutions to restrict investments in coal projects. The following are important considerations of the company's existing portfolio and strategic project pipeline, where coal concentration will significantly be reduced by the year 2030:

(a) Difficulty in insurance procurement or renewal, where insurers' policy on coal underwriting and investing are also aligned with the same global trends on sustainability and ESG issues. While insurers are still willing to cover coal plants, the resulting impact is significantly higher premium rates for coal insurance year on year. Inability to fill up 100% capacity due to the reluctance or withdrawal of some insurance markets to insure coal plants has prompted the company to resort to self-insurance. Other noteworthy risk drivers are the hardening of the insurance market aggravated by the global economic impact of the COVID-19 pandemic, and any significant losses on damage to critical assets and related business interruptions;
(b) Financing and refinancing risks in terms of the company's inability to borrow money to fund future coal projects. While banks are still willing to lend, the cost of project financing tends to be more expensive;
(c) Withdrawal of technical support by critical contractors and suppliers from construction and/or maintenance thermal power plants in line with global trends on sustainability; and
(d) Sourcing of fuel (coal and oil) due to global price volatility because of supply and demand fundamental affected by pressure on the continued operation of mines and transhipment of fuel due to the International Maritime Organization 2020 regulations which will have the effect of increasing freight costs for coal and oil.

The Philippines is a party to the 2015 Paris Agreement signed by almost 200 nations, which aims to keep the increase in global average temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy.

Recently promulgated implementing rules and regulations by the DOE on Renewable Portfolio Standards also mandate electric power industry participants (such as generation companies, distribution utilities and electric cooperatives) to source or produce a portion of their electricity requirements from eligible renewable energy resources and undertake CSPs in sourcing renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the company to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

AboitizPower is cognizant of the regulatory and market drivers in the shift towards green and sustainable business transformations. AboitizPower and its Subsidiaries are guided by a sustainability framework that looks into environmental, social and governance risks including climate-related risks of its value chains. Its strategy has long considered environmental sustainability as one of its key pillars and, to date, together with its partners, the company is the largest private renewable energy operator in the country with 1,544 MW in installed capacity as of September 30, 2021.

AboitizPower's growth strategy remains aligned with the energy trilemma – balancing the three pillars of energy security, energy equity, and environmental sustainability. Over the last decade, the growth in energy demand has necessitated a focus on energy security and energy equity - the provision of reliable, and affordable energy for a growing economy. Having addressed energy security and energy equity via the presence of sufficient baseload capacity, AboitizPower has begun to shift focus back to environmental sustainability, and rebalancing its energy portfolio. This transition is included in the company's sustainability agenda, with the company targeting a mix of 50% thermal and 50% renewable energy capacity by 2030 from its current mix of 73% thermal (which are conventional or combustion power plants such as coal or fuel fired plants), and 27% renewable (which do not rely on fossil fuels).

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

3. Regulatory

The electric power industry is characterized by a constantly evolving regulatory environment. Any shortcoming in regulatory compliance poses negative consequences in both the net income and reputation of each Business Unit and the group. Further, the company's results of operations and cash flow could be adversely affected by the inability to predict, influence, or respond appropriately to changes in law or regulations, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact results of operations and cash flow. AboitizPower's business could also be adversely affected by any changes in laws or regulations, or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, could adversely affect the company's business, including, but not limited to:

(a) adverse changes in tax laws including misinterpretation of statutory incentives granted to developers;
(b) changes in the timing of tariff increases or in the calculation of tariff incentives;
(c) change in existing subsidies and other changes in the regulatory determinations under the relevant concessions or grants;
(d) other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business ffecting both the generation and distribution utility business; or
(e) other changes that have retroactive effect and/or take account of revenues previously received and expose power projects to additional compliance costs or interfere with our existing financial and business planning.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect AboitizPower's results of operations.

For renewable assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. Business Units that are subject to regulated tariffs bear the risk. To the extent that operating costs rise above the level approved in the tariff, the Business Units that are subject to regulated tariffs would bear the risk. During the life of a project, the relevant government authority may unilaterally impose additional restrictions on the project's tariff rates, subject to the regulatory frameworks applicable in each jurisdiction. Future tariffs may not permit the project to maintain current operating margins, which could have a material adverse effect on the Business Unit or the group, financial condition, results of operations and prospects. Withholding of adjustment in feed-in-tariff rates for qualified plants under the portfolio of AboitizPower are risks that are being monitored and addressed through active stakeholder engagement with similarly situated developers and the ERC.

To anticipate and proactively respond to changes in regulations, the Regulatory Affairs and External Relations teams of AboitizPower constantly engage with regulators (such as the DOE and the ERC) and with industry groups to work towards a sound and sustainable regulatory and policy environment. Similarly, the AboitizPower SHES Team keeps abreast with environmental laws and works with regulators (such as the DENR) on matters pertaining to environmental compliance.

These teams, among others, actively participate in consultative processes and public consultations to provide feedback and positions on proposed laws and regulations. This is done in cooperation with organized power industry groups such as the Philippine Independent Power Producers Association (PIPPA) and Philippine Electric Plant Owners Association (PEPOA). Regular dialogues are conducted with host communities, media, non-government organizations, and the academe, to educate and update various groups about the power industry.

AboitizPower has likewise transitioned its Legal Team to strategically focus on compliance and to continually align with the Aboitiz Group's overall compliance processes. AboitizPower is institutionalizing a compliance framework across the different business and corporate support units, and is formalizing compliance reporting requirements among the group's compliance officers.

4. Financial

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

(a) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and;
(b) Forex risks in terms of forex fluctuations that may significantly affect its foreign currency-denominated placements, transactions, and borrowings. This risk is currently driven by the global COVID-19 crisis, given the impact it has on general currency markets; and the amount of natural hedge flows which may decline.

These risks constrain any expansion and growth projects. Furthermore, defaulting on existing loans and other financial obligations will consequently put the company's reputation at risk.

To address these risks, the company regular monitors its cash position and at the same time maintains good relationships with its banks. AboitizPower is implementing the Power Group's Financial Risk Management Framework, which is a collaboration of the Power Group Risk and Treasury teams and designed to ensure a consistent approach in identifying, assessing, quantifying, and mitigating financial risks across the group.

5. Reputation

AboitizPower recognizes that its reputation is its single most valuable asset, a competitive advantage that allows the company to earn, maintain, and strengthen the trust of its stakeholders. AboitizPower knows that its reputation today took generations to build and sustain; hence, the need to protect and enhance it progressively is imperative.

Today's operating environment is characterized by increasing corporate governance standards, heightened public consciousness due to social media, and greater scrutiny from key stakeholders. Reputation risks result from the occurrence of, or failure to, mitigate other risks.

AboitizPower continues to strengthen stakeholder engagement activities with all its stakeholders, including its customers, employees, shareholders, lenders and insurers, regulators, host communities, and LGUs. One of the key engagement channels is ER 1-94 which allows host communities to reap financial benefits for their contribution to power plants situated in their localities. AboitizPower's assumption of the fund's administration functions has hastened fund remittance and utilization for local electrification, development and livelihood, and environment enhancement projects of host communities. Due to the COVID-19 pandemic, DOE Department Circular 2020-04-0008 dated April 6, 2020 rationalized the utilization by host LGUs of ER 1-94 funds for COVID-19 response instead. As of mid-November 2020, over 80% of the total available ER 1-94 funds have been released by DOE and AboitizPower to around 90% of the company's host beneficiaries.

For the past four years, AboitizPower has been recognized as a constituent company in the FTSE4Good Index Series. This Index Series was created by global index provider FTSE Russell and measures the performance of companies demonstrating strong ESG practices. AboitizPower's recent Corporate Sustainability Assessment by the Robeco SAM group, now part of S&P Global, showed marked improvements in its ESG performance. The absolute score of AboitizPower improved the company's score in this year's FTSE4Good Index Series climbed by 24% to 3.1 from 2.5 due to improvements in its health and safety initiatives, and its campaigns on diversity, equity, and inclusion, among others. Meanwhile, the company retained its rating of BB from the MSCI ESG Rating.

Moving forward, AboitizPower will continue to focus on addressing gaps in various risk areas of ESG. Furthermore, the company's growth strategy remains aligned with the energy trilemma of energy security, energy equity, and environmental sustainability, but will be characterized by a strategic shift from ensuring low-cost energy to also providing energy from more sustainable sources in the next decade.

6. Operations

The loss of, and/or damage to, facilities caused by natural calamities such as earthquakes, typhoons, and floods may result in significant business interruptions within AboitizPower. Interruptions may also be caused by other factors such as critical equipment breakdown, Information Technology (IT) and Operational Technology (OT) security breaches, fires and explosions, hazardous waste spills, workplace injuries and fatalities, terrorism, and other serious risks.

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

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

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

Group insurance programs that leverage on the company's portfolio of generation and distribution assets, supported by risk modelling and quantification, are also in place and regularly reviewed. AboitizPower ensures that its Business Units have the right insurance solutions to achieve the optimal balance between retaining or transferring risks versus lowering the Total Cost of Insurable Risk. As such, business interruption insurance is procured to cover any potential loss in gross profits that may result from a major damage to critical assets. AboitizPower is embarking on a major initiative to look for alternative risk transfer strategies to optimize loss indemnity and risk retention.

Business Units periodically review, test, develop, update, and improve their BCP to ensure that they remain relevant with current business conditions, and address the uncertainties and issues faced by the company.

Some of these enhancements include: (a) typhoon preparedness; (b) regular emergency drills and simulation exercises on various scenarios related to other natural and man-made calamities; and (c) post-event evaluations to ensure that employees are able to respond effectively and safely as planned. AboitizPower is looking to expand business continuity strategies on a geographic regional scale for better coordination among several plants.

To further improve its existing BCM framework and practices, AboitizPower has rolled out a three-year roadmap of Business Continuity initiatives, which conforms to ISO 22301:2012 standards and requirements.

7. Information Security

AboitizPower recognizes the vulnerabilities of global information security breaches and the increasingly complex challenges of digital transformations. Management acknowledges that information security threats should be addressed to prevent targeted and non-targeted attacks which can adversely disrupt operations and customer services, and result in serious impacts to the company's bottom line and reputation.

In 2021, AboitizPower further strengthened its protection protocols against security threats with the implementation of the ISMS following the ISO 27001:2015 standard. In 2020, the company's Generation and Distribution Business Groups rolled out a uniform, company wide OT Security Minimum Standard.

AboitizPower aligns with the Aboitiz Group-wide Cyber Security Program, specific governance, standards, training and culture-building, and Operational Technology Security projects. OT Security projects in generation and distribution facilities are also ongoing through phased implementation until 2022. The ISMS discipline will continue to be embedded in all there pillars of Information and Operational Systems Security, People, Process, and Techology.

In order to achieve the desired Level 4 in Cyber Security Maturity and build an information security risk-aware culture within the company, business continuity plans on loss of technology scenarios are in place, annually tested, reviewed, and continually improved. AboitizPower keeps pace with current information security threat landscape, solutions, and best practices to further strengthen prevention, detection, and comprehensive response to information security threats. Information risks, including cyber security risks, will remain on top of the agenda of the Board Risk Committee and the Board Cybersecurity Committee for the coming years.

8. Competition

Increasingly competitive market conditions create downward pressure on contract rates and increasing levels of commercial risk, to wit: (a) generation companies are required to participate in a transparent and competitive bidding of power supply requirements of distribution utilities and electric cooperatives through the CSP; and (b) spot prices are expected to continue to be volatile. As such, fixed pricing may potentially increase exposure to fuel and forex risk, while the inability to contract at favorable rates and commercial terms may result in further exposure to higher levels of spot market volatility. This risk could result in inefficiencies in margins due to aggressive or competitive pricing and forecasting inaccuracy

As AboitizPower endeavors to market and contract project capacities from investments ahead of time, as well as renew expiring contracts from existing capacities, it also maximizes energy trading opportunities in the spot market. Striking this balance requires a combination of portfolio pricing and contracting strategies, and hedging of coal and forex exposure on fixed contracts. This is to ensure that plant operations are optimized, and that revenue and cash flow streams are managed.

9. Talent Risks

AboitizPower gears for further growth by shifting towards renewable energy sources and increasing its presence in the international market, while ensuring the availability and reliability of existing power plants. Both growth and operational excellence thrusts demand for organic subject matter experts of critical assets.

The risk on availability, readiness, and retention of talents for critical posts is inevitably increasing. hus, talent attraction, optimization, and retention strategies are of utmost importance. In 2021, AboitizPower heightened efforts in ensuring talent supply meets talent demand by utilizing strategic workforce planning process, in particular:

(a) Optimize Talent attraction channels / approaches such as establishing a Compelling Employer Brand, building Targeted Talent Communities and Employee Referral Program;
(b) Talent Capability Building to Ensure a Thriving Workforce;
(c) Culture Centric Engagement & Benchmarked Employee Experience to retain critical talents;
(d) Robust labor relations and business continuity plans, labor regulatory compliance checks & manager education; and
(e) Improve HR Internal Capability Building & Transformation thru leveraging analytics and digital tools/system, re-skilling and resourcing, structure redesign and process simplification/ standardization.

AboitizPower integrated the Strategic and Operational Workforce Planning into the Organizational Planning processes to enable the identification of current and future talent needs. This helped shape the people strategy of AboitizPower to be able to increase workers engagement and remain competitive in the job market reshaped by the COVID-19 pandemic.

10. Litigation

The most effective way to avoid litigation and its adverse consequences is to prevent it. Litigation diverts valuable management resources, adversely affects reputation and standing, and exposes the company including its personnel to liability.

AboitizPower's Legal team collaborates with their counterparts at AEV to ensure legal and contractual obligations are complied with and to ensure that sources of potential disputes are addressed at the earliest possible opportunity. Internal and external legal resources and subject matter experts help identify and proactively address litigation risks to reduce threats associated with regulatory action, legal claims, and disputes. Legal strategies are supported by active stakeholders engagement with the intent to exhaust all available legal remedies outside of litigation.

11. Pandemic Risks

In December 2019, the COVID-19 outbreak began in China and spread to other countries, including the Philippines. On March 10, 2020 the World Health Organization characterized COVID-19 as a pandemic. As of October 31, 2021, the DOH reported 2,787,276 COVID-19 cases nationwide with 43,172 deaths.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact on the AboitizPower Group's suppliers' ability to deliver, which could delay the construction of certain projects.

In a move to contain the COVID-19 outbreak, the Office of the President issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. Presidential Proclamation No. 929 was issued the next day, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020. On March 24, 2020, Congress passed Republic Act No. 11469, known as the Bayanihan 1 Act into law, which conferred emergency powers on the President. On June 25, 2020, measures under the Bayanihan 1 Act were implemented to address the pandemic in the Philippines that expired without extension or replacement.

On September 11, 2020 the Bayanihan 2 Act was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the Government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until December 19, 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy, and water, and ensure adequate supply of the same."

Since President Duterte's declaration of the State of Public Health Emergency and, consequently, the various community quarantine guidelines on public transportation, social distancing, international travel bans, health protocols, and mandatory quarantines, the company has been implementing flexible work arrangements, including: (a) maximizing work-from-home set-up for support employees and selected essential employees; (b) 14-day-cycle of facility lockdown duty of generation facilities; and (c) special protocols for distribution line gangs and customer centers. This is to primarily ensure the health and safety of its sites and employees while continuing to serve its customers and other stakeholders, as well as to address any constrained mobility of employees brought about by the community quarantines.

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

The AboitizPower 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 AboitizPower Group developed a program that combines work-from-home, two-week workshifts, and remote plant operations and also assessed its current and future modes of operations. It is in the planning stages of a return to the workplace program, but will advance with caution. Please refer to Page 27 of this Information Statement to see the discussion on the impact of COVID-19 to the AboitizPower Group.

To date, all AboitizPower power generation facilities and power distribution utilities have normalized operations. BCPs have been successfully implemented to ensure the adequate and reliable supply and distribution of electricity. These BCPs are continually and promptly updated to adhere to the health and other community quarantine protocols and guidelines issued by the DOE, ERC, DOH, DOLE, IATF, and the LGUs. Covid-19 vaccination of employees and contractors are at a high rate due to company-initiated vaccination programs.

The curtailed economic activity brought about by the shutdown and/or scaled down operations of energy-intensive industries have resulted in significant drops in electricity demand and consumption, which in turn has affected the revenue targets of AboitizPower's generation, distribution, and retail electricity supply businesses. AboitizPower collaborates with its customers and key stakeholders to minimize the impact of the pandemic to its PSAs for all concerned parties. Distribution Utilities have also maximized the use of social media and digital platforms to deliver customer services.

AboitizPower ensures that the supply chains for its power plants and Distribution Utilities remain stable. It also ensures that supply of coal, critical spare parts, and services from outside the country continues through a number of options, including alternative local suppliers and service providers. Close coordination with LGUs and key government agencies by AboitizPower External Relations and its Business Unit's Legal and Compliance teams facilitate the unimpeded delivery of energy-related goods and services.

The Company continues to enable its Business Units to anticipate and respond accordingly as the COVID-19 situation may require, including defining the New Normal and the changes in management processes around transitioning and adapting to it.

12. Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. These are newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on the organization in the future. These potential risks could be triggered by the fast-changing landscapes in the political, economic, social, technological, environmental, and legal facets surrounding the company's operations.

For AboitizPower, one emerging risk is that of disruptive and new technology. Among others, the battery storage and the internet of things are potential transformers of the power business. Energy storage could play a wider role in the global energy markets moving from limited uses to displacing power generation due to its potential for reliability, quality, and its capability for renewables integration. The internet of things has the potential to significantly transform the power sector by optimizing operations, managing asset performance. Other technologies are expected to impact power generation and transmission segments. These technologies present both as threats and opportunities to the company.

Another emerging risk is climate change resulting in physical risks due to extreme weather events that affect property values and create a more challenging investment enviroment. Outbreaks of diseases and epidemics tied to climate change may also increase. Risk of climate change could result in economic dislocation and financial loss associated with transitioning significantly reduced carbon economies.

These and other potential emerging risks are considered and evaluated during semi-annual rist assessments and during theenvironmental scans of the strategic planning and annual organizational planning process of AboitizPower. These emerging risks are reported and discussed as part of the Group Risk Management Council and Board Risk and Reputation Management Committee as part of the regular agenda.

II. FINANCIAL SERVICES

Overview of the Business

Union Bank of the Philippines, 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 December 31, 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 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), small and medium-sized enterprises (SME) banking, cash management, trust and investment services, 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, 2021, UnionBank and its Subsidiaries had 384 branches across the Philippines and a network of 485 automated teller machines (ATMs).

For the six months ended June 30, 2021, UnionBank recorded the following:

- Consolidated net profit was ₱8,315 mn;
- Total consolidated resources was ₱733,595 mn;
- Total loan portfolio was ₱336,890 mn; and

- Total deposits was ₱495,181 mn.

For the six months ended June 30, 2021, Tier 1 capital adequacy ratio was 16.0% while total capital adequacy ratio was 18.1%. 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 Bangko Sentral ng Pilipinas (BSP).

(i) Products and Services

UnionBank and its Subsidiaries 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. In July 2021, the BSP approved its digital bank license application.

UnionBank continues to strengthen its business model by embarking on a digital transformation journey. UnionBank is repositioning itself into an agile and digitally-transformed universal bank to compete in the evolving banking landscape through the delivery of superior customer experience while achieving cost efficiencies. After transforming its back-end IT infrastructure to be digital to the core and equipping its people to embrace a digital and agile culture, UnionBank launched its transformed customer touchpoints. These include (i) the introduction of fully digital branches called "*The Ark*"; (ii) launch of mobile app for retail ("UnionBank Online"), SMEs ("SME Business Banking App"), and cash management platform for corporates ("The Portal") and ("Financial Supply Chain"); (iii) and providing relationship managers with a digital tool called "*MAX 5.0*".

While it continues to strengthen its present business models, UnionBank is in pursuit of new business models where banking may either become embedded or disintermediated in people's day-to-day lives. Leading this value chain is UBX PH, a wholly-owned Subsidiary of Unionbank that focuses on developing digital platforms, enabling and investing in technology startups, and providing technological services to clients such as app and blockchain development.

UnionBank is also in the process of setting up its Digital Bank called Union Digital. UnionDigital shall be the Bank's vehicle to tap the large unbanked and underbanked segments. By leveraging on state-of-the-art back-end infrastructure to onboard customer communities, Union Digital is expected to help accelerate the Bank's growth aspirations and bring about inclusive prosperity to more Filipinos.

(ii) Distribution Methods

UnionBank services its clientele through its well-trained relationship managers, strategically-located branch networks, partner outlets, and ATMs, supplemented by a Customer Engagement Group. UnionBank's service channels are complemented by its strong digital footprint through its website at *www.unionbankph.com*, online banking and mobile applications (e.g. UnionBank Online and SME Business Banking App), The Portal, Financial Supply Chain, customer service chatbot ("Rafa"), EON digital brand mobile app, and various financial services.

Branch Network	UnionBank has 197 branches strategically located within and outside Metro Manila to maximize visibility and expand customer reach. This includes UnionBank's digital and paperless branches called Arks 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. Meanwhile, PETNET has over 3,500 locations nationwide which offers a variety of cash-based services, including remittance, currency exchange, and bills payments. In 2020, the Bank introduced Agency Banking cash deposit capability through its partnership with 7-Eleven and ECPay (RD Pawnshop, Tambunting, Czarina Foreign Exchange, LCC, etc.) to expand to 14,000 banking touchpoints nationwide.

	UnionBank's presence nationwide is also expanded through the physical network of its Subsidiaries which include CitySavings (149 branches), FAIRBank (11 branches mainly in Visayas), Bangko Kabayan (24 branches mainly in Luzon), and Progressive Bank (3 branches in Visayas).
ATM Networks	UnionBank and its Subsidiaries' network of 485 ATMs as of September 30, 2021, 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 access to thousands of ATMs nationwide.
Call Center	UnionBank's 24-hour call center handles customer relationships and care, catering to deposit and card product queries, among others.
Customer Service Chatbot	UnionBank's *"Rafa"* is the country's first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It is capable of answering customer queries on ATM and branch locations, provides latest foreign exchange data, card activations, cardless withdrawal, and assists customers in exploring UnionBank's various products and services.
Mobile and E-Banking	UnionBank Online is designed with an omni-channel user experience across various touchpoints (website and mobile app), operating systems (Android or IOS), and device types. UnionBank Online enables customers to perform banking transactions such as digital account opening, mobile check deposit, fund transfer, pay bills, and many more without visiting the branch. UnionBank 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. UnionBank also launched its SME Business Banking App designed for business owners. Its features include digital account opening for savings and checking accounts, mobile check deposit, local and international fund transfers, bills payment, and many more to help SMEs manage financial operations.
EON	Specially designed for digital commerce, EON was the first electronic money product in the Philippines with a "selfie banking" feature which employs facial recognition in authorizing transactions through a smartphone. EON is UnionBank's primary product for carding the unbanked and underbanked segments through its partnerships with cooperatives and LGU for loans and aid disbursement (i.e. Social Amelioration Program, etc.).

(iii) New Products and Services

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; trust and fund management; remittance, and cash management. In addition, the Bank 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. These services are delivered through the Bank's branches and digital banking channels such as Unionbank Online, SME Business Banking App, and *The Portal*. The Bank continues to reinvent itself to offer financial services that address customers needs while leveraging on technology.

Technology is at the core of UnionBank's strategy. To further drive its digital shift, in 2019, UnionBank launched UBX PH, its innovation and technology Subsidiary. This wholly-owned Subsidiary focuses on innovation projects such incubating ecosystems and platforms, providing technological services to clients, and fintech investments.

Since its inception, UBX PH has launched several of its digital platforms such as (i) *"Project i2i"*, a blockchain-based interbank digital payment platform for financial institutions such as rural banks; (ii) *"Sentro"*, an online shop builder with embedded logistics services; (iii) *"BUX"*, a payment gateway for online merchants; and (iv) *"SeekCap"*, an SME lending marketplace. UBX PH also invests in select financial technology firms that have a strategic fit to its objective. At the same time, it provides technology support to several of the Bank's pioneering experiments such as the Bank's blockchain-based cross-border remittance project, cryptocurrency ATM, stablecoin, and many more.

(iv) Competition

The Bank faces competition in all its principal areas of business. Philippine domestic and foreign banks are the Bank's main competitors, followed by finance companies, mutual funds and investment banks. The Bank also faces competition from financial technology firms and non-financial firms. In particular, non-financial firms pose a challenge to Philippine banks by offering digital products such as mobile payments or online services. Financial technology firms utilize software to provide financial services, and disrupt existing financial systems and corporations that rely less on software by offering faster, more convenient, and more efficient ways of transacting. In addition, purely digital financial technology or non-financial firms have no branches and thus have lower costs. The Bank seeks to gain a competitive advantage by continuing to implement its digital transformation strategies.

(v) 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.

(vi) Patents, Copyrights, and Franchies

UnionBank owns, or has 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 UnionBank has filed with the Philippine IPO.

	Trademark	Registration Date	Expiration Date
1	UNIONBANK	December 19, 2005	December 19, 2025
2	UNIONBANK LOGO	October 21, 2010	October 21, 2030
3	UNIONBANK EON	December 5, 2013	December 5, 2023
4	UBP	August 7, 2014	August 7, 2024
5	UNIONBANK OF THE PHILIPPINES	August 7, 2014	August 7, 2024
6	UREKA	November 10, 2016	November 10, 2026
7	SELFIE BANKING	December 22, 2019	December 22, 2029
8	DIGITAL ME	June 29, 2017	June 29, 2027
9	EON FOR THE DIGITAL ME	July 30, 2017	July 20, 2027
10	EON	July 30, 2017	July 30, 2027
11	EON CYBER	November 2, 2017	November 2, 2027
12	THE ARK	April 5, 2018	April 5, 2028

13	THE ARK	April 5, 2018	April 5, 2028
14	THE ARK	April 5, 2018	April 5, 2028
15	THE ARK	April 5, 2018	April 5, 2018
16	I2I	May 30, 2019	May 30, 2029
17	THE FUTURE BEGINS WITH U.	October 24, 2019	October 24, 2029
18	CYBERSURE	January 12, 2020	January 12, 2030
19	1U HUB	February 6, 2020	February 6, 2030
20	1U HUB	February 6, 2020	February 6, 2030
21	THE FIRST FINANCIAL SUPPLY BLOCKCHAIN IN THE PHILIPPINES - POWERED BY UNIONBANK	February 6, 2020	February 6, 2030
22	UB	February 24, 2020	February 24, 2030
23		February 24, 2020	February 24, 2030
24		February 24, 2020	February 24, 2030
25	THE EDGE BY UB UNIONBANK	July 31, 2020	July 31, 2030
26	UB UNIONBANK	August 14, 2020	August 14, 2030
27	UB UNIONBANK	October 16, 2020	October 16, 2030
28	THE FIRST DIGITAL ACCOUNT OPENING FOR BUSINESS BY UNIONBANK	January 17, 2021	January 17, 2031
29	THE FIRST MOBILE CHECK DEPOSIT FOR BUSINESSES BY UNIONBANK	February 19, 2021	February 19, 2031
30	BANK THE WAY YOU LIVE	March 29, 2021	March 29, 2031
31	SITH SYSTEM FOR INTEGRATED TRACING OF HUMANS	March 29, 2021	March 29, 2031
32	SELYADO (Greyscale)	April 16, 2021	April 16, 2031
33	SELYADO (Colored)	April 16, 2021	April 16, 2031
34	UNIONBANK ONLINE	April 16, 2021	April 16, 2031
35	UB ONLINE	April 16, 2021	April 16, 2031
36	UNIONBANK APP	April 16, 2021	April 16, 2031
37	UB MOBILE APP	April 16, 2021	April 16, 2031
38	P PHX COMMERCIAL BANK-BACKED PHILIPPINE STABLECOIN	April 16, 2021	April 16, 2031
39	PHX	May 21, 2021	May 21, 2031
40	UBP XCELLERATOR GAMECHANGERS	May 21, 2021	May 21, 2031

41	UBP XCELLERATOR BLOCKCHAIN BUSINESS SPECIALIST PROGRAM	June 18, 2021	June 18, 2031
42	UBP XCELLERATOR BLOCKCHAIN BASICS PROGRAM	June 18, 2021	June 18, 2031
43	BLOCKCHAIN XCELLERATOR POWERED BY UB UNIONBANK	June 18, 2021	June 18, 2031
44	UBXCELLERATOR	July 16, 2021	July 16, 2031
45	XCELLERATOR	July 16, 2021	July 16, 2031
46	UB GARAGE INNOVATION AND INCUBATION LAB POWERED BY UB UNIONBANK.	July 23, 2021	July 23, 2031
47	XCELLERATOR	July 23, 2021	July 23, 2031
48	UBXCELLERATOR	July 30, 2021	July 30, 2031
49	BLOCKCHAIN XCELLERATOR	July 30, 2021	July 30, 2031
50	UBP XCELLERATOR PROGRAM	August 6, 2021	August 6, 2031

(vii) Government Approvals

The BSP, SEC, Philippine Deposit Insurance Corporation ("PDIC"), PSE, and the BIR are the primary regulatory agencies that issue and enforce rules, regulations and guidelines relevant to the Bank'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 and continue to be compliant with prescribed rules and regulations.

(viii) Effect of Existing or Probable Governmental Regulations

As a banking institution, UnionBank adheres to the provisions of RA No. 8791 or the General Banking Law of 2000, 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 is subject to and complies with the provisions of Republic Act No. 9160, as amended by RA Nos. 9194, 10167 and 10365, otherwise known as the *"Anti-Money Laundering Act of the Philippines,"* as well as other pertinent rules, regulations and circulars issued by the BSP, the SEC, and other regulatory agencies of the Philippines, including the Financial Action Task Force (FATF) on Money Laundering. UnionBank adheres to the Anti-Money Laundering (AML) laws and regulations that include 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.

In July 2019, the Bank upgraded its AML system through the deployment of an internally-developed, highly intuitive and more flexible transaction monitoring and reporting system. The Bank also screens customers during onboarding and conducts periodic reviews and batch screening (i.e whenever there are updates to the sanctions and negative lists). A real-time transaction screening system is used to clear all transactions that pass through the SWIFT network. In 2020, a new in-house screening portal was launched to assist with the name screening of clients/customers against sanctioned individuals and organizations, persons convicted of AML crimes or illegal activities for all types of clients. UnionBank also subscribes to Factiva's (formerly Dow Jones) name screening database to comply with relevant name screening requirements.

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. In coordination with the Human Resources Group, new employees undergo a two-day orientation course that includes AML; all branch and Head Office personnel are also required to take the AML e-learning refresher module annually, while operations and sales personnel are apprised of new BSP requirements during compliance roadshows held throughout the year.

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 ratios as of December 31, 2020, March 31, 2021, and June 30, 2021 are at 17.0%, 17.6%, and 18.1%, respectively.

(ix) Amount Spent on Reseach and Development

The amount spent on research and development activities (in thousand pesos) and its percentage to revenues for the last three years has been as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Cost	₱1,182,635	₱1,347,315	₱989,922
Ratio to Revenues	3.1%	3.5%	3.1%

(x) Costs and Effects of Compliance with Environmental Laws

Compliance with environmental laws increases a company's operational costs, though in most cases the costs are only a small fraction of a firm's total costs. For financial institutions like Unionbank, relevant environmental laws and regulations require the appointment of Pollution Control Officers, Managing Heads, installation of pollution control equipment, and incorporation of sustainable practices in the Bank's operational processes. Compliance with these requirements has minimal effect in the Bank's operational cost and productivity.

Environmental laws influence the Bank's concept in designing its offices to ensure compliance as provided by relevant regulatory agencies. Compliance to the environmental laws have benefitted the organization in terms of illnesses averted through reduction of airborne particulates, hazardous waste disposal, and water potability. There were no reported incidents of non-compliance with environmental laws and regulations.

In addition, UnionBank has entered into partnerships with Plastic Bank and Humble Sustainability to recycle, upcycle, and recover plastic wastes and non-hazardous wastes as part of the Planet pillar and Inclusive Prosperity focus area of the Bank's sustainability program.

Finally, UnionBank is in the process of renewing its partnership with Globe Telecoms to dispose of electronic waste via the One Phone program, where the bank collects old and unused electronic gadgets and equipment so they may be properly handled and avoid being dumped in landfills.

(xi) 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 Group, monitors all risk exposures which include, among others, credit risk, market risk, operational risk, operational risk, liquidity risk, and 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.

Union Bank may face increasing levels of non-performing loans ("NPLs"), provisions for impairment losses and delinquencies in its credit card portfolio, which may adversely affect UnionBank's business, financial condition, results of operations, and capital adequacy

UnionBank plans to continue to expand its 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 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 it's 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.

III. FOOD MANUFACTURING

Overview of the Business

AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico 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.

The Food Group began the international expansion of its business in 2014 through Pilmico International's initial acquisition of a 70% equity interest in Pilmico Vietnam Company Limited (PVN formerly, Pilmico VHF Joint Stock Company and originally, Vin Hoan 1 Feed JSC), one of the largest aqua feeds producers in Vietnam. Pilmico International completed the acquisition of PVN through the additional purchase of a 15% equity stake in 2017, and the remaining 15% equity stake in 2019, making PVN a wholly-owned Subsidiary of Pilmico International.

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 way for additional international investments of the Food Group and it also developed capabilities in aqua feed milling.

The Food Group continued to establish its presence in Vietnam through the various acquisitions by Pilmico International: (i) a 100% equity interest in Pilmico Vietnam Trading, a company engaged in the wholesale of food products, beverages, and agricultural and forestry raw materials in October 2016; and (ii) an initial acquisition of a 70% equity interest in Pilmico Animal Nutrition Joint Stock Company (PAN-JSC, formerly Europe Nutrition Joint Stock Company), a joint stock company engaged in the business of producing animal feeds.

The Food Group eventually gained a wider foothold in ASEAN+China with its acquisition of GCMH and its Subsidiaries. In July 2018, Pilmico International initially acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group and one of Asia's largest multinational agri-business corporations with Subsidiaries operating in Singapore, Indonesia, Malaysia, Vietnam, Thailand, Sri Langka, Myanmar, Pakistan, Brunei, the Philippines, Hong Kong, and China. Pilmico International completed its acquisition of the remaining 25% equity interest in GCMH in May 2019.

In 2019, 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).

The Food Group believes that the Gold Coin Group enjoys leading 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.

The Food Group is in continuous pursuit of innovative new products, product variants, and line extensions in the livestock, and aquaculture feeds segments.

(i) Principal Products and Services

Feeds and Flour

Pilmico Foods Corporation

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 September 30, 2021, 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 raw materials for feeds through their commodity trading business.

Pilmico is a wholly-owned Subsidiary of AEV.

Hog and Layer Farms

Pilmico Animal Nutrition Corporation

The Food Group's hog and layer farms operations are conducted through its Subsidiary, Pilmico Animal Nutrition Corporation (PANC). As of September 30, 2021, Pilmico, together with another wholly-owned Subsidiary, Filagri Holdings, Inc. ("Filagri Holdings"), owns a 100% equity interest in PANC. PANC operates farms and feed mill plants in Capas, Tarlac.

In January 1999, PANC began commercial operations of its feed mill plant in Capas, Tarlac to cater to the growing demand for feeds in Luzon. Since commencing its swine operations with 4,750 sow level in the second half of 1999, PANC had a 9,300 sow level as of September 30, 2021. 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 four mn 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

AEV International Pte. Ltd.

Established on May 5, 2014, AEV International Pte. Ltd. ("AEV International") is the holding company of AEV's investments outside the Philippines. It owns 100% of the equity interest in Pilmico International.

Pilmico International Pte. Ltd.

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 through AEV International.

As of September 30, 2021, Pilmico International holds a 100% equity interest in PVN, a 100% equity interest of Pilmico Viet Nam Trading Company Ltd. ("PVN Trading"), and a 100% equity interest in GCMH, which controls the Gold Coin Group.

Pilmico Vietnam Company

PVN is one of the largest aqua feeds producers in Vietnam. It's plant operates in the Dong Thap Province in Vietnam and has a capacity of 270,000 metric tons per year, which is the fourth largest among the pangasius aqua feeds producers in the Mekong Delta as of September 30, 2021.

As of September 30, 2021, Pilmico International owned a 100% interest in PVN.

Pilmico Viet Nam Trading Company Ltd.

PVN 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. It is currently the vehicle used for the importation and distribution of the Food Group's products within the Vietnam market.

As of September 30, 2021, Pilmico International owned a 100% interest in Pilmico VN Trading.

Gold Coin Management Holdings Limited and the Gold Coin Group

GCMH is an investment holding company incorporated under the laws of the British Virgin Islands in January 2000. Headquartered in Singapore, GCMH is the parent company of the Gold Coin Group with Subsidiaries located in Singapore, China, Hong Kong, Indonesia, Malaysia, Vietnam, Thailand, Sri Langka, Myanmar, Pakistan, Brunei and the Philippines.

Over the past three decades, the Gold Coin Group has expanded its operations across ASEAN and China. It began operating its first livestock feed mill in Jakarta, Indonesia in 1981, followed by a series of expansion through the commissioning feed mills in Shenzhen, China in 1983; Colombo, Sri Lanka in 1993; and Dong Nai, Vietnam in 2004. In 1991, the Gold Coin Group opened its first aqua feed mill in Malaysia, and in India in 2006. In 1985, it started its research and formulation for aqua feed. The Gold Coin Group established its flour mill business in 1984 which it later on divested In 2004. To accelerate market penetration for its poultry feeds business, it entered into a joint venture agreement with Ayam Unggul Indonesia in 2010, and with CCK in East Malaysia in 2016.

The Gold Coin Group is engaged in animal nutrition and manufacturing of animal feeds and is a leading brand in animal nutrition and, as of September 30, 2021, had 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, 2021, it also had 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.

Gold Coin Group's 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 fish; and (iii) specialty nutrition or the premix and specialty concentrate complete feed. In 2018, the group introduced its entry to the young animal for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed to grow its aqua portfolio.

(ii) Distribution Methods

Pilmico and PANC sell their feeds and flour products through a nationwide distribution network of dealers. Pilmico 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, restaurants, 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.

(iii) 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). 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.

(iv) 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.

Pilmico 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, and CP Indonesia, with Cargill remaining the biggest feed miller in South East Asia with leading market share and capacity in Thailand, Vietnam, and Indonesia.

(v) Sources of Raw Materials

The Food Group, through Pilmico 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.

(vi) 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.

(vii) Transactions with and/or Dependence of 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.

(viii) 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
101	Pilmico Foods Corporation an Aboitiz Company	November 28, 2015	November 28, 2025
102	Kutitap Hard Wheat Flour	January 17, 2015	January 17, 2025
103	Basco	March 24, 2021	March 24, 2031
104	With Worm Buster	February 2, 2018	February 2, 2028

105	Liver Protech	February 9, 2021	February 9, 2031
106	Suki by Pilmico	December 23, 2020	December 23, 2030
107	Tammy	March 24, 2021	March 24, 2031
108	Kunemax	March 24, 2021	March 24, 2031
109	XP	March 24, 2021	March 24, 2031
110	Kitchen Specials	February 9, 2021	February 9, 2031
111	Catsby	March 24, 2021	March 24, 2031
112	Nobuddy Left Behind	June 4, 2020	June 4, 2030
113	Do Good For Doggo	June 4, 2020	June 4, 2030
114	Ave Max	August 10, 2012	August 10, 2022

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
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

The Food Group has other pending trademark applications under the Madrid Protocol for the following countries: China and Ghana.

International Trademarks Application (Non-Madrid Protocol)

Trademarks	Owner	Country of Application
PILMICO (#304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Hong Kong
PILMICO (#493122018)	Pilmico Foods Corporation	Myanmar

(Class Nos. 5, 29, 30, 31, 35, 43, and 44)		
Gallimax – 313090 (#4201632522) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Aquamax - (#4201632521) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Avemax - (#4201632524) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Civic - (#4201632523) (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
Star Beam + Lukisan Bintang (DO0213055441) (Class No. 30)	Pilmico Foods Corporation	Indonesia
Star Blaze + Lukisan Bintang (DO0213055439) (Class No. 30)	Pilmico Foods Corporation	Indonesia
Sun Rays + Lukisan Matahari (DO0213055443) (Class No. 30)	Pilmico Foods Corporation	Indonesia
Sun Stream (DO0213055445) (Class No. 30)	Pilmico Foods Corporation	Indonesia
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)	Gold Coin Management Holdings Limited	Papua New Guinea

(Class No. 31)		
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)	Gold Coin Management Holdings Company, Ltd.	Vietnam

(Class Nos. 29, 31)		
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

The Food Group has other pending trademark applications to individual countries such as Indonesia, Thailand, Bangladesh, Brunei Darussalam, China, Macau, Malaysia, Singapore, Sri Lanka, and Vietnam.

(ix) Government Approvals

The Food Group secures various government approvals, such as the environmental compliance certificates, development permits, license to sell, business permits, import licenses, etc. as part of the normal course of its business.

(x) 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 advertising 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.

(xi) Amount Spent on Research and Development

The Food Group remains committed to the continued research and development of its feed, flour and farm products. This is evidenced by the launch of new product offerings such as aqua feeds, petfood, new and improved shrimp formulation, mash conditioner feeds, pigeon feeds among others. These costs are inherently part of the research and development, nutrition, veterinary, and business development operating costs and amount to less than 1% of the Food Group's revenues.

(xii) Costs and Effects of Compliance with Environmental Laws

The Food Group is working with relevant Environmental regulators with a dedicated Quality, Safety, Health Environment and Process Department for both existing operations and future plans. Compliance to environmental laws is included in key decision points such as investing in new swine farms and new feed mills to include measures and build appropriate facilities that lessen the impact to the environment.

(xiii) 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 and quality control 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 the market value chain. Four quality areas include: (1) supplier quality; (2) process quality; (3) product quality; and (4) market quality.

a. Supplier Quality - focuses on the development and implementation of quality supplier accreditation process
b. Process Quality - focuses on improvement of existing quality programs and processes such as but not limited to HACCP, Food Defense and Food Fraud Program
c. Product Quality - focuses on implementation of cost of poor quality management and new products development program
d. 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 the Food Group competes. 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 three weeks to four months. By having a neutral position, the Food Group 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 the Food Group's 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.

The Food Group's dealer network is a key asset for the Food Group and it has taken steps to know more about its 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 its own competencies for an ideal distribution center that will handle consolidation, repacking and logistics. Another key initiative is to provide a system to support its distributors in managing their customers, payments, fulfilment, and inventory management.

IV. REAL ESTATE

Overview of the Business

The real estate-related investments of the Aboitiz Group are primarily undertaken through AboitizLand and its Subsidiaries (collectively, the "Real Estate Group"). The Real Estate Group is primarily engaged in the business of developing and managing: (a) residential communities; (b) the industrial parks; and (c) retail and commercial spaces. As of September 30, 2021, the Real Estate Group's real estate portfolio includes 13 residential developments, three industrial parks, and six commercial centers.

The Real Estate Group'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, the Real Estate Group not only looks to expand its industrial footprint but also create thriving townships in the future.

As of September 30, 2021, the Real Estate Group continues to develop and manage three industrial estates spanning beyond 1,000 hectares in PEZA-registered industrial parks located in Batangas and Cebu. Real Estate Group's industrial estate portfolio includes three economic zones: (i) Mactan Economic Zone II (MEZ II), in Lapu-Lapu City, Mactan, Cebu; (ii) West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers, Inc. (CIPDI); and (iii) the LIMA Technology Center in Malvar, Batangas, through its Subsidiary, Lima Land, Inc. ("Lima Land")

As of September 30, 2021, the Real Estate Group's commercial real estate portfolio includes six commercial projects in operations in Batangas and Cebu, namely: (i) *The Outlets at Lipa*, Batangas; (ii) *Lima Exchange*, Lipa, Batangas; (iii) *The Persimmon Plus* in Mabolo, Cebu City; (iv) the *iMez* Building in Cebu; (v) *Pueblo Verde* in Cebu; and (vi) *The Outlets at Pueblo Verde* in Cebu.

The Real Estate Group 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 micro studio category in the Philippines. This Joint Venture looks to build micro studio buildings strategically located near Metro Manila's central business districts. In conjunction with these developments, Real Estate Group expects to actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the LIMA Technology Center.

In line with the Aboitiz Group's direction to scale the growth of industrial-anchored integrated economic center projects, management of the industrial and commercial Business Units of AboitizLand was transferred to Aboitiz InfraCapital on September 1, 2020. The Aboitiz Group believes that the future of large-scale integrated economic centers will be built on advanced, robust, and seamless infrastructure facilities and services.

(i) Products and Services

(a) Residential Business

Aboitiz Land, Inc.

Incorporated on June 2, 1964, AboitizLand 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. Since the Launch of its first residential development in 1994, AboitizLand's residential estate has now expanded to 13 residential projects selling three particular product types: lot only, house and lot, and condominiums.

In 1994, the Real Estate Group launched *North Town Homes* in Cebu*,* its first residential subdivision catering to upper-mid to high-end customers through horizontal (lot-only and house-and-lot) developments. Since then, the Real Estate Group has expanded its portfolio to include mid-market residential products. Through AboitizLand, the Real Estate Group has also introduced a number of product concepts to the Cebu real estate market: (i) the New Urbanism concept of live-work-play in the large master-planned community of *Pristina North*; (ii) Zen living, which takes off from the spa lifestyle trend, in *Kishanta*; (iii) the commercial and residential "Urban Village", such as *The Persimmon*; (iv) shophouses as a residential product in *Ajoya*; (v) fully-furnished affordable studio units, such as *The Persimmon Studios*; (vi) Asian Contemporary designed units in *Almiya*; and (vii) inspired by traditional Filipino residences in *Amoa*.

In 2017, the Real Estate Group launched (viii) *Seafront Residences*, a 43-hectare beachside community located in San Juan, Batangas, and (ix) *Foressa Mountain Town*, a 250-hectare mountain town community located in Balamban, Cebu.

In 2018, AboitizLand launched two additional residential projects in Luzon: (x) *Ajoya Capas*, a 13-hectare community development in Tarlac, and (xi) *Ajoya Cabanatuan*, a 20-hectare community development in Nueva Ecija. 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.

In 2019, AboitizLand further strengthened its position in the Luzon region through the launch of two new residential projects: (xii) *Ajoya Pampanga*, a 21-hectare development in Mexico, Pampanga, and (xiii) *The Villages* at Lipa, a 50-hectare development in Batangas to support the industrial township strategy for LIMA Technology Center.

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.

AboitizLand is a wholly-owned Subsidiary of AEV.

(b) Industrial Business

LIMA Technological Center

The Real Estate Group envisions LIMA Technology Center to be a future thriving township, combining the concepts of an integrated city and an environment for wholesome living. To further build on the commercial and retail aspects available in the estate, the Real Estate Group launched *The Outlets at Lipa* and *LIMA Exchange* in 2018 and 2019, respectively. *The Outlets at Lipa* is a 9.3-hectare commercial development aimed at complementing the industrial estate by offering outlet shops, restaurants and leisure places for the ecozone employees and neighboring communities. *LIMA Exchange* is a retail hub integrated with a transport terminal.

In terms of the residential component, The Real Estate Group, through AboitizLand, launched its first residential project for this project, *The Villages at Lipa*, in July 2019. *The Villages at Lipa* is envisioned to be a residential community with 2,500 housing units across three villages targeting the upper-middle and middle-income markets.

The Real Estate Group aspires that the LIMA Technology Center continues to be a model of new-generation industrial parks that combine smart economics, strategic location, and seamless infrastructure facilities and services, focused on ensuring the growth and profitability of its investors' enterprises.

Lima Land, Inc.

Incorporated in October 1995, Lima Land is the developer and operator of the LIMA Technology Center, a PEZA-registered economic zone located in Malvar, Batangas, in the middle of the CALABARZON region, the administrative region composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. The LIMA Technology Center is an industrial park that caters to export-oriented locators engaged in manufacturing and warehousing operations.

In 2013, AboitizLand acquired a 60% majority stake in Lima Land, the owner and operator of the LIMA Technology Center, a 374-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.

After the acquisition, Lima Land acquired an additional 153 Hectare proclaimed area adjacent to the park bringing its total area to 527 hectares by 2015. Lima Land has continuously expanded LIMA Technology Center to cater to new investors. As of September 30, 2021, Lima Land has a total land area to 794 hectares. Currently, 104 hectares of the 794 hectares is ongoing development with 47 hectares set for construction completion by 2022 and 57 hectares that are undergoing design for 2023 additional inventory.

Lima Land is a wholly-owned Subsidiary of AboitizLand.

West Cebu Industrial Park

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 15 June 1992, CIPDI began operations in 1993 with the development and operation of the 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 four commercial locators in the area. In April 2017, CIPDI brought to market the first phase of its 250-hectare sustainable mountain town community, *Foressa*, also located in Balamban, Cebu. Turnover is expected by the fourth quarter of 2021.

As of September 30, 2021, AboitizLand owned a 60% equity interest in CIPDI.

Mactan Economic Zone II

AboitizLand is the registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a Build-Operate-Transfer agreement with Mactan Cebu International Airport Authority. The 63-hectare economic zone is home to 48 light-to-medium manufacturing locators and has a 100% occupancy rate as of September 31, 2021.

(c) Commercial Business

The commercial business unit focuses on neighbourhood retail and commercial hubs that complement the Real Estate Group's existing industrial and residential developments. The Real Estate Group's commercial estate offers retail centers and office buildings. In 2013, the Real Estate Group 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. In 2009, the Real Estate Group launched *iMEZ* in Cebu*,* its first office building to capture growth of the business process outsourcing ("BPO") sector in the country.

Cebu District Property Enterprise Inc.

CDPEI is a Joint Venture between AboitizLand and Ayala Land, Inc. ("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.

As of September 30, 2021, AboitizLand owned a 50% equity interest in CDPEI with Ayala Land holding the remaining 50% equity interest.

Cebu Praedia Development Corporation

Incorporated on October 13, 1997, Cebu Praedia Development Corporation (CPDC) is engaged in the leasing of properties located in the cities of Makati and Cebu. To date, CPDC's major property holdings include the commercial and office building block located at 110 Legazpi Street, Legaspi Village, Makati City and AEV's Cebu offices located at Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City.

CPDC is a wholly-owned Subsidiary of AEV.

Propriedad del Norte, Inc.

Incorporated on March 1, 2007, Propriedad del Norte, Inc. (PDNI) is engaged in the purchase and development of real estate. PDNI's current land bank stands at 62 hectares, all of which is located in Liloan, Cebu.

PDNI is a wholly-owned Subsidiary of AboitizLand.

AllRise Development Corp. (formerly A2 Airports Partners, Inc.)

AllRise Development Corporation is a joint venture company between AboitizLand and E360, Inc., and is engaged in carrying out the business of build-to-rent micro studio developments catering to young urban professionals. Currently, AllRise Development Corp. wholly owns 78 Point Blue, Inc., Triplecrown Properties Inc. and Firmwall Systems Inc. and collectively has four buildings in operations located in the prime areas of Taguig and Makati City.

AboitizLand has a 50% equity interest in AllRise Development Corp. as of September 30, 2021.

(ii) 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 segment aims to serve various locators from different industries and countries with significant interests in the Philippines. The commercial segment focuses on neighbourhood retail and commercial hubs that complement AboitizLand's existing industrial and residential developments.

(iii) 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 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.

(iv) Competition

According to an industry report of Colliers International dated February 9, 2021, the full year 2020 market was able to pre-sell 31,380 residential units. By way of comparison, AboitizLand sold around 744 residential units in 2020, generating a substantial amount in sales revenue.

(v) 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.

(vi) Major Customers

AboitizLand's residential projects currently target 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.

(vii) Patents, Copyrights, and Franchises

The Real Estate Group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed or pending at local jurisdictions.

Trademark	Registration Date	Expiration Date
ABOITIZLAND AND DEVICE, with color claim	March 11, 2020	March 11, 2030
ABOITIZLAND	April 15, 2010	April 15, 2030
THE OUTLETS	December 4, 2014	December 4, 2024
THE OUTLETS AND DEVICE, with color claim	February 26, 2015	February 26, 2025
Ajoya word mark	March 9, 2017	March 24, 2027
Ajoya device mark	March 24, 2017	March 24, 2027
Foressa word mark	March 24, 2017	March 24, 2022
Foressa device mark	June 15, 2017	March 24, 2027
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 14, 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

(viii) Government Approvals

AboitizLand and its Subsidiaries secure various government approvals such as the environmental compliance certificate, development permits, license to sell, business permits, etc. as part of the normal course of its business.

(ix) Effect of Existing or Probable Governmental Regulations

The laws and regulations that govern the Real Estate Group's business operations include:

(i) The 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, enforces these decrees and has jurisdiction to regulate the real estate trade and business.

(ii) The 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.

The Bayanihan to Heal as One Act and the Bayanihan to Recover as One Act

On March 24, 2020, 2020, Congress passed RA No. 11469, known as the Bayanihan to Heal as One Act (Bayanihan 1 Act) into law, which conferred temporary emergency powers on the President to respond to the COVID-19 crisis. Under Sec. 4(bb) of Bayanihan 1 Act, the lessors shall provide a minimum of 30-day grace period on residential rents without incurring interests, penalties, fees and other charges. Thereafter, the Department of Trade and Industry issued Memorandum Circular 20-12, 20-29, and 20-31 to supplement the implementation of the 30-day grace period on the payment of rent.

The following are the guidelines for the implementation of the moratorium on rent payments:

- Bayanihan Act: Lessors of residential units are mandated to provide a 30-day grace period on the payment of rent, without incurring interest, penalties, fees, and other charges.
- DTI MC 20-12: The 30-day grace period shall be granted to (i) residential and (ii) commercial rents of micro, small, and medium enterprises (MSME), defined under RA No. 6977, that have ceased operations due to the ECQ.
- DTI MC 20-29: The 30-day grace period shall be granted to (i) residential and (ii) commercial rents of MSME and sectors not permitted to operate due to the ECQ, Modified Enhanced Community Quarantine (MECQ), and General Community Quarantine (GCQ).
- The 30-day period is determined to be the 30 calendar days following the last due date of the rent which fell due within the ECQ, on until such time that the community quarantine is lifted or when the business is allowed to resume.
- Lessors are not obligated to refund the rent paid during the period of community quarantine.
- No eviction for failure to pay rent may be enforced within the 30-day period after the lifting of the community quarantine.
- Should the rent accumulate during the effectivity of the period of the ECQ, MECQ, and GCQ, the cumulative shall be equally amortized or spread out in the next six months following the end of the grace period without any further charges, and this shall be added to the rent due on those succeeding months.
- Residential units include bedspaces, rooms, dormitories, apartments, houses, buildings, and/or land that is primarily used for residential purposes.
- Commercial spaces include land, offices, buildings, centers, shops, facilities, and any other property used principally for commercial purposes, which denote any activity for profit.

On September 11, 2020 RA No. 11494 or the Bayanihan to Recover as One Act (Bayanihan 2 Act), was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the Government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until December 19, 2020.

Under the Bayanihan 2 Act, the rules on moratorium on rent can be summarized, as follows: (i) only MSMEs and cooperatives that have temporarily ceased operations and residential lessees who are not permitted to work are entitled to the minimum grace period of 30-days; (ii) the grace period applies to rents falling due within an ECQ or MECQ (unlike Bayanihan 1 Act which included GCQ) or until the ECQ or MECQ is lifted, whichever comes later; (iii) from the end of the grace period, all amounts which fell due within the period shall be spread out in equal monthly installments until December 31, 2020, without any interests or other penalties, which amount shall be added to the current monthly rent due; and (iv) no increase in rent shall be imposed during the period of any of the declared community quarantines. For rent falling due before the publishing of Bayanihan 2 Act on September 14, 2020, the rules on the grace period under Bayanihan 1 Act should be followed.

To determine if a grace period would apply to a rental payment due, one must see if the area of said property was under a specific quarantine, and whether Bayanihan 1 or 2 Act was in effect at the time that the rent falls due.

As lessors of industrial and commercial estates, the Real Estate Group have the option to extend generosity by totally or partially waiving rent, granting discounts, opening renegotiation of the terms of the lease, or any other recourse that would mitigate the impact of the crisis to these business establishments.

Anti-Money Laundering Act

On January 29, 2021, the Anti-Money Laundering Act of 2001, as amended, was further amended by Republic Act No. 11521. Republic Act No. 11521 expanded the scope of the law to include real estate developers and brokers as covered persons. AboitizLand and its relevant subsidiaries engaged in the sale and/or lease of real properties are now considered covered persons under the amended law and are required to register with the AMLC, as well as to report single cash transaction involving an amount in excess of ₱7.5 mn and other suspicious transactions. The relevant Business Units under the Real Estate Group have taken steps to ensure compliance with the rules and regulations of the AMLC.

(x) Major Risk/s Involved in the Business

Risks particular to the Real Estate Group are as follows:

AboitizLand may not be able to acquire land for new projects

AboitizLand's future growth and development are heavily dependent on its ability to acquire or enter into agreements to develop additional tracts of land suitable for its planned real estate projects. AboitizLand competes with its competitors to secure suitable sites for development. Given this competition and the limited availability of land, particularly in areas in and near Metro Manila and other urban areas in the Philippines, AboitizLand may have difficulty acquiring tracts of land that are suitable in size, location and price. In the event AboitizLand is unable to acquire suitable land or to enter into agreements to develop suitable land at acceptable prices, with reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

AboitizLand may not be able to lease its properties in a timely manner or collect rent at profitable rates or at all

AboitizLand's ability to sell or lease sites in its development projects, including its industrial projects, could be affected by a number of factors including consumer confidence resulting to slow down on sales, changing customer needs, entry of key players, more aggressive competitors (for pricing, payments, incentives, offers etc.) 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, tenant relations, and loss of market. In addition, adverse trends in the industries that are located in AboitizLand'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.

For residential development, strategies and possible solutions are expansion of digital initiatives in Sales and Marketing, broaden digital platforms outside existing social media and property listing platforms, offer special discounts to *Vecinos*, improve marketing communication and more strategic target market segmentation.

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 and/or a Pandemic;

(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;
(j) Cyber Attacks and/or leaked of personal and sensitive information;
(k) Internal contractor issues;
(l) Unforeseen geographic situations; and
(m) 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.

V. INFRASTRUCTURE

Overview of the Business

The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital and AEV CRH, the holding company of RCBM.

On March 17, 2015, Apo Agua Infrastructura, Inc. ("Apo Agua"), a Joint Venture company with J.V. Angeles Construction Company (JVACC), entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District (DCWD). The proposed Joint Venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points in Davao City. The EPC contract with JVACC was executed on February 6, 2018, and operations are expected to commence by 2022.

On September 15, 2015, the Company and CRH plc through their investment vehicles, AEV CRH and 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, Rizal, 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. It has leadership positions in Europe and North America as well as established strategic positions in 29 countries worldwide.

On August 1, 2017, Aboitiz InfraCapital acquired 100% ownership and took full operational control of Lima Water Corporation ("Lima Water") from Lima Land, a wholly-owned Subsidiary of AboitizLand. Lima Water, with a capacity of eight mn 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 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.

Aboitiz InfraCapital was granted Original Proponent Status for its unsolicited proposals for the operations, maintenance, and expansion of the new Bohol-Panglao International Airport (BPIA) on September 3, 2018 and the Laguindingan Airport on February 26, 2019, by the Department of Transportation (DOTr) and the Civil Aviation Authority of the Philippines (CAAP), respectively. On November 29, 2019, Aboitiz InfraCapital 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.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology (DICT). In line with the DICT's Department Circular No. 8, Aboitiz InfraCapital received a provisional registration as an Independent Tower Company from the DICT on September 10, 2020.

On September 1, 2020, the management of the Aboitiz Integrated Economic Centers - consisting of LIMA Estate in Batangas, and the Mactan Economic Zone II and West Cebu Industrial Park in Cebu - was transferred to Aboitiz InfraCapital. The economic centers consist of over 1,000 hectares of industrial business parks that are home to 189 locators and around 90,000 employees.

On April 28, 2021, Aboitiz InfraCapital partnered with the leading global private markets firm, Partners Group, acting on behalf of its clients, to establish a telecommunications infrastructure platform called Unity Digital Infrastructure, Inc. Through Unity, Aboitiz InfraCapital and Partners Group will build and operate telecommunication towers and supporting infrastructure across the country. This supports the Government's vision to improve the country's internet connectivity in local communities by increasing the number of cell sites of Mobile Network Operators (MNOs).

(i) Products and Services

A. Aboitiz InfraCapital

Incorporated on January 13, 2015, Aboitiz InfraCapital is the investment vehicle of the Aboitiz Group for all infrastructure related investments. Aboitiz InfraCapital's current portfolio consists of investments in (i) water infrastructure, (ii) digital infrastructure (iii) urban mobility and transportation projects, and (iii) and integrated economic centers.

Water Infrastructure

Aboitiz InfraCapital established itself as a provider of water supply, water distribution, wastewater treatment, and water-related infrastructure in the country through its its acquisition of equity interests in (i) Apo Agua in 2015, (ii) Lima Water in 2017, and (iii) BWSI in 2017.

Apo Agua Infrastructura, Inc.

Incorporated on August 8, 2014, Apo Agua is a Joint Venture between AEV and JVACC. The overall objective of Apo Agua is to provide a sustainable, reliable, and safe supply of bulk water to the 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"). As of September 30, 2021, Apo Agua is progressing with the construction of the bulk water treatment facility. The bulk water treatment facility is expected to supply over 300 mn liters of water per day, equivalent to an annual supply volume of 109.5 mn 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.

Commencement of operations is scheduled in 2022. Upon full completion of the DCBWSP, availability in all service connections that will be served by the project is expected to improve, with 24/7 water supply availability and adequate pressure. The project will also prevent irreversible and damaging environmental effects such as salt-water intrusion, drying-up of wells, and land subsidence brought about by over extraction of groundwater.

As of September 30, 2021, AEV and its wholly-owned Subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

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.

Balibago Waterworks System, Inc. (BWSI)

BWSI was incorporated on May 20, 1958 with the primary purpose to acquire, establish, develop, manage, and operate an effective waterworks utility system within its franchise area of 900 hectares. Its franchise area includes Barangay Balibago in Angeles City and Barangay Dau in the town of Mabalacat. BWSI is currently operating 75 water distribution franchises across the country.

On August 3, 2017, Aboitiz InfraCapital acquired a minority stake in BWSI previously held by SFELAPCO. Additional purchase of BWSI shares were made by Aboitiz InfraCapital in 2019.

As of September 30, 2021, Aboitiz InfraCapital owned a 16% equity interest in BWSI.

Urban Mobility and Transportation

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. Aboitiz InfraCapital 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 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 mn passengers per annum. According to CAAP, in 2018, the Laguindingan Airport served more than two million passengers.

On November 29, 2019, Aboitiz InfraCapital obtained the approval of the NEDA Board for the Bohol unsolicited proposal, while the ICC-CabCom approved the proposal for Laguindingan Airport on December 20, 2019.

Digital Infrastructure

Towers

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the DICT. The Memorandum of Understanding recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. To date, Aboitiz InfraCapital has signed separate MOUs with Globe Telecom, Smart Communications, Dito Telecommunity, and NOW Telecom, and is now in discussions on the lease of build-to-suit tower sites and other passive telecommunications infrastructure. Negotiations are still ongoing with these mobile network operators, and Aboitiz InfraCapital is looking to close these contracts and roll out the towers project in 2021.

Aboitiz InfraCapital has also entered into partnership agreements with Globe Telecom and Dito Telecommunity for the deployment of small cells in key cities nationwide. The sites are readily available in high-density urbanized areas like Cebu and Davao where improving network quality and services is difficult due to congestion and availability of sites. The sites will serve as complementary offerings to the macro tower sites. Together with Globe Telecom and Dito Telecommunity, the deployments are ongoing in order to meet the accelerated demand for improved telecommunication services.

On April 28, 2021, Aboitiz InfraCapital partnered with leading global private markets firm, Partners Group, acting on behalf of its clients, to establish a telecommunications infrastructure platform called Unity Digital Infrastructure, Inc. ("Unity"). Through Unity, Aboitiz InfraCapital and Partners Group will build and operate telecommunication towers and supporting infrastructure across the country. This supports the Government's vision to improve the country's internet connectivity in local communities by increasing the number of cell sites of MNOs. Unity secured its Certificate of Registration as an Independent Tower Company from the DICT in February 2021. As of September 30, 2021, it has rolled out three of its pilot batch of towers with the MNOs.

Integrated Economic Centers

On September 1, 2020, the management of the Industrial and Commercial Business Units of AboitizLand was transferred to Aboitiz InfraCapital. The Aboitiz Group believes that the future of large scale fully integrated economic centers will be built on advanced, robust, and seamless infrastructure facilities and services. By moving the management to Aboitiz InfraCapital, the development and implementation of the integrated economic center strategy will be harmonized, which will ultimately strengthen the Aboitiz Group's competitive advantage in current and future developments and projects.

The industrial developments include three economic zones: (a) the Mactan Economic Zone II in Lapu-Lapu City, Cebu; (b) the West Cebu Industrial Park in Balamban, Cebu; and (c) the LIMA Technology Center in Malvar, Batangas. Meanwhile, the commercial projects include: (i) The Outlets at Lipa in Lipa, Batangas; (ii) The Persimmon Plus in Mabolo, Cebu City; (iii) the iMez Building, Lapu-Lapu City, Cebu; (iv) Pueblo Verde, Lapu-Lapu City, Cebu; (v) The Outlets at Pueblo Verde, Lapu-Lapu City, Cebu; and (vi) build-to-rent microstudio developments in various locations in Makati and Taguig Cities through AllRise Development Corp.

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to the nation's economic development.

B. Republic Cement Group

AEV CRH Holdings, Inc. and CRH Aboitiz Holdings, Inc.

Incorporated in July 2015, AEV CRH and CRH Aboitiz are investment vehicles of AEV, in partnership with CRH plc. CRH Aboitiz acquired equity interests in Republic Cement Services, (Philippines) Inc. (RCSI) (formerly Lafarge Cement Services Philippines, Inc.) on September 15, 2015.

AEV CRH acquired a total of 99.09% equity interest in RCBM (formerly Lafarge Republic, Inc.) through (i) a private sale from its major shareholder representing 88.85% of RCBM's outstanding capital stock, and (ii) and a mandatory tender offer to acquire the remaining shares from the minority shareholders in compliance with the requirements of the Securities Regulation Code. 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.

On April 26, 2016, RCBM was voluntarily delisted from the PSE, which was approved by the PSE Board of Directors, effective on April 25, 2016. After the increase in the par value and decrease in RCBM's authorized capital stock in September 2016, RCBM was no longer considered a public company (as defined by the SEC). Thereafter, the SEC granted RCBM's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities on January 4, 2017.

As of September 30, 2021, AEV CRH owned 99.40% of RCBM's outstanding capital stock and as of September 30, 2021, AEV owned a 60% and a 45% equity interests in its Associates, AEV CRH and CRH Aboitiz, respectively.

Republic Cement & Building Materials, Inc.

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.

As of September 30, 2021, AEV CRH owned 99.40% of RCBM's total outstanding capital stock.

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.

RCBM owns a 99.97% equity interest in Republic Cement Mindanao, Inc. (RCMI) (formerly Lafarge Mindanao, Inc.). On October 1, 2020, the SEC approved the merger of RCMI and Republic Cement Iligan, Inc. (RCII), with RCMI as the surviving entity.

Republic Cement Mindanao, Inc. and Republic Cement Iligan, Inc.

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.

On April 6, 2018, RCMI ceased to be a public company with the grant by the SEC of its Petition 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, 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.

RCII was incorporated on June 1, 1967 and, prior to its merger into RCMI on October 1, 2020, had the primary purpose of: to acquire, own, construct, manage and operate a cement plant for the manufacture and production of a range of cement and cement products or by-products, including any derivatives thereof, for its former Affiliate, RCMI. RCII's (now RCMI's) operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City.

As of September 30, 2021, RCBM owned a 99.75% equity interest in RCMI.

Republic Cement Land & Resources, Inc. (formerly: Luzon Continental Land Corporation)

Republic Cement Land & Resources, Inc. (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. RCLR was acquired by AEV CRH from Calumboyan Holdings, Inc. on September 15, 2015. It currently leases land and supplies limestone and other raw materials to its Affiliate, RCBM.

AEV CRH owns a 100% equity interest in RCLR.

Republic Cement Services, Inc.

RCSI, incorporated on August 21, 2001, is the managing company of the non-nationalized business of RCBM and RCMI. CRH Aboitiz owns a 100% equity interest in RCSI.

(ii) Distribution Methods

A. Aboitiz InfraCapital

Lima Water Corporation

Lima Water, with a daily water capacity of eight million liters per day, provides industrial and potable water to over one hundred industrial locators at the Lipa, Batangas based LIMA Technology Center.

B. Republic Cement Group

In 2020, the cement sales of the Republic Cement Group were primarily made through distributors and dealers, with other sales made directly to contractors, developers, precast manufacturers and ready-mix concrete companies. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

(iii) New Products and Services

A. Aboitiz InfraCapital

Aboitiz InfraCapital is currently undertaking project development activities in relation to its various infrastructure projects.

B. Republic Cement Group

The Republic Cement Group continues to develop high quality cement products for the builder's ease, efficiency, and flexibility.

(iv) Competition

A. Aboitiz InfraCapital

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

B. Republic Cement Group

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.

(v) Sources of Raw Materials

A. Republic Cement Group

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	AESI and Masinloc Power Partners Co. Ltd.
	Danao Plant	AESI
RCMI	Barangay Kiwalan, City of Iligan, Province of Lanao del Norte	PSALM 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 (now merged with RCMI) entered into a Power Supply Agreement with PowerSource Philippines Energy, Incorporated (PSPEI), wherein RCII invested in PSPEI as a minority shareholder.

(vi) Major Customers

A. Aboitiz InfraCapital

Aboitiz Infracapital is 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.

B. Republic Cement Group

RCBM and its Subsidiaries are not dependent on any single or major customer. At present, the Republic Cement Group caters to diverse types of customers, including but not limited to, wholesalers, traders, ready mix companies, concrete products manufacturers, international and local contractors and real estate developers.

(vii) 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 IPO.

	Trademarks	Registration Date	Expiration Date
1	Aboitiz InfraCapital word mark (Class Nos. 35, 36 and 37)	December 29, 2019	December 29, 2029

The Republic Cement Group has registered with the Philippine IPO the following trademarks for its corporate and product brand logos.

RCBM

	Description of the mark	Registration Date
1	PORTLAND DUO	November 24, 2011
2	PORTLAND PLUS	August 9, 2012
3	REPUBLIC LOGO	September 28, 2012
4	FORTUNE LOGO	September 28, 2012
5	RAPIDSET LOGO	September 28, 2012
6	LIGHT MICRO FILLER TECHNOLOGY WORDMARK	May 23, 2013
7	WALLMASTER WORMDARK	September 28, 2012
8	WALLMASTER & DEVICE	September 28, 2012
9	WM LOGO	September 28, 2012
10	TIBAY ENHANCERS	August 21, 2014
11	FORTUNE WORDMARK	October 17, 2013
12	REPUBLIC WORDMARK	October 17, 2013
13	RAPIDSET	September 27, 2013
14	RAPIDSET WORDMARK	August 7, 2014
15	PORTLAND DUO II	March 27, 2014
16	PORTLAND PLUS	June 19, 2014
17	LIGHT MICRO-FILLER TECHNOLOGY	June 12, 2014
18	KAPIT-BALAY WORDMARK	December 25, 2014
19	TIBAY ENHANCERS	September 11, 2014
20	KAPIT BALAY and device	December 25, 2014
21	LAKAS AT PULIDO!	July 2, 2015
22	MASTER OF FINISHING WORDMARK	January 5, 2017
23	CONTINENTAL DEVICE MARK	October 7, 2018
24	UNIVERSAL FALCON WORDMARK	January 19, 2020
25	MAXIPAVE WORDMARK	January 19, 2020
26	DRAGON WORDMARK	January 19, 2020
27	HYDROGUARD WORDMARK	January 19, 2020
28	RAPIDSET PREMIUM	February 10, 2020
29	KAPIT-BALAY MANSORY & DEVICE (BLACK AND WHITE)	February 10, 2020
30	KAPIT-BALAY MANSORY & DEVICE (BLACK AND WHITE)	February 10, 2020
31	WITH IWAS-CRACK ENHANCERS WORDMARK	September 11, 2020
32	BIO LITEWORDMARK	December 18, 2020

33	BIO LITE	December 18, 2020
34	BIO MIX WORDMARK	December 18, 2020
35	BIO MIX	December 18, 2020

RCSI

	Description of the mark	Registration Date
1	TAHANAN KO WORDMARK	March 7, 2013
2	TAHANAN KO & DEVICE	March 7, 2013
3	DEVICE MARK	August 22, 2013
4	TIBAY TEST	December 29, 2016
5	FLOW FAST LAB ON WHEELS	December 12, 2019
6	ECOLOOP WORDMARK	January 19, 2021
7	ECOLOOP (BLACK AND WHITE)	January 19, 2021

RCMI

	Description of the mark	Registration Date
1	MINDANAO EXCLUSIVELY MANUFACTURED FOR BANGON MARAWI	December 26, 2019
2	M LOGO	October 18, 2012
3	MINDANAO CEMENT	August 7, 2014
4	POZZOLAN PREMIUM	January 15, 2015
5	WITH IWAS-CRACK ENHANCERS WORDMARK	September 11, 2020
6	WITH IWAS-CRACK ENHANCERS (BLACK AND WHITE)	February 19, 2021
7	MINDANAO CEMENT	January 1, 2021

The Republic Cement Group has pending applications for registration of other trademarks such as "*Pozzolan Premium*", "*Bio Roof*", "*With Iwas-Crack Enhancers*".

(viii) Government Approval

Aboitiz InfraCapital and its Subsidiaries and the Republic Cement Group secure numerous government approvals such as (but not limited to) environmental compliance certificates, development permits, licenses to sell, and business permits as part of the ordinary course of its business.

A. Aboitiz InfraCapital

Lima Water Corporation

In 2020, Lima Water received its laboratory accreditation from the Department of the Environment and Natural Resources. The recognition authorizes the company's Laboratory Services Unit to generate environmental data in connection with the Environmental Impact Assessment system and monitoring to support the implementation of policies and guidelines.

In November of the same year, Lima Water secured PEZA approval on its tariff adjustment application. The shift to a new progressive structure tariff structure will encourage more efficient use of water among the locators.

B. Republic Cement Group

The Bureau of Product Standards of the Department of Trade and Industry granted RCBM the license to use the Philippine Standard Quality Certification Mark for its principal products. All other necessary licenses and permits required for the continuous production and sale of RCBM products have been secured, including new licenses as well as those that have to be renewed periodically.

(ix) Costs and Effects of Compliance with Environmental Laws

A. Aboitiz InfraCapital

Lima Water Corporation

Upholding strict compliance with existing environmental laws is of high value to Lima Water's operations. These laws aim to pursue economic growth in a manner in which the environment is not compromised. As a consequence of the current status of the country's environment, standards set by the DENR are becoming more stringent, as set forth by DENR Administrative Order ("DAO") 08 series of 2016. Capital and operational expenditures are provisioned to comply with the parameters set forth in the new DAO.

Aside from water quality, DENR standards on air quality, hazardous and solid wastes are constantly adhered to as part of the Environmental Impact Assessment System. Through environmental monitoring, assessment and evaluation in line with existing standards and regulations, pollution mitigation is improved.

With Lima Water fully committed to its environmental compliance, more initiatives and innovations are carried out to continuously adapt and further address the vulnerability of the environment due to economic advances.

B. Republic Cement Group

RCBM and its Subsidiaries are committed to a policy of sustainable development, protection of the environment, and preservation of natural resources and energy. All the manufacturing plants are ISO 14001 certified, embracing environmental management system as a way of life.

Each quarry site has set up a Mine Rehabilitation Fund as a reasonable environmental deposit to ensure availability of funds for the satisfactory compliance with the commitments and performance of the activities stipulated in the Environmental Protection and Enhancement Program or the Annual Environmental Protection and Enhancement Program during each project phase, for the physical and social rehabilitation of areas and communities affected by the quarrying activities and for research on the social, technical and preventive aspects of rehabilitation.

Aligned with the Republic Cement Group's commitment to environmental protection, the upkeep and maintenance of dust control devices at the manufacturing sites are given top priority. In fact, three of the Republic Cement Plants recently invested in the state-of-the-art Baghouse System, which replaced the conventional Electrostatic Precipitators. These Baghouse Systems significantly lowers the dust emission to <50 mg/Nm^3, which not only passed but is significantly below the Philippine standard limit of 150 mg/Nm^3. Enhancing the Republic Cement Group's alternative fuels program has also lessened the group's dependence on fossil fuels such as coal and bunker fuel, thereby decreasing the Republic Cement Group's carbon footprint.

To ensure that the Republic Cement Group's continuing manufacturing activities do not result in added negative environmental impact, such as increase in emissions, the Republic Cement Group continues to invest their resources in housekeeping activities and periodic stationary sampling of air and water quality around the manufacturing sites. Continuous Emissions Monitoring Systems have also been installed in every manufacturing site to ensure that air emissions are kept within Philippine standard limits.

Moreover, under the Philippine Mining Act and its implementing rules and regulations, each of the Companies shall: (a) assist in the development of the host and neighboring communities in accordance with the Social Development and Management Program approved by the Mines and Geosciences Bureau to promote the general welfare of the inhabitants living thereat; and (b) assist in the development of mining technology and geosciences as well as the corresponding manpower training and development.

The Republic Cement Group's reforestation project have already reached to 1,291 hectares planted to 1,038,210 seedlings or about 951,244 grown saplings consists of various endemic forest trees including mangroves, fruit-bearing trees, and bamboo across all operating sites since its launching in 2013 in support of the National Greening Program of the government which aimed to foster sustainable development for environment stability, food sufficiency, poverty reduction, biodiversity conservation, and climate change mitigation and adaptation. In addition, about 182 hectares of the group's Mineral Production Sharing Agreement area planted to 116,504 seedlings or about 106,000 surviving saplings/ grown trees across all of its operating quarry sites have already been progressively rehabilitated under the Mining Forest Program. The group's progressive rehabilitation involves not only the planting of forest trees and fruit-bearing trees but also incorporates the principles of agricultural farming systems within the mining tenement wherein areas devoid of mineral resources are converted into agricultural production. Cultivation of agricultural crops such as vegetables, different kinds of fruits, rice and corn within the mining tenement in the Bulacan, Teresa, and Batangas Plants is on-going. This endeavor could be seen as an alternative pathway to contribute to food security at the local level, at the very least. Further, the Republic Cement Group also embraces biodiversity conservation as all of its operating cement and quarry sites across the country have completed biodiversity assessment and continuously being monitored and reported to the Multi-partite Monitoring Team and the Mine Rehabilitation Fund Committee of the DENR.

(x) 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.

Item 2. Properties

The Company's head office is located at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by AEV is leased from a third party. As a holding company, the Company does not utilize a significant amount of office space.

As of the date of this Information Statement, there are no definite plans of acquiring 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 Group had a carrying value of ₱217.20 bn, ₱219.54 bn and ₱225.56 bn as of June 30, 2021, December 31, 2020 and 2019, respectively. The breakdown of the Company's Property, Plant and Equipment as of December 31, 2020 and 2019 is as follows:

Property, Plant and Equipment as of 31 December	2020	2019
Power Plant Equipment and Steam Field Assets	₱138,325,267	₱141,948,261
Construction in progress	7,287,650	8,094,853
Buildings, Warehouses and Improvements	47,509,690	45,258,069
Transmission, Distribution and Substation Equipment	23,002,108	21,295,812
Machinery & Equipment	9,930,653	9,630,900
Office Furniture, Fixtures and Equipment	13,317,976	12,659,004
Leasehold Improvements	3,216,534	3,055,878
Land and Land Improvements	3,677,559	3,754,564
Transportation Equipment	6,446,901	2,796,330
Tools and Others	5,980,779	2,344,094
Less: Accumulated Depreciation and Amortization	72,308,653	59,728,438
Accumulated Impairment	3,248,123	3,134,440
TOTAL PPE	183,138,341	187,974,887
Right-Of-Use Assets	36,399,754	37,583,878
TOTALS	**₱219,538,095**	**₱225,558,765**

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

Property, plant and equipment with carrying amount of ₱110.5 bn and ₱124.0 bn as of December 31, 2020 and 2019, respectively, are used to secure the Group's long-term debts. For further details refer to Note 19 (disclosure on Long-term Debts) of the Company's AEV 2020 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV's Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light	Industrial land, buildings/plants, equipment and machinery	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment and machinery	P. Reyes Street, Davao City: Bajada, Davao City	In use for operations
Visayan Electric	Industrial land, buildings/plants, equipment and machinery	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment and machinery	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. & machinery	Barangay Sto. Domingo ll, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
GMEC	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
Lima Enerzone	Industrial land, buildings/plants, equipment and machinery	Lipa City and Malvar, Batangas	In use for operations
Balamban Enerzone	Buildings/plants, equipment and machinery	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
TPVI	Buildings/plants, equipment, and machinery	Naga City, Cebu	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
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
Gold Coin Feedmill (Kunming) Company Limited	Livestock mill (broiler, swine and fish feeds)	Kunming, Yunnan Province, China	In use for operations
Gold Coin (Zhangzhou) Company Limited	Livestock mill (swine, broiler, pigeon feeds and SN products)	Zhangzhou, Fujian Province, China	In use for operations
Gold Coin (Zhuhai) Company Limited	Livestock mill (poultry, swine, floating fish feeds and SN products)	Zhuhai, Guangdong Province, China	In use for operations
Gold Coin Feedmill (Dongguan) Co. Limited	Livestock mill (poultry, swine, floating fish and pigeon feeds)	Dongguan, Guangdong Province, China	In use for operations
Gold Coin Feedmills (Malaysia) Sdn. Bhd.- BW	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
Gold Coin Feedmills (Malaysia) Sdn. Bhd.- PK	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
Gold Coin Specialties Sdn. Bhd.	Aqua mill (shrimp feed)	Selangor, Malaysia	In use for operations
Gold Coin Sarawak Sdn. Bhd.	Production mill (poultry broiler and layer feed; conducts commodities trading for the region)	Sarawak, East Malaysia	In use for operations
Bintawa Fishmeal Factory Sdn. Bhd.	Production mill (fish meal)	Sarawak, East Malaysia	In use for operations
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Livestock mill (poultry broiler feed)	Sabah, East Malaysia	In use for operations
P.T. Gold Coin Indonesia - BKS	Livestock mill (poultry layer and broiler feed)	Bekasi, Indonesia	In use for operations
P.T. Gold Coin Indonesia - MDN	Livestock mill (poultry layer and broiler feed)	Medan, Indonesia	In use for operations
P.T. Gold Coin Indonesia - SBY	Livestock mill (poultry layer and broiler feed)	Surabaya, Indonesia	In use for operations
P.T. Gold Coin Specialties - LPG	Aqua mill (shrimp feeds)	Lampung, Indonesia	In use for operations

P.T. Gold Coin Specialties - BKS	Aqua mill (shrimp feeds)	Bekasi, Indonesia	In use for operations
P.T. Ayam Unggul	Breeder farm (hatchery)	Bekasi, Indonesia	In use for operations
American Feeds Company Limited	Livestock mill (swine feed and some poultry feed; has fish production lines)	Hai Duong, North Vietnam	In use for operations
Gold Coin Feedmill Ha Nam Company Limited	Livestock mill (swine feed and some poultry feed; has fish production lines)	Ha Nam, North Vietnam	In use for operations
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Livestock mill (swine feed)	Dong Nai, South Vietnam	In use for operations
Gold Coin Feed Mills (Lanka) Ltd.	Livestock mill (poultry feed)	Colombo, Sri Lanka	In use for operations
Gold Coin Specialties (Thailand) Co. Ltd.	Aqua mill (shrimp feed)	Songkhla, Thailand	In use for operations

Item 3. 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.

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.", Supreme Court; December 19, 2013
G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.", Supreme Court; December 20, 2013
G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; January 8, 2014

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against 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 April 22, 2014. On April 22, 2014, the Supreme Court extended the TRO indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. 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 January 21, 2014 and February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

On February 7, 2019, petitioners in G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of September 30, 2021, these cases before the Supreme Court are still pending resolution, and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs Therma Mobile, Inc., Supreme Court
[CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila
SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City
PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule[24], Investigation Summary Report, dated August 4, 2014"]

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation ("PEMC-ECO") conducted an investigation on TMO for possible non-compliance with the Must-Offer- Rule for the period October 26, 2013 to December 25, 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 million.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (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 after having been non-operational for five years.

Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013.

In its letter dated January 30, 2015, the PEMC Board of Directors ("PEMC Board") denied TMO's request for reconsideration and confirmed its earlier findings. On February 13, 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed a Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC). In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (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 April 1, 2015, the RTC rendered a Decision in favour of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals ("CA") which sought to reverse and set aside the Decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the April 1, 2015 Decision of the RTC in favour of TMO.

On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the December 14, 2015 CA Decision. On November 14, 2016, TMO filed its Comment to PEMC's Petition for Review. In its Motion for Leave to File Reply to Comment dated December 9, 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On June 1, 2017, TMO received the Supreme Court Notice dated March 29, 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.

As of September 30, 2021, PEMC's Petition is still pending before the Supreme Court.

[24] 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 pertains 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

Consolidated Regulated Price Case (Energy Regulatory Commission vs. Various Generation Companies and PEMC; Meralco vs. Various Generation Companies and PEMC)) G.R. Nos. 246621-30, and G.R. Nos. 247352-61, Petitions 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" March 28, 2014]

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated March 3, 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

Pursuant to the ERC Order, on March 18, 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

AboitizPower'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 October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the "Petitions") before the CA on November 19 and 24, 2019 and December 1 and 4, 2014, respectively. The CA ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the CA granted the Petitions. The CA declared null and void ERC's Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 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 March 29, 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 November 7, 2017 and the CA Omnibus Resolution dated March 29, 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 November 7, 2017 and Omnibus Resolution dated March 29, 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, and TLI and TMO filed their Consolidated Comment to Meralco's Petition for Review on *Certiorari*.

Subsequently, the SC issued a Resolution dated March 11, 2020 requiring the respondents to comment on San Beda University's Motion for Leave to Intervene and to Admit Petition-In-Intervention. On October 2, 2020, APRI filed its Opposition to San Beda University's Motion; while TLI and TMO filed their Opposition on October 21, 2020.

In a Resolution dated November 4, 2020, the SC resolved to consolidate and transfer the case with G.R. Nos. 247352-61 to the case with G.R. Nos. 246621-30. Further, in a Resolution dated June 23, 2021, the SC required Meralco to file its Consolidated Reply to respondents' Comments.

As of September 30, 2021, ERC's and MERALCO's Petitions are still pending before the Supreme Court.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AEV's common shares are traded in the PSE.

The high and low stock prices of AEV's common shares for each quarter for the past three years were as follows:

	2021		2020		2019	
	High	High	Low	High	Low	Low
First Quarter	47.60	34.50	29.10	54.00	29.10	67.50
Second Quarter	43.70	34.00	38.25	52.20	38.25	53.95
Third Quarter	54.20	37.00	45.05	51.60	45.05	44.10
Fourth Quarter	N/A	N/A	42.10	48.90	42.10	44.85

The closing price of AEV common shares, as of September 30, 2021 is ₱48.60 per share.

(2) Holders

As of September 30, 2021, AEV has 8,345 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, 2021 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	978,389,812	17.38%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%

4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	350,392,431	6.22%
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	41,148,120	0.73%
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	Dominus Capital Inc.	Filipino	11,600,000	0.21%
	FMK Capital Partners	Filipino	11,600,000	0.21%
17	Arrayanes Corporation	Filipino	10,750,070	0.19.%
18	UnionBank TISG For IMA#PH3Q201 692	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		**5,006,109,279**	**88.92%**
	Other Stockholders		**624,116,178**	**11.08%**
	TOTAL SHARES		**5,630,225,457**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,630,225,457**	**100.00%**

(3) Dividends

The cash dividends declared by AEV to common stockholders for the first quarter of 2021, 2020, and 2019 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2021 (regular)	₱0.91	03/05/2021	₱5.12 billion	03/19/2021	03/31/2021
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

There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of September 30, 2021.

(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuances 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.

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT DISCUSSION AND ANALYSIS 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. and its Subsidiaries should be read in conjunction with the audited consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

The critical accounting policies section discloses certain accounting policies and management judgments that are material to the Company's results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in four comparative sections: the period ended June 30, 2021 compared with the period ended June 30, 2020, the year ended December 31, 2020 compared with the year ended December 31, 2019, the year ended December 31, 2019 compared with the year ended December 31, 2018, the year ended December 31, 2018 compared with the year ended December 31, 2017.

TOP FIVE KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of AEV and its Subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its Associates and Joint Ventures for each reporting period subsequent to the acquisition of the said investment. This account reflects the result of the operating performance of an Associate or a Joint Venture and indicates its contribution to the 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 AND AMORTIZATION ("EBITDA")

The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts 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 Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

Current Ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt-paying ability. The higher the ratio, the more liquid the Group.

5. DEBT–TO–EQUITY RATIO

Debt-to-Equity Ratio indicates how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by total equity.

REVIEW OF JANUARY-JUNE 2021 OPERATIONS COMPARED TO JANUARY-JUNE 2020

KEY PERFORMANCE INDICATORS
(Amounts in thousands except financial ratio data)

	JAN-JUN 2021	JAN-JUN 2020
EQUITY IN NET EARNINGS OF INVESTEES	**₱ 10,684,450**	₱3,105,353
EBITDA	**32,772,085**	22,874,102
CASH FLOW GENERATED:		
Net cash flows from operating activities	**16,874,238**	18,016,783
Net cash flows used in investing activities	**(5,365,165)**	(1,691,104)
Net cash flows used in financing activities	**(20,113,358)**	12,339,600
Net Decrease in Cash & Cash Equivalents	**(8,604,285)**	28,665,279
Cash & Cash Equivalents, Beginning	**65,966,411**	46,424,663
Cash & Cash Equivalents, End	**57,619,828**	75,288,514
	JUNE 30, 2021	**JUNE 30, 2020**
CURRENT RATIO	1.5	1.6
DEBT-TO-EQUITY RATIO	1.6	1.7

Equity earnings in investees increased by 244%, from ₱3.1 bn during the first six months of 2020 to ₱10.7 bn during the first six months of 2021. The increase was due to: (i) increased output of SN Aboitiz Power-Magat's and SN Aboitiz Power-Benguet's hydro power plants resulting from higher water inflows, (ii) higher earnings of UnionBank, (iii) recognition of income from liquidated damages received for delays in the construction of GNPD Unit 1, and (iv) higher earnings of Republic due to stronger demand and reduced costs.

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. These inflows, coupled with dividends received from Associates and Joint Ventures are the main source of internally-generated funds, which are then used to finance capital expenditures, additional investments into associates, dividends, and interest payments.

With total equity increasing more than total liabilities in the first six months of 2021, Debt-to-Equity Ratio decreased to 1.6x from the end-2020 level of 1.7x. Current Ratio as of June 30, 2021 decreased to 1.5x from the end-2020 level of 1.6x, as the growth in current liabilities outpaced the increase in current assets.

RESULTS OF OPERATIONS

For the six-month period ended June 30, 2021, AEV and its Subsidiaries recorded net income attributable to the equity holders of Parent Company ("Net Income to Equity Holders of AEV") of ₱13.5 bn, a 243% increase year-on-year (YoY). This translated to earnings per share of ₱2.39 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 53%, followed by the Banking and Financial Services, Infrastructure, Food, and Real Estate Groups at 28%, 9%, 7%, and 3%, respectively.

During the first six months of 2021, the Group generated non-recurring losses of ₱169 mn (compared to ₱20 mn for the corresponding period in 2020) due to the goodwill write-off related to CitySavings. Without these one-off losses, the Group's core net income for the first six months of 2021 was ₱13.6 bn, 246% higher YoY. AEV recorded a 43% increase in consolidated EBITDA for the first six months of 2021 to ₱32.8 bn, compared to ₱22.9 bn for the same period in 2020.

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 June 30, 2021 compared to the six months ended June 30, 2020.

Revenues

Sale of Power

The Group's revenue from sale of power increased by 14%, or ₱7.3 bn, from ₱52.9 bn in the six months ended June 30, 2020 to ₱60.2 bn in the six months ended June 30, 2021. The increase was primarily attributable to (i) commissioning revenue from GNPD Unit 1, (ii) higher water inflows, (iii) higher demand, and (iv) higher WESM dispatch. The Group's sale of power comprised 56% and 59% as a percentage of total revenues for the six months ended June 30, 2020 and June 30, 2021, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 2%, or ₱0.9 bn, from ₱39.1 bn in the six months ended June 30, 2020 to ₱39.9 bn in the six months ended June 30, 2021. The increase was primarily due to higher selling prices and higher volume of feeds sold. The Group's sale of goods comprised 41% and 39% as a percentage of total revenues in the six months ended June 30, 2020 and June 30, 2021, respectively.

Real Estate

The Group's revenue from real estate increased by 33%, or ₱0.4 bn, from ₱1.1 bn in the six months ended June 30, 2020 to ₱1.5 bn in the six months ended June 30, 2021. The increase was primarily attributable to AboitizLand's higher revenue recognition following increased construction activity for its residential business, as well as increased sales with high spot down payments. As a percentage of total revenues, the Group's revenue from real estate comprised 1% for the six months periods ended June 30, 2020 and June 30, 2021.

Other Revenues

The Group's combined revenue from the fair value of swine, service fees, and other sources decreased by 56% or ₱0.8bn, from ₱1.4 bn in the six months ended June 30, 2020 to ₱0.6 bn in the six months ended June 30, 2021. This was mainly due to the decrease in live hogs sold. As a percentage of total revenues, the Group's other revenues comprised 2% and 1% in the six months ended June 30, 2020 and June 30, 2021, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power increased by 10%, or ₱3.0 bn, from ₱28.7 bn in the six months ended June 30, 2020 to ₱31.6 bn in the six months ended June 30, 2021. The increase was primarily attributable to higher volume of energy generated and an increase in purchased power rates due to higher WESM prices. The Group's cost of generated and purchased power comprised 35% and 36% as a percentage of total costs and expenses for the six months ended June 30, 2020 and June 30, 2021, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 5%, or ₱1.6 bn, from ₱34.3 bn in the six months ended June 30, 2020 to ₱35.9 bn in the six months ended June 30, 2021. The increase was primarily attributable to higher raw materials costs of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 42% and 41% during the six months ended June 30, 2020 and June 30, 2021, respectively.

Operating Expenses

The Group's operating expenses increased by 4% or ₱0.7 bn, from ₱18.3 bn in the six months ended June 30, 2020 to ₱19.0 bn in the six months ended June 30, 2021. The increase was primarily attributable to higher expenses for repairs and maintenance of the Group's power plants. As a percentage of total costs and expenses, the Group's operating expenses comprised 22% for each of the six months periods ended June 30, 2020 and June 30, 2021.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 13%, or ₱97 mn, from ₱719 mn in the six months ended June 30, 2020 to ₱816 mn in the six months ended June 30, 2021. The increase was mainly due to higher cost of real estate sales following the increase in revenue recognized. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% for each of the six months periods ended June 30, 2020 and June 30, 2021.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 18%, or ₱2.3 bn, from ₱12.7 bn in the six months ended June 30, 2020 to ₱15.0 bn in the six months ended June 30, 2021.

Income Before Income Tax

The Group's income before income tax increased by 111%, or ₱9.3 bn, from ₱8.4 bn in the six months ended June 30, 2020 to ₱17.7 bn in the six months ended June 30, 2021. The increase was due to higher operating profit and equity earnings.

Net Income

As a result of the foregoing, coupled the application of the provisions of the CREATE Act, the Group's Net Income to Equity Holders of AEV increased by 243%, or ₱9.5 bn, from ₱3.9 bn in the six months ended June 30, 2020 to ₱13.5 bn in the six months ended June 30, 2021.

Net income attributable to non-controlling interests for the six months ended June 30, 2021 increased to ₱3.2 bn, from ₱2.0 bn in the six months ended June 30, 2020. The increase was primarily due to higher consolidated net income of AboitizPower during the first six months of 2021.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Group's SBUs for the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

Power

For the six months ended June 30, 2021, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱7.8 bn, a 171% increase from ₱2.9 bn in the six months ended June 30, 2020.

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 increased by 183%, from ₱2.7 bn in the six months ended June 30, 2020 to ₱7.7 bn in the six months ended June 30, 2021. The variance was primarily due to commissioning revenue from GNPD Unit 1, higher water inflows, higher demand, higher WESM dispatch, and other income from liquidated damages and business interruption claims. These factors offset the impact of the ongoing GMEC plant outage, which is currently expected to be resolved by September 2021.

Capacity sold increased from 3,388 MW) for the six months ended June 30, 2020 to 3,600 MW for the six months ended June 30, 2021. Energy sold in the six months ended June 30, 2021 increased by 10% to 11,790 GWh from 10,764 GWh in the same period in 2020.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group increased by 36%, from ₱1,311 mn for the six months ended June 30, 2020 to ₱1,779 mn for the six months ended June 30, 2021. This increase was mainly driven by higher energy consumption resulting from recoveries in demand. Energy sales increased by 4% to 2,745 GWh during the six months ended June 30, 2021, from 2,629 GWh in the six months ended June 30, 2020.

Banking & Financial Services

UnionBank's contribution to Net Income to Equity Holders of AEV increased by 92%, from ₱2.2 bn in the six months ended June 30, 2020 to ₱4.2 bn in the six months ended June 30, 2021. The increase was primarily attributable to higher net interest margins, and the increase in non-interest income which was mainly driven by higher trading gains, higher foreign exchange income, and higher fees and commissions.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group increased by 35% to ₱1.1 bn for the six months ended June 30, 2021, compared to ₱0.8 bn for the six months ended June 30, 2020.

For the six months ended June 30, 2021, the Food Group's Philippine Subsidiaries reported a net income of ₱0.9bn compared to ₱0.3 bn for the six months ended June 30, 2020. The increase was mainly due to the recovery of selling prices of the Farms business as the spread of the African Swine Fever lowered the supply of pork in the market. The improvement in the Farms business was partly offset by lower by-product contributions and higher operating and administration costs of the Flour business.

Before elimination of transactions within the Group, Pilmico International and its Subsidiaries, recorded net income of ₱157 mn for the six months ended June 30, 2021, a 69% decrease compared to ₱502 mn the six months ended June 30, 2020. This was due to higher raw materials costs for feeds.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV for the six months ended June 30, 2021, before elimination of transactions within the Group, amounted to ₱385 mn, an improvement from the ₱39 mn net loss for the six months ended June 30, 2020. The increase was mainly due to higher revenue recognition resulting from increased construction activity for AboitizLand's residential business, and an increase in sales with higher spot down payments.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group increased to ₱1.3 bn for the six months ended June 30, 2021, compared to ₱78 mn net loss for the six months ended June 30, 2020. This mainly came from the contribution of Republic which increased to ₱1.3 bn for the six months ended June 30, 2021, compared to a ₱10 mn net loss for the six months ended June 30, 2020. The increase was mainly due to stronger market demand driven by the residential and infrastructure segments, and reduced costs and increased overall efficiency.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of June 30, 2021 compared to December 31, 2020) increased by 2% to ₱623.6 bn, due to the following:

- Trade and other receivables (current and noncurrent) increased by 12% (₱44.0 bn as of June 30, 2021 compared to ₱39.4 bn as of December 31, 2020) mainly due to increased receivables of the the Power and Food Groups resulting from higher revenues.
- Inventories increased by 15% (₱24.8 bn as of June 30, 2021 compared to ₱21.6 bn as of December 31, 2020) mainly due to higher spare parts, supplies and fuel inventory of the Power Group, and higher raw materials inventory of the Food Group.
- Investments in and Advances to Associates and Joint Ventures increased by ₱5.6 bn (₱151.0 bn as of June 30, 2021 compared to ₱145.4 bn as of December 31, 2020) mainly due to ₱994 mn infusion into Unity Digital Infrastructure, Inc., AboitizPower's ₱952 mn additional infusion into GNPD, and the recording of ₱10.7 bn share in net earnings of Associates and Joint Ventures. This increase was partially offset by the ₱7.1 bn in dividends from Associates and Joint Ventures during the period.
- Other Current Assets increased by 40% (₱26.2 bn as of June 30, 2021 compared to ₱18.7 bn as of December 31, 2020) primarily due to an increase in short-term cash deposits.
- Other Noncurrent Assets increased by 7% (₱15.6 bn as of June 30, 2021 compared to ₱14.6 bn as of December 31, 2020) primarily due to additional investments in financial assets

The above increases were offset by the decrease in Cash & Cash Equivalents, which decreased by 13% (₱57.6 bn as of June 30, 2021 compared to ₱66.0 bn as of December 31, 2020). The decrease was mainly due to the movement of cash to short-term cash deposits, debt servicing, and dividend payments.

Liabilities

Total Liabilities (as of June 30, 2021 compared to December 31, 2020) increased by 1% to ₱387.6 bn due to the following:

- Long-term debt, which includes both current and non-current portions, increased by 1% (₱263.1 bn as of June 30, 2021 compared to ₱261.0 bn as of December 31, 2020) mainly due to the following: (i) the issuance of ₱8.0 bn of retail bonds by AboitizPower, and (ii) a ₱780 mn loan availment by Therma Marine, Inc. These were offset by principal payments made on existing loans.
- Long-term obligation on Power Distribution System, which includes current and non-current portions, increased by 6% (₱194 mn as of June 30, 2021 compared to ₱183 mn as of December 31, 2020) due to the accretion of interest.
- Lease liabilities, which includes current and non-current portions, decreased by 7% (₱37.0 bn as of June 30, 2021 compared to ₱39.8 bn as of December 31, 2020) due to Therma Luzon, Inc.'s payment of its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).
- Trade and other payables, inclusive of noncurrent portion, increased by 12% (₱41.6 bn as of June 30, 2021 compared to ₱37.3 bn as of December 31, 2020) mainly due to the increase of trade and fuel purchases in the Power Group.
- Income tax payable decreased by 37%, from ₱1.0 bn as of December 31, 2020 to ₱0.6 bn as of June 30, 2021, mainly due to the application of the provisions of the CREATE Act.
- Net derivative asset and liabilities (current and noncurrent) changed from ₱2.0 bn liability as of December 31, 2020 to ₱0.2 bn asset as of June 30, 2021. This was mainly due to the Power Group's hedging gains.
- Deferred Income Tax Liabilities (net of Deferred income tax assets) decreased by 74% (₱93 mn as of June 30, 2021 compared to ₱358 mn asset as of December 31, 2020) mainly due to the application of the provisions of the CREATE Act.
- Pension Liabilities (net of Pension assets) increased by 13% (₱519 mn as of June 30, 2021 compared to ₱459 mn as of December 31, 2020) mainly due to additional retirement cost recorded by the Group.

Equity

Equity attributable to equity holders of the parent (as of June 30, 2021 compared to December 31, 2020) increased by ₱10.6 bn, to ₱193.7 bn from ₱183.1 bn, due to the following:

- ₱13.5 bn net income recorded during the first six months of 2021; and
- ₱2.3 bn movement in cumulative translation adjustments, mainly from hedging gains.

These were partly offset by the ₱5.1 bn cash dividends paid during the first half of 2021.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the six months ended June 30, 2021, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates and Joint Ventures.

Compared to the cash inflow in the six months ended June 30, 2020, consolidated cash generated from operating activities in the six months ended June 30, 2021 decreased by ₱1.1 bn to ₱16.9 bn. This was mainly due to higher working capital requirements, which were partly offset by higher earnings before interest, depreciation and amortization.

As of June 30, 2021, ₱5.4 bn net cash was used in investing activities compared to ₱1.7 bn during the six months ended June 30, 2020. This was mainly due to additional short-term cash deposits and investment in financial assets, and higher equity infusions to Associates and Joint Ventures compared to the same period in 2020.

Net cash used in financing activities was ₱20.1 bn for the six months ended June 30, 2021 compared to ₱12.3 bn generated in the six months ended June 30, 2020. The decrease was largely attributed to the (i) payment of cash dividends in the first quarter of 2021, and (ii) payment of principal and interest on existing loans.

For the six months ended June 30, 2021, net cash outflows surpassed cash inflows, resulting in a 13% decrease in cash and cash equivalents from ₱66.0 bn as of year-end 2020 to ₱57.6 bn as of June 30, 2021.

FINANCIAL RATIOS

The Group's financial ratios remained healthy in the six months ended June 30, 2021. Current Ratio decreased to 1.5x from the end-2020 level of 1.6x, as current liabilities grew more than current assets. Debt-to-Equity Ratio declined to 1.6:1 from year-end 2020's 1.7:1, with total equity increasing more than total liabilities during the first six months of 2021.

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

Based on information provided by UnionBank Economic Research Unit, the Company expects the Philippines' GDP to grow by 4.0% in 2021 and 5.8% in 2022. A more robust economic recovery may take place during 2021 in the event of an immediate and non-risk averse re-opening of the economy, a higher fiscal stimulus program on top of an already accommodative monetary policy since 2020, and the achievement of herd immunity on the back of an efficient and quick rollout of the COVID-19 vaccination program.

Power SBU

AboitizPower remains focused on addressing the needs of its markets, namely: (1) providing reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. It 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 six new power generation projects: (1) the GNPD project; (2) the SN AboitizPower-Magat Floating Solar project; (3) the APRI steam drilling project; (4) the TMI Hybrid BESS project; (5) the SNAP Magat BESS project; and (6) the PV (Photovoltaic) Sinag Power project.

The GNPD project is in the final stages of construction, with Unit 1 achieving first synchronization last February 5, 2021. The commissioning and testing of Unit 1 is currently ongoing. The target date for commercial operations (including the issuance of the appropriate ERC Certificate of Compliance/authority) has been moved from August 2021 to late-September 2021, while complete turnover of the unit by the EPC contractor is expected to extend beyond said date. For Unit 2, progress of the construction is going well, with the completion of the chemical cleaning of the boiler. Developments are still hampered by travel bans and slow processing of travel authorizations for foreign experts and personnel. Accordingly, the target date for Unit 2's commercial operations (including the issuance of the appropriate ERC COC/authority) is scheduled around the second quarter of 2022.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power-Magat floating solar project has proven its technical and commercial viability. SN Aboitiz Power-Magat is working on the renewable energy service contract application with the DOE. Since the NIA is the government agency in charge of dams and reservoirs, SN AboitizPower-Magat secured an extension of the memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW. The plan is to install up to 150 MW, depending on the final technical solution and layout.

In relation to AboitizPower's existing capacity, the steam field operator for APRI has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of additional steam capacity by 2023. The two make-up wells for MakBan had been completed and started flowing into the system since April 10 and June 8, respectively, providing added steam to Makban Plant B. The new wells have provided an incremental increase of approximately 10MW to the plant's generation capacity. Another well with a projected 5 MW capacity was also completed on August 4, 2021. A total of three new make-up wells was completed in Makban, contributing to around 15 MW of MakBan's generation. Together with the 11 MW well at Tiwi which was completed last 2020, APRI and the PGPC are expected to complete 4 out of the 12 wells this year. APRI is also developing a 14 MW Binary power plant project in Tiwi, Albay. Negotiations with top ranked bidders for design optimization and final contracting are still ongoing. APRI is expected to award the project by year-end, while commissioning is targeted by 2023. These projects are significant as they will allow APRI to optimize its current net sellable capacity of 290 MW.

In November 2020, AboitizPower announced its two battery projects. TMI Hybrid BESS project is located in Maco, Compostela Valley. It has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with TMI's Maco oil barge. The project is currently 50% complete and commercial operations are currently targeted to commence in the first half of 2022. TMI's Hybrid BESS is one of the 12 projects with a total capacity of 248 MW for regulating and contingency reserves which AboitizPower is targeting to develop in the next 10 years. It will serve as a model for future battery investments as well as hybrid renewable energy projects.

SN AboitizPower-Magat's BESS project ("SNAP BESS") is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. Preparatory activities have been completed, including site surveys and basic engineering design. The project is expected to commence commercial operations in the second half of 2024. In connection with the project, SN AboitizPower

Magat is also looking at upgrading the Magat-Santiago transmission line which is now included in the Transmission Development Plan of the National Grid Corporation of the Philippines. The benefit of this upgrade is to ensure full dispatch of the Magat power plant capacity, the battery energy storage system, and the proposed expansion in the floating solar.

PV (Photovoltaic) Sinag Power project is a 74 MW plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. Preparations for its planned construction and execution are in progress. The permits are 75% complete and AboitizPower is on target to obtain all the permits and clearances necessary prior to start of the construction. The planned issuance of the notice to proceed for the solar plant and transmission line works is expected on October 30, 2021. The project is expected to commence commercial operations by the end of 2022.

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

AboitizPower aims to maximize opportunities from the implementation of the RPS by the DOE starting in 2021. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. AboitizPower will continue to pursue international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments. AboitizPower will significantly grow Cleanergy by 3,700 MW, both domestically and internationally, and bring its renewables portfolio to 4,600 MW by 2030.

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

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. AboitizPower has been a pioneer of renewable energy in the country and currently has the highest megawatts in renewable installed capacity based on market control. AboitizPower's diversification into thermal technologies was primarily driven by the country's need for a reliable, accessible, and affordable power supply.

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

AboitizPower, together with its partners, has a170llotted ₱23 bn for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for GNPD's construction, as well as for AboitizPower's battery energy storage system projects.

Despite the challenges posed by the global pandemic and the currently challenging 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. AboitizPower will continue to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business of AboitizPower on page 88 of this Information Statement.).

Banking & Financial Services SBU

UnionBank continues to pursue its business transformation roadmap towards its vision to become one of the top three universal banks in the Philippines in terms of return on equity, return on assets, and cost-efficiency. Rather than traditional metrics such as asset size or branch network, this transformation roadmap shifts the Bank's focus on providing financial value to stakeholders, operational excellence, customer franchise or share of wallet, unique customer experience, and delivering superior and innovative products and services.

To fulfill its vision, the Bank's primary goal is to become one of the country's great retail banks 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. At present, the majority of the Bank's revenues are already recurring in nature as loan portfolio has grown above industry average over the years (UBP: 5yr average at 12% vs. industry at 11%). The loan portfolio that the Bank has built today is a product of above-industry growth in the past, which generates the level of revenues that we have today.

Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: (i) Capital, (ii) Branch Transformation, (iii) Corporate Relationships, (iv) Processes, (v) Partners, and (vi) its unique UnionBank DNA. It leverages on Capital by prompting a shift from trading to building recurring income to generate stable returns and predictability in the growth of shareholder value. It leverages on Branch Transformation by establishing the competence of the Bank's 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. It leverages on Processes by building the foundation of the Bank's automation and digital transformation initiatives. It leverages on Partners by building synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA by building the right culture and organizational capabilities. The Bank also leverages its Subsidiaries, such as CitySavings, to serve the unbanked or underbanked segment for inclusive prosperity.

In 2015, the Bank embarked on a Digital Transformation Strategy to gain a competitive advantage and capitalize on the eventual shift of the Philippine banking industry towards digitalization. The Banks' Digital Transformation Strategy consisted of two objectives:

1) To strengthen its business model by repositioning itself into an agile and digitally-transformed universal bank. The Bank's strategy was (i) to apply higher technologies into its core banking systems and processes to quickly respond to changing customer behavior; and (ii) to employ its digitized processes to transform CitySavings and its subsidiaries into digital mass market focused-banks. The goal was to reach the underbanked and unbanked segments and employ the Bank's digitized processes to improve operational efficiencies in order to ramp up scale and accelerate achieving inclusive prosperity.

2) To search for new business models where banking may become embedded or disintermediated in people's day-to-day lives. The objective was to immerse the Bank in emerging technologies such as blockchain and the token economy which may disrupt the business of banking. The Bank sought to develop, enable, and invest in financial technologies ("fintech") companies, as their business models may evolve into the future of the financial landscape. Moreover, the Bank planned to make technology its core and to deliver digital platforms and solutions to meet its clients' banking needs. All these served to integrate the Bank in any supply and demand chain, making the Bank indispensable in a future where banking will no longer be a transaction choice but part of an integrated experience. These have, since 2019, been led by UBX PH, the Bank's technology and innovation Subsidiary.

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 digital transformation. With the key channels and platforms now in place, the Bank is focused on accelerating its customer acquisition and deepening engagement across all digital channels to achieve sustained growth of its lending and deposit businesses and, at the same time, reap operational efficiencies from its digital investments.

UBX PH is also ramping up operations with its flagship platforms, namely: (i) i2i (a financial platform for financial institutions); (ii) BUX (a payment gateway and logistics fulfillment platform for online merchants); (iii) Sentro (a free online shop builder embedded with a payment gateway); and (iv) SeekCap (a lending marketplace for MSMEs offering various financing options and faster approvals).

Without a doubt, 2020 was a challenging year across different industries due to the pandemic. The Bank is aligned with the consensus expectation that there will be a gradual path to economic recovery. Thus, while the Bank sees improvements in business activity and consumer sentiment in 2021, risks remain based on the economic indicators of certain sectors that have not yet fully recovered.

Consequently, the Bank expects a low interest environment to persist to help stimulate recovery until certain economic growth factors such as credit demand or consumer spending normalize.

The pandemic also accelerated the shift of consumer behavior towards digital banking. The industry and the Bank experienced immense growth in electronic transactions (e.g., fund transfers, bills payment, etc.), as well as increased users of digital channels and applications in 2020. The Bank expects this trend to continue, especially as more Filipinos discover and experience the advantages of digital payments and digital banking.

With the Bank's digital thrust, the Bank believes it is well-positioned to leverage on these trends as it carries on with the commercialization program of its transformation. The Bank aims to (i) accelerate digital acquisition of customers; (ii) continue to maximize engagement via digital marketing, data science, and artificial intelligence; (iii) progress towards DevSecOps to ramp up product development and testing; and (iv) continue pioneering experimentations to remain ahead of developments in the industry. To support these initiatives, the Bank has allotted more than ₱2 bn for capital expenditures in 2021.

The Bank continues to believe that its strong capitalization and above-industry profitability and efficiency ratios will continue to provide it with a cushion against potential economic headwinds.

Food SBU

The Food Group, composed of AEV's non-listed multinational food subsidiaries, is an integrated regional agribusiness and food manufacturing 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 also operates in the ASEAN and across the Asia-Pacific regions through Pilmico International and its Subsidiaries - which includes Gold Coin and is well-positioned in the Asia Pacific as a manufacturer and producer.

Leveraging on the global trend of increasing protein consumption, the Food Group intends to build a comprehensive animal nutrition platform in Asia. This requires 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. At the same time, the Food Group continues to utilize a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

The acquisition of the Gold Coin Group has allowed the Food Group to expand its customer base and geographic reach. The Company currently believes the Food Group to be the fourth largest animal feed producer in Southeast Asia based on internal market data on the capacities of major players within the market. The Food Group has and continues to harness synergies across its local and international subsidiaries in terms of distribution, localized operations, cross-selling, research and development, raw materials, and logistics costs.

The Food Group continues to face the challenges of the COVID-19 global pandemic and the African Swine Fever (ASF). But trusting in the Group's strategy of "Balance, Optimize, and Develop", it was able to mitigate the decline in its bottom-line last year and continue to improve on it to-date. This was evidenced by the increase in the first half of 2021 net income of the Feeds and Flour business segments and the rebound of the Farms business from a loss in the same period in 2020. For the remaining months of 2021, the Food Group continues to maintain a balanced portfolio that will maximize opportunities and minimize associated risks, amidst the continuing challenges posed by COVID-19 and ASF. 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 coming years.

The Flour business will continue employing the improved 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 for future exploration of new geographical territory. 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.

The Farms business continues to face the challenges of ASF in the swine farming industry as it brings a trade-off of risk and reward. It is believed that ASF has wiped out over a third of the Philippines' pig stocks and has resulted in a severe shortage of pork, an important part of the Filipino diet, and has led to a price increase of many food items. This presents an opportunity for an immediate expansion and benefit on the high prices of pig and pork products. Farms' sow level capacity is expected to reach 29,020 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 August 2020, the Food Group operationalized its meat fabrication and processing plant in Tarlac, which is expected to provide more stable profitability through selling high-margin pork meats compared to live hog selling. The pork meat products are now made available in the Philippines through different digital platforms such as Lazada and via online selling from the Food Group's branded meat store – "The Good Meat". Two new physical stores will be fully operational by the end of the year with a capacity of two metric tons per day per store. This initiative will do two things for the Group- further develop a business-to-customer channel and provide an expansion to the supply chain which will ensure better distribution to all customers in the relevant areas.

The targeted increase in layers capacity still remains, which is expected to result in a monthly production of 22 mn eggs by 2025.

Feeds Philippines seeks to solidify its market position through expanding production in strategic locations in the Visayas and Mindanao regions in the next five years. Feeds Philippines operationalized its third feed mill in Iligan in November 2020, and now serves the growing requirements of its Visayas and Mindanao customers. To support the wider market, the Food Group employs platform improvements in logistics to enhance operational agility and improve customer experience. Lastly, continuous product developments through precise nutrition and feeding management, the introduction of Pet Food, and building-up of Specialty Nutrition will be key to a strengthened and diversified Feeds portfolio.

The Gold Coin Group will continue to pursue (i) fast-growing segments like aqua feeds and (ii) attractive geographies where it has a captive market and the ability to compete. This year, China will pursue geographic expansion to Guangxi via capital light options (leasing) to serve the customers from Guizhou province (currently being supplied by Yunnan) and save on freight at the same time.

These carefully selected and calibrated investments are expected to capture greater returns, while steadily building a strong and diversified regional food business integrated across the business system.

In terms of operations, the Food Group continues to find synergies between Pilmico Philippines 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.

With all of these strategies in place and in the pipeline, Food Group aims to achieve better results amidst any unforeseeable future challenges.

Food Group has allotted ₱4 bn for capital expenditures in 2021.

Infrastructure SBU

Aboitiz InfraCapital, Inc

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to the nation's economic recovery amid the COVID-19 pandemic.

Industrial and Commercial

To capitalize on emerging market opportunities, Aboitiz InfraCapital aims to to scale the growth of its industrial-anchored mixed-use estates through the timely completion of (i) construction activities within the IEC, and (ii) critical land banking activities. Over the second quarter of 2021, construction activities within the IEC have progressed as targeted and remained on track to be completed within schedule.

LIMA Land continues to strengthen its portfolio with 72% of its current inventory already reserved and a pipeline of prospective locators as it ramps up the acquisition, planning, and design developments of its additional 47 hectares of inventory. The completion of this expansion could generate up to 20,000 new jobs in Batangas and neighboring areas. Furthermore, the planning activities for a 40-hectare industrial expansion by West Cebu Industrial Park in Balamban, Cebu is nearly complete and is expected to commence construction by January of 2022. With the limited availability of industrial lots in PEZA-proclaimed economic zones in Cebu, this expansion project addresses the demand for both new and expanding locators in medium to heavy industries.

Commercial

LIMA Estate's 30-hectare commercial area is the first master planned commercial business district ("CBD") to rise in the province of Batangas. It currently houses various commercial components such as The Outlets at Lipa, LIMA Exchange, LIMA Park Hotel, and LIMA Transport Hub.

Recently opened four hectares of commercial lot inventory within the LIMA CBD. Lot sizes range from 1,800 up to 5,000 square meters, ideal for BPO companies, offices, dormitories, condominiums, schools, hospitals, hotels, civic centers, and other commercial uses. These types of establishments will complement existing commercial components in the zone. As of June 2021, 46% of the total commercial lots within the LIMA CBD have been sold and investors may start construction by the first quarter of 2022.

Leveraging on the anticipated boom of BPO companies outside Metro Manila , LIMA Land is set to build a seven-tower office complex to be located at the heart of its CBD, with the first tower LIMA Tower One, set to break ground by late this year.

While Aboitiz InfraCapital maintains a cautious outlook in 2021, it remains optimistic about long-term growth. With the vision to turn them into smart developments in the near future, initiatives to develop the industrial zones into fully integrated economic centers will continue. Critical land banking for the expansion of the parks will continue to be pursued. Easing government restrictions and increased consumer confidence in safety protocols are expected to lead to a continued improvement in foot traffic and tenant sales in 2021, albeit still below pre-COVID levels.

Water

Lima Water Corporation

Lima Water is the exclusive water and wastewater services provider of LIMA Technology Center ("LTC"), one of the Philippines' largest industrial parks. Lima Water is currently building its capability to fully support the expansion plans of LTC, which is expected to experience healthy growth in the coming years.

LWC is optimistic that the increasing water consumption trend will continue with new production lines from existing and new locators in LTC. Lima Water remains committed to supporting its customers and ensuring service continuity through its robust business continuity plans.

Apo Agua Infrastructura, Inc.

Apo Agua is the project company owned by AEV and JVACC, organized to design, construct and operate a hydroelectric powered-bulk water treatment facility and a conveyance system which will deliver at least 300 mn liters per day of treated water to the DCWD over 30 years.

A total of around 65 kilometers of pipes of varying sizes are being laid, leading to eight off-take points of the DCWD spread across Davao City. Although construction was suspended during the second quarter of 2020 when the City was placed under enhanced community quarantine, construction has since resumed with strict social distancing protocols in place.

To mitigate the impact of the pandemic on the project, Apo Agua and its contractor, JVACC, increased its human resource count to over 5,000 workers to support the aggressive recovery plan and ensure operations to commence by 2022.

Aboitiz InfraCapital intends to use its current water portfolio, including a 16% stake in Balibago Waterworks System, Inc., as a strategic platform to build its water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

Digital Infrastructure

In line with the DICT Circular No. 8, Aboitiz InfraCapital received the ITC Certificate of Registration for its towers subsidiary on February 24, 2021. The ITC Certificate of Registration recognizes Aboitiz InfraCapital's tower subsidiary as a common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites and allow the company to secure contracts with mobile network operators.

In April 2021, Aboitiz InfraCapital announced the launch of its joint venture telecommunications infrastructure platform with Partners Group, Unity. To date, Unity has secured master lease agreements (MLA) for pilot sites with two MNOs.

Aboitiz InfraCapital has also entered into partnership agreements with Globe Telecom and Dito Telecommunity to deploy small cell sites in key cities nationwide. The sites are readily available in high-density urbanized areas like Cebu and Davao, where improving network quality and services is difficult due to congestion and availability of sites. The sites will serve as complementary offerings to the macro tower sites. Together with Globe and Dito, the deployments are ongoing to meet the accelerated demand for improved telecommunication services.

Regional Airports

The DOTr granted Aboitiz InfraCapital the Original Proponent Status for its unsolicited proposals to operate, maintain, and expand the new Bohol-Panglao International Airport on September 3, 2018. The same status was received from the CAAP for Laguindingan Airport on February 26, 2019. On November 29, 2019, Aboitiz InfraCapital obtained the approval of the National Economic Development Authority Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee approved the proposal for Laguindingan Airport on December 20, 2019.

In the face of the unprecedented impact of COVID-19 on the air travel and airport business, Aboitiz InfraCapital remains keen on pursuing its unsolicited proposals for the Bohol Panglao International

Airport and Laguindingan Airport. Aboitiz InfraCapital believes that these projects are vital to reviving the economy and are aligned with its objective to support regional growth centers outside of the NCR. Aboitiz InfraCapital continues to discuss the best and most prudent way to move forward with the projects with the government.

Republic Cement and Building Materials, Inc.

Overall cement market demand in the first quarter of 2021 was stronger compared to the same period in 2020, but lower compared to the same period in 2019. The recovery in market demand was primarily driven by the residential and infrastructure segments.

The outlook for the remainder of 2021 is cautiously optimistic. While the government has allotted a significant proportion of the 2021 national budget for infrastructure, slow economic recovery would also lead to slow recovery in market demand. Given the high levels of cost inflation expected in the second half of the year, particularly in relation to fuel and electricity costs, RCBM will continue to focus on managing its cost base effectively.

The Department of Trade and Industry has started an investigation on the possible imposition of anti-dumping duty on cement imports from Vietnam.

RCBM remains committed to serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Two new mills are being commissioned which will provide RCBM with additional 2.3 mn tonnes per annum capacity to serve the market needs. The operational excellence initiatives, cost cutting and cash optimization measures implemented since 2020 are expected to help mitigate potential impact of external headwinds that RCBM will face in the second half of this year.

RCBM will also continue to staunchly support the Philippine government's Go Lokal and Buy Lokal programs, as an industry leader and proud manufacturer of the country's best quality cement used in building a safer, greener, and stronger Republic.

Land SBU

Aboitiz Land, Inc.

AboitizLand continues to improve its operations in 2021 and is optimistic that it will perform strongly by the end of the year. Aboitizland's hybrid marketing strategy of engaging *vecinos* both online and offline has proven to be effective as seen in its sales performance. Its digital initiatives are progressing and are all currently on track and these will help further boost its operational efficiency.

Furthermore, AboitizLand continued the sales momentum generated in the previous year generating ₱2.6 bn in the first half of this year, which was a 125% increase in sales compared to the same period in 2020. Furthermore, Aboitizland has been able to keep its cost-to-sales ratio at the same level as the previous year. Based on its performance in the previous quarter, Aboitizland expects that it will beat its current sales target of ₱2.9 bn in booked sales.

REVIEW OF JAN-DEC 2020 OPERATIONS COMPARED TO JAN-DEC 2019

KEY PERFORMANCE INDICATORS
(Amounts in thousands except financial ratio data)

	JAN-DEC 2020	JAN-DEC 2019
EQUITY IN NET EARNINGS OF INVESTEES	₱9,019,033	₱11,502,090
EBITDA	57,720,482	60,653,429

CASH FLOW GENERATED:		
Net cash flows from operating activities	36,221,065	42,757,046
Net cash flows used in investing activities	(11,504,383)	(39,883,146)
Net cash flows used in financing activities	(4,345,939)	(15,617,585)
Net Decrease in Cash & Cash Equivalents	20,370,743	(12,743,685)
Cash & Cash Equivalents, Beginning	46,424,663	59,033,029
Cash & Cash Equivalents, End	65,996,411	46,424,663
	DEC 31, 2020	DEC 31, 2019
CURRENT RATIO	1.6	1.3
DEBT-TO-EQUITY RATIO	1.7	1.7

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. These inflows, coupled with dividends received from Associates and Joint Ventures are the main source of internally-generated funds, which are then used to finance capital expenditures, additional investments into Associates, dividends and debt service payments.

With total liabilities and equity both increasing during the 12 months of 2020, Debt-to-Equity ratio as of December 31, 2020 remained at end-2019's 1.7x. Current Ratio increased to 1.6x as of December 31, 2020 (compared to end-2019's 1.3x), mainly due to higher cash balances.

REVIEW OF JANUARY-DECEMBER 2020 OPERATIONS COMPARED TO JANUARY-DECEMBER 2019

RESULTS OF OPERATIONS

For the 12-month period ended December 31, 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 ₱15.4 billion, a 30% decrease year-on-year (“YoY”). This translated to earnings per share of ₱2.74 for the period in review. The Power Group accounted for the bulk of the income contributions to AEV at 52%, followed by the Banking and Financial Services, Food, Infrastructure, and Real Estate Groups at 32%, 12%, 2%, and 2%, respectively.

During 2020, the Group generated non-recurring losses of ₱477 million compared to ₱516 million of non-recurring gains recorded in 2019. Without these one-off losses, the Group’s core net income for 2020 was ₱15.9 billion, 26% lower YoY. AEV recorded a 4% decrease in consolidated EBITDA for 2020 compared to 2019, from ₱60.2 billion to ₱57.7 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 by the Power Group decreased by 12% or ₱14.7 billion, from ₱124.6 billion in 2019 to ₱109.9 billion in 2020. The decrease was primarily attributable to (i) reduced demand resulting from the enforcement of COVID-related community quarantines, and (ii) lower water inflows to the Power Group’s hydro facilities in Northern Luzon. The Group’s sale of power comprised 62% and 59% as a percentage of total revenues in 2019 and in 2020, respectively.

Sale of Goods

The Group’s revenue from sale of goods increased by 2% or ₱1.7 billion, from ₱69.6 billion in 2019 to ₱71.3 billion in 2020. The increase was primarily due to higher volumes for the Group’s Feeds business. The Group’s sale of goods comprised 35% and 38% as a percentage of total revenues in 2019 and in 2020, respectively.

Real Estate

The Group's revenue from real estate decreased by 14% or ₱0.6 billion, from ₱4.1 billion in 2019 to ₱3.5 billion in 2020. The decrease was primarily attributable to the decrease in revenue of AboitizLand's residential business, which were partly offset by the increase in revenue recognized by the industrial business from industrial lots sold. The decrease in revenues from AboitizLand's residential business was due to restrictions in operations caused by 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 2% in both 2019 and in 2020.

Other Revenues

The Group's combined revenue from the fair value of swine, service fees and other sources decreased by 28% or ₱0.8 billion, from ₱2.8 billion in 2019 to ₱2.0 billion in 2020. The decrease was mainly due to (i) lower swine sales resulting from African Swine Fever ("ASF"), and (ii) lower service fees. As a percentage of total revenues, the Group's other revenues comprised 1% in both 2019 and in 2020.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power decreased by 23% or ₱16.5 billion, from ₱71.4 billion in 2019 to ₱54.9 billion in 2020. The decrease was primarily attributable to (i) lower fuel costs due to power plant outages, and (ii) lower purchased power costs due to lower Wholesale Electricity Spot Market rates. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 42% and 35% in 2019 and in 2020, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 1% or ₱0.3 billion, from ₱61.2 billion in 2019 to ₱61.5 billion in 2020. The increase was mainly attributable to higher volume of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 36% and 40% in 2019 and in 2020, respectively.

Operating Expenses

The Group's operating expenses increased by 10% or ₱3.5 billion, from ₱33.5 billion in 2019 to ₱37.0 billion in 2020. The increase was primarily attributable to (i) the increase in operating expenses of the Power Group resulting from the full year operations of Therma Visayas, Inc. ("TVI"), and (ii) higher estimated credit loss provision for the Power Distribution Group. As a percentage of total costs and expenses, the Group's operating expenses comprised 20% and 24% in 2019 and in 2020, respectively.

Other Costs and Expenses

For 2020, the Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, decreased by 24% or ₱0.6 billion, from ₱2.4 billion in 2019 to ₱1.8 billion in 2020. The decrease was mainly due to lower cost attributable to the construction of residential units. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% in both 2019 and 2020.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 4% or ₱1.2 billion, from ₱32.7 billion in 2019 to ₱31.5 billion in 2020.

Income Before Income Tax

The Group's income before income tax decreased by 17% or ₱5.8 billion, from ₱34.2 billion in 2019 to ₱28.4 billion in 2020. The decrease was due to (i) the lower operating profit, (ii) higher net interest expense, and (iii) lower equity earnings. Moreover, income before tax for 2019 also included a one-time recognition of income from the Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment.

Net Income

As a result of the foregoing, coupled with the income tax holiday ("ITH") expiry of Therma South, Inc. ("TSI") and GNPower Mariveles Energy Center Ltd. Co. ("GMEC", formerly GNPower Mariveles Coal Plant Ltd. Co.), the Group's Net Income to Equity Holders of AEV decreased by 30% or ₱6.6 billion, from ₱22.0 billion in 2019 to ₱15.4 billion in 2020.

Net income attributable to non-controlling interests for 2020 decreased to ₱5.4 billion from ₱7.4 billion in 2019. The decrease was primarily due to lower consolidated net income of AboitizPower in 2020.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Company's SBUs for the 2020 compared to 2019.

Power

For 2020, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱9.7 billion, a 27% decrease from ₱13.3 billion in 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 22%, from ₱11.8 billion in 2019 to ₱9.2 billion in 2020. The variance was primarily due to (i) additional tax expenses following the ITH expirations for TSI and GMEC, (ii) the derecognition of deferred tax assets on Net operating loss carry-over ("NOLCO") from 2018 and 2019, and (iii) additional interest expenses from AboitizPower's bonds and loans availed of in 2019 and during the second half of 2020. All these offset the increase in EBITDA brought about by better coal plant availability and recognition of business interruption insurance claims.

Capacity sold increased from 3,184 megawatts ("MW") for 2019 to 3,417 MW for 2020 due to increased contracting levels driven by the new capacity of TVI and additional portfolio contracts. However, due to lower demand caused by Government-imposed community quarantines in response to the COVID-19 pandemic and lower water inflow to hydro facilities, energy sold in 2020 declined by 1% to 22,754 gigawatt-hours ("GWh") from 22,942 GWh 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 14%, from ₱3.2 billion in 2019 to ₱2.7 billion in 2020. The decrease was mainly driven by lower energy consumption resulting from the enforcement of COVID-related community quarantines. Energy sales decreased by 8% to 5,368 GWh during 2020 from 5,854 GWh in 2019.

Banking & Financial Services

UnionBank's contribution to Net Income to Equity Holders of AEV decreased by 18% YoY, from ₱7.2 billion 2019 to ₱5.9 billion in 2020. The decrease was primarily due to higher provisions for loan losses in 2020. This was partly offset by revenue growth from the increase in net interest income, which grew to ₱28.7 billion, 29% higher YoY, while non-interest income was ₱13.4 billion, down 6% YoY, mainly due to lower 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 38% to ₱2.2 billion in 2020, compared to ₱1.6 billion in 2019.

During 2020, the Food Group's Philippine Subsidiaries reported a net income of ₱1.2 billion, a 46% increase compared to ₱0.8 billion in 2019. The increase was mainly due to (i) higher volume and lower raw material costs for the Feeds business, and (ii) improved per unit gross profit and volume of the Flour business. However, the increase was partly offset by reduced margins of the Farms business caused by higher production costs and lower selling prices as a result of the industry-wide effect of the ASF, and lower sales volume due to transport restrictions on pork and pigs imposed in several provinces in Luzon.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. and its Subsidiaries, recorded net income of ₱1.0 billion in 2020, a 29% increase compared to 2019. The increase was due to (i) higher volumes, (ii) lower raw material costs, and (iii) the full year effect of the 100% ownership in Gold Coin Management Holdings Pte. Ltd.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV in 2020, before elimination of transactions within the Group, amounted to ₱338 million, a 64% decrease from ₱943 million in 2019. The decrease was mainly due to the fair valuation gains on investment properties recognized 2019, which were not present in 2020.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group decreased by 5% to ₱457 million in 2020, compared to ₱483 million in 2019. The decrease was mainly due to the lower contribution of the Republic Cement Group from ₱612 million in 2019 to ₱590 million in 2020. This was mainly due to the contraction in the demand for cement, as construction activities declined during 2020, particularly during the enforcement of COVID-related community quarantine.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of December 31, 2020 compared to December 31, 2019) increased by 4% to ₱609.2 billion, due to the followin:

- Cash & Cash Equivalents increased by 42% (₱66.0 billion as of December 31, 2020 compared to ₱46.4 billion as of December 31, 2019) mainly due to the receipt of proceeds from the issuance of US dollar bonds by AEV International Pte. Ltd in January 2020.
- Trade and other receivables (current and noncurrent) increased by 5% (₱39.4 billion as of December 31, 2020 compared to ₱37.6 billion as of December 31, 2019) mainly due to increased receivables of the Real Estate Group.
- Land and improvements increased by 18% (₱3.0 billion as of December 31, 2020 compared to ₱2.6 billion as of December 31, 2019) mainly due to additional land acquisition by the Real Estate Group.
- Investments in and Advances to Associates and Joint Ventures increased by ₱5.1 billion (₱145.4 billion as of December 31, 2020 compared to ₱140.4 billion as of December 31, 2019) mainly due to AboitizPower's ₱2.3 billion additional infusion into GNPower Dinginin Ltd. Co., AboitizLand's ₱430 million infusion into Cebu Homegrown Developers, Inc., and the recording of ₱9.0 billion share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱5.7 billion dividends from Associates and Joint Ventures and ₱1.0 billion other comprehensive losses during the period.

The above increases were tempered by the following decreases:

- Property Plant and Equipment (PPE) decreased by ₱6.0 billion mainly due to ₱10.6 billion attributed to depreciation & amortization, which was also partly offset by additions to the Food Group's and AboitizPower's PPE.
- Deferred Income Tax Assets decreased by 35% (₱2.0 billion as of December 31, 2020 compared to ₱3.1 billion as of December 31, 2019) mainly due to the derecognition of deferred tax assets on NOLCO of Therma Luzon, Inc. ("TLI").

Liabilities

Total Liabilities (as of December 31, 2020 compared to December 31, 2019) increased by 4% to ₱385.6 billion due to the following:

- Bank loans increased by 14% (₱29.3 billion as of December 31, 2020 compared to ₱25.7 billion as of December 31, 2019) mainly due to short-term debt availments by the Power and Food Groups during 2020.
- Long-term debt, which includes both current and noncurrent portions, increased by 9% (₱261.0 billion as of December 31, 2020 compared to ₱239.6 billion as of December 31, 2019) mainly due to the following: (i) issuance of US dollar bonds by AEV International Pte. Ltd. equivalent to ₱20.4billion, (ii) issuance of retail bonds by AboitizPower amounting to ₱9.6 billion, (iii) availment of ₱10.0 billion long term debt and issuance of ₱7.6 billion retail bonds by AEV, and (iv) additional ₱3.0 billion availment by Apo Agua Infrastructura, Inc. This was partly offset by the settlement of maturing loans during 2020.
- Long-term obligation on Power Distribution System, which includes current and noncurrent portions, decreased by 8% (₱183 million as of December 31, 2020 compared to ₱199 million as of December 31, 2019) as regular annual payments were made.
- Lease liabilities, which includes current and noncurrent portions, decreased by 12% (₱39.8 billion as of December 31, 2020 compared to ₱45.3 billion as of December 31, 2019) due to lease payments made by TLI to Power Sector Assets and Liabilities Management Corporation (PSALM) during 2020.
- Trade and other payables, inclusive of noncurrent portion, decreased by 15% (₱37.3 billion as of December 31, 2020 compared to ₱43.6 billion as of December 31, 2019) mainly due to regular payments during 2020 of the PSALM deferred adjustments and the settlement of payables to contractors in the Power Group.
- Income tax payable increased by 30%, from ₱0.8 billion as of December 31, 2019 to ₱1.0 billion as of December 31, 2020 mainly due to the expiration of the ITH incentives of TSI and GMEC.
- Derivative liabilities (net of Derivative assets, current and noncurrent) decreased from ₱2.3 billion as of December 31, 2019 to ₱2.0 billion as of December 31, 2020. This was mainly due to gains in the Power Group's cash flow hedges.
- Decommissioning liability increased by 40%, from ₱3.6 billion as of December 31, 2019 to ₱5.0 billion as of December 31, 2020, mainly due to the recognition of additional decommissioning provisions on power plant assets.
- Deferred Income Tax Liabilities decreased by 7% (₱2.4 billion as of December 31, 2020 compared to ₱2.6 billion as of December 31, 2019) due to deferred tax on other comprehensive losses, amortization of franchise and increase in loss provisions of the Power Group.

Equity

Equity attributable to equity holders of the parent (as of December 31, 2020 compared to December 31, 2019) increased by ₱6.6 billion from ₱176.5 billion to ₱183.1 billion, due to ₱15.4 billion net income recorded during the year. These are partly offset by the following.

- ₱7.3 billion cash dividends paid during the first half of 2020; and
- ₱1.5 billion in cumulative translation adjustments and other comprehensive losses.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For 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 during 2019, consolidated cash generated from operating activities for 2020 decreased by ₱6.5 billion to ₱36.2 billion. The decrease was mainly due to the decline in earnings before interest, depreciation and amortization coupled with higher working capital requirements and taxes paid.

As of December 31, 2020, ₱11.5 billion net cash was used in investing activities compared to ₱39.9 billion during 2019. This was mainly due to lower equity infusions to Associates and Joint Ventures during 2020 compared to 2019.

Net cash used in financing activities was ₱4.3 billion for 2020 compared to ₱15.6 billion in 2019. The decrease in net cash used was largely attributed to availment of short-term and long-term loans, and the issuance of US dollar bonds in the first quarter of 2020.

For 2020, net cash inflows surpassed cash outflows, resulting in a 42% increase in cash and cash equivalents, from ₱46.4 billion as of year-end 2019 to ₱66.0 billion as of December 31, 2020.

FINANCIAL RATIOS

Financial ratios remained healthy. AEV's Current Ratio as of December 31, 2020 increased to 1.6x compared to end-2019's 1.3x mainly due to higher cash balance. Debt-to-Equity ratio remained year-end 2019's 1.7:1 as of December 31, 2020, as the growth in total liabilities matched the increase in equity.

REVIEW OF JAN-DEC 2019 OPERATIONS COMPARED TO JAN-DEC 2018

KEY PERFORMANCE INDICATORS
(Amounts in thousands except financial ratio data)

	JAN-DEC 2019	JAN-DEC 2018
EQUITY IN NET EARNINGS OF INVESTEES	₱11,502,090	₱7,727,663
EBITDA	60,157,195	60,653,429
CASH FLOW GENERATED:		
Net cash flows from operating activities	42,757,046	38,417,349
Net cash flows used in investing activities	(39,883,146)	(30,762,255)
Net cash flows used in financing activities	(15,617,585)	(13,223,355)
Net Increase (Decrease) in Cash & Cash Equivalents	(12,743,685)	(5,568,261)
Cash & Cash Equivalents, Beginning	59,033,029	64,870,214
Cash & Cash Equivalents, End	46,424,663	59,033,029
	DEC 31, 2019	DEC 31, 2018
CURRENT RATIO	1.27	1.80
DEBT-TO-EQUITY RATIO	1.71	1.54

As can be gleaned from the resulting KPI values, profitability had been sustained and financial position remained liquid.

Consolidated EBITDA translated into substantial cash inflows coming from subsidiaries' operations and from dividend payments of associates and JVs. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With the debt growing while equity slightly decreased during the year, debt-to-equity ratio moved up to 1.71x (compared to end-2018's 1.54x). Current ratio declined to 1.27x (compared to end-2018's 1.80x) as current liabilities grew while current assets decreased.

RESULTS OF OPERATIONS

For the year ended December 31, 2019, AEV and its subsidiaries posted a net income attributable to the equity holders of parent (“Net Income to Equity Holders of AEV”) ₱22.04 billion, a 1% year-on-year (YoY) decrease. This translated to earnings per share of ₱3.91 for the year in review. The Power Group still accounted for the bulk of income contribution at 57%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 30%, 7%, 4%, and 2%, respectively.

In 2019, the Group generated non-recurring gains of ₱515.5 million (compared to ₱891.2 million in non-recurring losses in 2018), representing net unrealized foreign exchange (forex) gains, and gains on reversal of impairment provisions. Without these one-off items, the Group’s core net income for 2019 ₱21.52 billion, 7% lower than 2018. AEV recorded a 1% decrease in consolidated EBITDA for 2019 compared to 2018, declining from ₱60.65 billion to ₱60.16 billion.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT’S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

Revenues

Sale of Power

The Group’s revenue from sale of power decreased by 5% or ₱6.13 billion, from ₱130.73 billion in 2018 to ₱124.61 billion in 2019. The decrease was primarily attributable to Therma Marine, Inc.’s (Therma Marine) and Therma Mobile, Inc.’s (Therma Mobile) expiration of contracts with customers, and GNPower Mariveles Coal Plant Ltd. Co.’s (GMCP) and Therma South, Inc.’s (TSI) lower plant availability owing to unplanned outages during the year. These decreases were partly offset by higher electricity sales of the distribution utilities and fresh revenue contributions from TVI and Hedcor Bukidnon. The Group’s sale of power comprised 70% and 62% as a percentage of total revenues during 2018 and 2019, respectively.

Sale of Goods

The Group’s revenue from sale of goods increased by 46% or ₱21.87 billion, from ₱47.75 billion in 2018 to ₱69.63 billion in 2019. The increase was primarily attributable to the full year-to-date revenue contribution of the Gold Coin Group and the higher sales recorded by the Food Group’s Philippine-based Subsidiaries owing to higher average selling prices and volume of the Feeds and Flour segments. The Group’s sale of goods comprised 26% and 35% as a percentage of total revenues during 2018 and 2019, respectively.

Real Estate

The Group’s revenue from real estate increased by 5% or ₱190.9 million, from ₱3.93 billion in 2018 to ₱4.12 billion in 2019. The increase was primarily attributable to higher sales from the residential and commercial business segments following the ramp up in operational and business performance. As a percentage of total revenues, the Group’s revenue from real estate comprised 2% during each of 2018 and 2019.

Other Revenues

The Group’s combined revenue from fair value of swine, service fees and other sources decreased by 38.0% or ₱1.72 billion, from ₱4.53 billion in 2018 to ₱2.81 billion in 2019. The decrease was primarily attributable to lower swine sales resulting from the ASF spread in 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 INVESTEES	₱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 ₱15.70 billion in 2017. 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). 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
Anciliary 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
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 during 2017. 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 THE 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 Joint Ventures 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 THE COMPANY'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:

- 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.
- Inventories and Land and Improvements increased by 51% (₱24.44 billion vs ₱16.14 billion as of December 31, 2017). The ₱9.65 billion rise in Inventories was mainly due to the following: i.) first-time consolidation of GCMH's ₱5.74 billion inventory; ii.) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and iii.) higher coal inventory of the AboitizPower Group. This increase was partly offset by the P1.35 billion decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.
- 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.
- Investments in and Advances to Associates and Joint Ventures 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 Joint Ventures. This increase was partially reduced by the ₱5.14 billion cash dividends received from Associates and Joint Ventures during the period.
- 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.
- 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.

- 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.
- 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.
- 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:

- 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.
- 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.
- 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 THE 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 in 2017. 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.

Item 7. Financial Statements

The audited consolidated financial statements of AEV will be incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules will be filed as part of the Information Statement.

Item 8. Information on Independent Accountant and Other Related Matters

(A) External Audit Fees

The following table sets out the aggregate fees paid by the Company for each of the last two years for professional fees rendered by SGV:

Fee Type	Year ended December 31, 2020	Year ended December 31, 2019
Audit Fees		
Audit Fees	₱624,120.00	₱511,952.00
Audit-Related Fees	8,408,040.00	6,276,700.00
Total	**₱9,032,160.00**	**₱6,788,652.00**
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	-	-
Total		

Total Audit and Non-Audit Fees	**₱9,032,160.00**	**₱6,788,652.00**

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

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 2020 and 2019 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.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

PART III – CORPORATE GOVERNANCE

In 2020, the Aboitiz Group celebrated the 100th anniversary of the incorporation of its parent company, Aboitiz & Company, Inc. (ACO). This historic milestone in the Group's history is a confirmation of its unwavering commitment to the highest standards of corporate governance for over five generations. Beginning from the time-honored philosophy of Don Ramon Aboitiz of *Palabra de Honor*, the Group now aspires to become a leader in environmental stewardship, social responsibility, good governance, and corporate citizenship. Committed to live by the Aboitiz core values of Integrity, Teamwork, Innovation, and Responsibility, the Group looks toward new horizons to expand in the next 100 years, and to continue to drive change for a better world by advancing businesses and communities.

At the helm of corporate governance practices in AEV is its Board of Directors, whose members are committed to providing a strategic roadmap towards long-term growth, competitiveness, and building a sustainable enterprise.

Notable accomplishments of the AEV Board for 2021 are as follows:

- Reviewed and affirmed the appropriateness of the Group's purpose and brand promise in support of the country's gradual economic recovery.
- Reviewed and aligned the Group's short-term and long-term business strategies to sustain and expand the business under the new normal.
- Reviewed and ensured the sufficiency of the internal controls system and enterprise risk management framework of AEV.
- Authorized and held AEV's Virtual Annual Stockholders' Meeting for the second year Reviewed and approved amendments to the Board and Committee Charters.
- Established the Board Cybersecurity Committee to formalize a group-wide integrated approach in managing cybersecurity-related risks.
- Approved amendments to the Company's Code of Ethics and Business Conduct and itsthe Whistleblowing Policy.
- In addition to the Annual Corporate Governance Seminar, conducted regular virtual learning sessions to strengthen the continuous learning program for the Company's directors and officers.

Shareholders 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, *in absentia*, or through proxy; receive dividends; and ratify corporate action.

In the conduct of its 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.

AEV held virtual ASMs for 2020 and 2021. Driven by its commitment to practice sound corporate governance and guided by its core value of innovation, AEV was able to provide an accessible and convenient venue for its shareholders to exercise their basic and inviolable right to elect their representatives to the Boards of Directors while remaining in the comfort and safety of their homes. Beginning 2020, the Company allowed voting through remote communication or *in absentia*. Stockholders may access AEV's online voting portal in order to register and vote on the matters submitted for shareholders approval at any stockholder meetings.

All shareholders are encouraged and given the right to participate in the meetings. The opportunity to ask questions or raise issues, the questions, answers, issues and motions raised, the agreements and resolutions arrived at, the corporate acts approved or disapproved, and the voting results are reported in the minutes. The Company also discloses to PSE, PDEx and the SEC all the items approved at the shareholders' meeting no later than the next business day. The voting results including quorum and summary of resolutions approved are made publicly available by the next working day through the Company's website under Investor Relations' page. There are no barriers or impediments preventing shareholders from consulting or communicating with one another, with the Directors and with the Corporate Secretary. Beginning 2020, the Company's online ASM platform allowed shareholders to send their questions in advance

In addition, AEV ensures timely disclosure to shareholders regarding their respective businesses, and that shareholders receive dividends in accordance with established dividend policies.

Lastly, AEV's 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.

For a more detailed discussion on the rights of the shareholders of the Company, please refer to the 2020 Consolidated Annual and Sustainability Report, the 2020 Integrated Annual Corporate Governance Report (IACGR), and the Governance page of the AEV website, which are available at www.aboitiz.com.

BOARD MATTERS

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 ESG. In performing these functions, the members of the AEV Board, individually and collectively, are expected to act consistently with the Aboitiz core values.

The AEV Board is composed of nine members, all of whom come from diverse professional backgrounds. They are composed of legal and finance professionals, engineers, former or current Chief Executive Officers/Chief Operating Officers, auditors, and accountants. Many of them have management experience in the private and Government sectors, as well as in multilateral agencies. In 2021, the AEV Board had three Independent Directors, five Non-Executive Directors, and one Executive Director. The Chairman of the AEV Board, Mr. Enrique M. Aboitiz, is a highly experienced Non-Executive Director. As a Non-Executive Director, he is not involved in the Company's day-to-day operations, which enables him to focus on ensuring that the AEV Board properly discharges its duties and responsibilities. Following the 2021 ASM, the AEV Board appointed Mr. Romeo L. Bernardo as Lead Independent Director, a highly qualified professional who is familiar with the operations of AEV, and the industries it does business in. Mr. Bernardo is the Chairman of the ESCG Committee (alsofunctions as the Nomination and Selection Committee) to ensure an independent and transparent nomination, selection, election, and performance assessment process of the Board.

The members of the AEV Board are the following:

ABOITIZ EQUITY VENTURES INC.'S BOARD OF DIRECTORS					
Director (Age, Nationality)	**Designation /Directorship**	**Year First Elected**	**Number of Years Served as Director**	**Board and Committee Memberships and % of Attendance for 2021**	**Directorships in Other Listed Companies Outside the Aboitiz Group**
ENRIQUE M. ABOITIZ 68 years old Filipino	Chairman of the Board (NED)	May 10, 1999	22	(C) BOD (100%) (C) Risk (100%) (M) ExCom (100%) (M) ESCG (100%) (M) Cyber (50%)	None
MIKEL A. ABOITIZ 67 years old Filipino	Vice-Chairman (NED)	May 15, 2017	4	(VC) BOD (100%) (M) ExCom (100%) (M) Risk (50%)	None

ERRAMON I. ABOITIZ 65 years old Filipino	Director (NED)	May 9, 1994	27	(M) BOD (100%) (M) ExCom (100%) (M) Risk (100%) (M) AudCom (100%)	None
SABIN M. ABOITIZ 57 years old Filipino	President and CEO (ED)	May 21, 2018	3	(M) BOD (100%) (C) ExCom (100%) (M) ESCG (100%) (M) Risk (100%)	None
ANA MARIA A. DELGADO 41 years old Filipino	Director (NED)	Dec 11, 2018	2	(M) BOD (100%) (M) AudCom (100%)	None
JUSTO A. ORTIZ 64 years old Filipino	Director (NED)	May 9, 1994	23	(M) BOD (100%) (C) Cyber (100%) (M) AudCom (100%)	None
ROMEO L. BERNARDO 67 years old Filipino	Lead Independent Director	Apr 26, 2021	0	(M) BOD (100%) (C) ESCG (100%) (C) RPT (100%) (M) AudCom (100%) (M) Risk (100%)	• Globe Telecoms, Inc. (D); • Bank of the Philippine Islands (D); • RFM Corporation (ID)
JOANNE G. DE ASIS 71 years old Filipino	Independent Director	Apr 26, 2021	0	(M) BOD (100%) (M) AudCom (67%) (M) ESCG (100%) (M) Risk (100%) (M) RPT (100%) (M) Cyber (100%)	• EasyCall Communications Philippines Inc. (ID)
MANUEL R. SALAK, III 61 years old Filipino	Independent Director	May 21, 2018	3	(M) BOD (100%) (C) AudCom (100%) (M) ESCG (100%) (M) Risk (100%) (M) RPT (100%)	None

Legend: C- Chairman; VC – Vice Chairman; M – Member; D - Independent Director; NED - Non-Executive Director; –x - Executive Director; BOD - Board of Directors; ESCG - Board Environmental, Social, and Corporate Governance Committee; ExCom - Board Executive Committee; AudCom - Board Audit Committee; Risk - Board Risk and Reputation Management Committee; RPT - Board Related Party Transactions Committee; Cyber - Board Cybersecurity Committee

**During the Company's 2021 Annual Stockholders Meeting, Messrs. Edwin R. Bautista, Raphael P.M. Lotilla, and Jose C. Vitug were not elected as members of the Board of Directors of AEV. They were replaced by Messrs. Justo A. Ortiz, Romeo L. Bernardo, and Ms. Joanne G. De Asis.*

Board Performance

The AEV Boards of Directors conduct an annual performance assessment of its members and key officers. Each director conducts a self-assessment on the individual and the collective performance of the members of the Board and Board committees. In addition, each director evaluates the performance of their respective Chairman, Chief Executive Officer, Internal Audit Head, Risk Officer, Corporate Secretary, and Compliance Officer. In turn, select key officers of AEV are asked to evaluate the performance of the individual members of the Board of Directors.

The assessment forms are prepared and regularly reviewed by the Compliance Officers to elicit relevant and valuable insights on the following assessment criteria: (1) compliance with best governance practices and principles; (2) participation and contribution to the Board and committee meetings; and (3) performance of their duties and responsibilities as provided in the company's Revised Manuals, Charters, Amended Articles, and Amended By-Laws.

In addition, AEV directors are evaluated by their respective key officers based on the following criteria: (1) business acumen, (2) independent judgment, (3) familiarity with the business, (4) active participation and effective challenge, (5) professional expertise and network, (6) value contribution, (7) embodiment of Aboitiz core values, and (8) reputation. Assessment results are presented to the respective ESCG Committees as part of the nomination and selection process of incumbent Board members.

The Corporate Governance Code requires that at least once in every three years, the conduct of the Board performance assessment must be supported by an independent third-party facilitator. In 2020, AEV engaged the Good Governance Advocates and Practitioners of the Philippines (GGAPP), an independent association of corporate governance practitioners, to support its Board performance assessment exercise. The results of the assessment, as well as the recommendations from GGAPP were presented and discussed during the ESCG Committee meeting on February 16, 2021.

Board Committees

The different Board committees - Audit, Corporate Governance (now Environmental, Social, and 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 2021, are described below:

a. The **Board Environmental, Social, and Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors, including the Committee Chairman, comprise the majority of the voting members of the ESCG Committee.

   In 2021, the ESCG Committee continued to (1) review and monitor AEV's compliance with new laws and regulations (the Revised Corporation Code, various SEC and BIR issuances, among others); (2) review and update the Revised Manual to align with the best practices in the Integrated Annual Corporate Governance Report and the ASEAN Corporate Governance Scorecard; and (3) ensure that the nomination, selection, election, remuneration, and assessment of the Company's directors and officers are aligned with the Manual. In the same year, the ESCG Committee amended the Code of Ethics and Business Conduct (the "Code) and the Whistleblowing Policy to further strengthen the company's commitment to corporate governance, particularly on sustainability and ethical corporate citizenship.

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 it's Chairman. In 2021, the Audit Committee updated its Charter to improve Company's control performance by having an adequate and effective control system. The Audit Committee also assessed (i) the performance of the Company's external auditor and (ii) the sufficiency of the Company's internal control and compliance systems.

c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk and reputation management related matters for the Group. In 2021, the Board Risk and Reputation Committees updated its charter to continually identify, monitor, and manage the Group's top risks.

d. The **Board Related Party Transaction Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its Subsidiaries, Affiliates, directors and officers. In 2020, AEV updated the RPT Certification for Directors and Officers in compliance to the BIR Regulation No. 19-2020 on the reporting guidelines for the transactions of individuals and juridical entities with related parties. The RPT Committee continued to ensure 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 Chief Financial Officer as resource person, 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.

f. The **Cybersecurity Committee** assists the Board in providing strategic direction and ensuring the establishment of a system of governance (processes, policies, controls and management) for the Company and its strategic business units on matters relating to information security and cybersecurity.

For more details on the AEV Board and Board Committees matters, please refer to the 2020 Consolidated Annual and Sustainability Report, the 2020 IACGR, and the Governance page of the AEV website, which are available at *www.aboitiz.com*.

GOVERNANCE PRACTICES

Compliance with Governance Policies

AEV has a Revised Manual and a Code of Ethics and Business Conduct ("Code of Ethics") to guide the attainment of its corporate goals and the implementation of its strategies. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies 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. AEV ensures that its Code of Ethics is cascaded to new team members as part of their onboarding processes. Team members are also required to review the Code of Ethics and to sign an affirmation that they have read and understood the same. In order to support this annual exercise, an e-learning module on the Group's Code of Ethics was developed and is 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 Chief Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board, management, and employees with the Revised Manual, the Code of Ethics, other company policies, and existing laws and regulations. The Chief 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 Chief Compliance Officer regularly reports 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 to the Board ESCG Committee.

In addition, the Company has a Whistleblowing Policy to support the implementation of the Revised Manual and the Code of Ethics. Through this policy, allegations of violations of the Revised 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 ESCG Committee and, if necessary, escalated to the entire Board.

In 2021, AEV updated its Code to align with international best practices and promote the Company's Environmental, Social and Governance efforts. The following policies and guidelines were approved by the Board of Directors:

- Amended Code of Ethics and Business Conduct to (i) strengthen the Company's commitment to sustainability principles, and (ii) further elaborate on the Company's commitment to its stakeholders, particularly on anti-bribery and anti-corruption, trade compliance, and anti-money laundering. Related guidelines on (i) anti-corruption, (ii) gift, meals, and entertainment, and (iii) business partner due diligence were also approved by senior management to operationalize the amendments to the Code

- Amended the Company's Whistleblowing Policy. The Company is evaluating the adoption of a new whistleblowing portal to encourage team members, team leaders and third parties to report suspected or actual violation of the Code and Company policies. Procedures were also developed to assist and guide in the handling, investigation, and resolution of reports or complaints received, whether via the whistleblowing platform or through any other channel.

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 2021.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2020 Consolidated Annual and Sustainability Report, the 2020 IACGR, and the Governance page of the AEV website which are 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. AEV also publishes a consolidated Annual and Sustainability Report and IACGR on its website at *www.aboitiz.com*.

SUSTAINABILITY AND ENVIRONMENT, SOCIAL, AND GOVERNANCE PRACTICES

Sustainable business practices have enabled the Aboitiz Group to operate commercially for 100 years and more. AEV's ESG strategy is anchored on the Group Purpose and Brand Promise *to drive change for a better world by advancing business and communities.* The Company strongly believes that business growth and sustainability can be achieved by balancing the interests of people, planet, and profit, and strengthening its commitment to sustainable ESG practices.

Indices and Ratings

In 2020, AEV continues to be recognized as a constituent company in the S&P Global Corporate Sustainability Assessment (formerly ROBECOSAM CSA). The S&P Global Sustainability Assessment is highly regarded for companies to benchmark their improvements in ESG performance. The Company's score improved by 46% compared to last year's rating with a positive 23 points increase in percentile ranking placed us in 66th percentile (2nd quartile) from previous year's 43rd percentile rank (3rd quartile) among the industrial conglomerates peer group.

The Sustainalytics ESG Risk Rating of the Company also improved at 37.3 ESG risk rating, a 5.1 decrease of risk exposure from last year. Meanwhile, the company improved its rating from BB to A rating in the MSCI ESG Rating. The Company also looks into the CDP reporting framework by including it in the Company assessments of its ESG initiatives.

Sustainability Focus

The Company is driven by its Sustainability Vision which is to contribute to the ESG agenda with the Company's redefined OneAboitiz Sustainability Framework, where it manages its economic, environmental, and social impact through strong governance, to truly deliver value to the Company's stakeholders. In the coming years, the Company will continue to focus on addressing its gaps on various issues and areas as ESG is integrated across mainstream business strategy, processes and operations of the group. AEV's goal is to grow profitably while partnering with its stakeholders to create shared value, and minimizing its environmental impact.

The Company's focus areas on its ESG reports are team member engagement, talent development, Occupational Health and Safety, corporate governance, enterprise risk management, CSR, customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, biodiversity and conservation, while ensuring financial growth, implementing risk management, and aligning to global sustainability reporting standards to communicate the Company's progress.

As the first Philippine company to support the TCFD, the Company is aligning action and ambition to the principles and guidelines of the TCFD in its identification, management and reporting on climate related risks and opportunities.

The Company's key performance indicators are aligned with the United Nations Sustainable Development Goals to address ESG concerns of the company and the communities where it operates. This focus provides the Company a direction on its commitment and targets in its journey to advance business and communities.

United Nations Sustainable Development Goals

The Aboitiz Group is one of the first Philippine businesses to support the United Nations' 17 Sustainable Development Goals and in 2020 became a participant in the United Nations Global Compact (UNGC). AEV is also represented as a member of the Board of Trustees of the Global Compact Network Philippines, the country's local chapter of the UNGC.

In the Company's first year of participation, AEV assessed its alignment with the UNGC's 10 business principles. The Company is committed to continuously improve its policies, business processes and initiatives putting at the forefront its commitment to have an environmentally sound business strategy and relevant processes, uphold human rights by continuously conducting human rights assessment in the different value chain processes of the company, create a safe, engaged and inclusive labor environment for the AEV's team members, and operate with high ethical standards of corporate governance and citizenship.

The Company also maximizes the potential of collaborations and partnerships to achieve a greater impact to address the SDGs. Active participation and leadership in organizations such as Philippine Business Coalition for Women Empowerment (PBCWE) and Pilipinas Kontra Gutom (PKG), country representation to the APEC Business Advisory Council (ABAC) thru Aboitiz Group President and CEO Sabin M. Aboitiz, and most recently, signing the company's commitment to the UN Women Empowerment Principles. The Company strongly believes that a successful sustainability agenda can be achieved through inclusive partnerships - at the global, regional, and local level- built upon shared values, vision and goals.

The Company provides its annual Sustainability Report to disclose information on its ESG practices and submits Communication of Progress to UNGC. AEV began publishing its first Sustainability Report in 2009, being one of the few Philippine PLCs to publish and submit a report on its sustainability impacts and performances to SEC.

Sustainable Finance

In February 2016, Asian Development Bank (ADB) provided a credit enhancement to APRI, a Subsidiary of AboitizPower, for its Tiwi-MakBan geothermal energy facilities. The issuance by APRI of the ₱10.7 bn (U.S.$225 mn) local currency bond was in addition to a direct loan from ADB of ₱1.8 bn (U.S.$37.7 mn). ADB's credit enhancement was in the form of a guarantee of 75% of the principal and interest on the bond. The Climate Bond, which was certified by the Climate Bonds Initiative, was the first issuance of its kind in Asia.

Corporate Social Responsibility

AEV and its Business Units contribute to social development programs in education, enterprise development, and environment implemented by the Aboitiz Group through its social development arm, Aboitiz Foundation, Inc. ("Aboitiz Foundation"). These CSR program projects are also aligned with the Aboitiz Group's core competencies and are made scalable nationwide to deliver long-term benefits to targeted communities and beneficiaries. The Aboitiz Group, through AboitizFoundation, invested a total of ₱423 mn in CSR projects and initiatives to support its communities in 2020, of which ₱266 mn was committed for its environmental programs, ₱106 mn for education, ₱8 mn for enterprise or livelihood programs, and ₱43 mn for other initiatives. All these are consistent with the Group's commitment to protecting and enriching the planet and uplifting the well-being of its communities. Through responsible operations and the implementation of various sustainability and CSR projects, the Company is constantly advancing business and communities by exploring opportunities to create shared value whenever possible.

Moreover, AboitizPower provides additional funds for the communities through its compliance with the Energy Regulations No. 1-94 ("ER 1-94"). The ER 1-94 program is a policy under the Department of Energy Act of 1992 and EPIRA, which stipulates that host communities will get a share of one centavo for every kilowatt-hour (₱0.01/kWh) generated by power plants operating in its area. The funds generated can be used by host beneficiaries for the electrification of areas or households that have no access to power, development, and livelihood programs, as well as reforestation, watershed management, health, and environmental enhancement initiatives. In 2020, due to the COVID-19 Pandemic, the Department of Energy released a new circular which repurposed the ER 1-94 funds for projects that would help alleviate the COVID-19 situation in the country. AboitizPower has successfully downloaded about ₱153 mn worth of ER 1-94 funds to about 150 host beneficiaries. About ₱504 mn worth of outstanding ER 1-94 funds was also remitted by the Department of

Energy to AboitizPower's beneficiaries. The remitted funds were used by the beneficiaries to build isolation facilities and purchase relief goods, medical supplies or equipment, and COVID-19 testing kits. AboitizPower continues to extend assistance to its communities to ensure the full utilization of the available ER 1-94 funds.

Beyond Compliance

The Aboitiz Group's brand promise of advancing business and communities extends beyond compliance with government laws and regulations. The Aboitiz Group is committed to stakeholder-focused environmental management projects, such as (a) A-Park nationwide reforestation program, (b) Aboitiz Cleanergy Park in Davao City, (c) Cleanergy Center in Laguna and Energy Education Center in Davao.

(a) A-Park Program

The A-Park Program is the Aboitiz Group's partnership with DENR's Expanded National Greening Program. To promote reforestation and forest protection, the program targets to plant 9 million trees by 2020. AboitizPower supports the A-Park Program through the watershed management and carbon sink programs of its Subsidiaries. In 2020, the Aboitiz Group has already planted about 11 million seedlings across the country under the said program.

(b) Aboitiz Cleanergy Park

The Aboitiz Cleanergy Park is an eight-hectare ecological preserve located in Sitio Punta Dumalag, Matina Aplaya, Davao City that showcases a mangrove reforestation site, nursery, and botanical garden for the propagation of 29 native tree species and is home to 100 species of birds. Aside from helping reduce carbon emissions, the Park is also actively promoting habitat conservation and biodiversity management in an urban setting. Most importantly, the Park serves as a sanctuary and safe nesting ground for the hawksbill sea turtles, commonly called pawikan. Since 2014, the park has already released more than 4,939 hawksbill hatchlings to the sea, planted 13,992 mangroves, and rescued 16 pawikans.

(c) Cleanergy Center and Energy Education Resource Center

The Cleanergy Center, located within the compound of the Tiwi-Makban geothermal power plant, showcases interactive displays and learning materials devoted to sustainable ways of generating and consuming energy. To date, the center has welcomed more than 56,000 visitors, mostly students, government officials, and representatives of foreign institutions.

The Cleanergy Center is the first energy education facility of AboitizPower, which focuses on environmental awareness and renewable energy education through the use of audio-visual presentations, interactive displays, and a tour of a working geothermal power plant. Through AboitizPower, the Aboitiz Group aims to provide energy solutions that leave a lighter impact on the Earth's climate and its limited resources.

AboitizPower also opened the Energy Education Center in 2016 located at Therma South's Davao baseload power plant. The center features interactive and informative displays on the Philippine energy sector and various power-generating technologies. As of 2020, the center has already accommodated about 3,500 visitors.

ANNEX "A"

EXPLANATION OF AGENDA ITEMS
(*including Agenda Items requiring Stockholders' Approval*)

ITEM NO. 1: The Chairman will formally open the meeting at approximately 1:00 P.M.

ITEM NO. 2: **Proof of Notice of Meeting and Determination of Quorum**

RATIONALE: *To inform the stockholders that notice requirements for the 2021 Special Stockholders' Meeting ("2021 SSM") have been complied with in accordance with the Company's By-Laws and the Revised Corporation Code of the Philippines, and that quorum exists for the transaction of business.*

The Corporate Secretary will certify the date when notices for the 2021 SSM were sent out to the stockholders of record, including the dates of publication and the newspapers where the notice was published. The Corporate Secretary will also certify to the existence of a quorum, as verified and confirmed by an independent auditing firm. Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Voting shall be through proxy or remote communication or in absentia. Pursuant to Sections 4, 5 and 6 of the Company's Amended By-Laws and Sections 23 and 57 of the Revised Corporation Code which allow voting through remote communication or in absentia, stockholders may access the link that will be provided at the Company's website at *https://aboitiz.com/2021ssm* (the "SSM Portal"), to register and vote on the matters at the meeting beginning on November 8, 2021. A stockholder voting in absentia shall be deemed present for the purpose of quorum.

Votes may be cast by registered stockholders until 10:00 a.m. of December 10, 2021, which will be tabulated and presented during the 2021 SSM. Stockholders may still vote after the cut-off, and the final total votes received through proxy and through the SSM Portal will be included in the minutes of the 2021 SSM.

The following are the rules of conduct and procedures for voting and participation in the meeting through remote communication:

1. Stockholders may register at the Company's SSM Portal beginning on November 8, 2021 until 10:00 a.m. on December 10, 2021. Only stockholders who registered before the cut-off time will be counted for quorum purposes.
2. Votes cast by registered stockholders until 10:00 a.m. of December 10, 2021, will be tabulated and presented during the 2021 SSM. Stockholders may still vote after the cut-off, and the final total votes received through proxy and through the SSM Portal will be included in the minutes of the 2021 SSM.
3. The conduct of the 2021 SSM will be livestreamed and registered stockholders may participate through the Company's SSM Portal.
4. Stockholders may send in their remarks or questions in advance, or during the meeting, through the SSM Portal. The moderator shall read out the remarks or questions, and direct them to the relevant director or officer.
5. The proposed resolutions for approval will be shown on screen at the time they are being taken up at the meeting.
6. All votes received within the cut-off shall be tabulated by the Office of the Corporate Secretary and the results shall be validated by Luis Cañete & Company, an independent auditing firm.
7. The Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for all items for approval, as of the cut-off time, will be flashed on the screen.

ITEM NO. 3: **Approval and Ratification of the sale of 1,840,334,941 common shares, equivalent to 25.01% equity interest, in Aboitiz Power Corporation ("AboitizPower")**

RATIONALE: *To present to* the *stockholders the sale of 1,840,334,941 common shares, equivalent to 25.01% equity interest in AboitizPower to JERA Asia Partnership Limited* ("JERA Asia"), *an affilitate of JERA Co., Inc ("JERA"), for approval and ratification as the proper and appropriate corporate opportunity for the Company.*

A Special Committee, composed of the Company's three Independent Directors and one Non-Executive Director, was organized and tasked by the Board of Directors to evaluate the offer from JERA for JERA Asia to purchase up to 27% equity stake in AboitizPower, and thereafter make the necessary recommendation to the Board. The Special Committee, after evaluating JERA's offer, and taking into account the Company's existing obligations and commitments, made a recommendation to accept the offer to purchase 1,840,334,941 common shares, equivalent to 25.01% equity stake in AboitizPower as the proper and appropriate corporate opportunity for the Company.

During the Special Board Meeting held on September 27, 2021, the Company's Board of Directors unanimously approved the recommendation from management and the Special Committee to accept the offer from JERA to sell/dispose of 1,840,334,941 common shares, equivalent to 25.01% equity interest in AboitizPower. The Board of Directors took into consideration the potential adverse regulatory, financial, and operational risks to AEV should AEV dispose of the entire 27% ownership stake in AboitizPower as offered by JERA (including violations of covenants and warranties in existing loan and financing agreements, and issues on the expected increase in the required minimum public ownership of AboitizPower). The Board of Directors also considered that a sale by the Company of 25.01% of AboitizPower to JERA would allow the Company to maintain a clear majority ownership interest in Aboitiz Power, while still resulting in significant cash proceeds to the Company and allow it to pursue the Aboitiz Group's growth objectives. The transaction will also provide AboitizPower the benefit of the experience and expertise of Japan's largest power generator.

In the same meeting, the Board of Directors called a special stockholders meeting, this 2021 SSM, to approve and ratify the sale of 1,840,334,941 common shares, equivalent to 25.01% equity interest in AboitizPower.

A resolution approving the sale shall be presented to the stockholders for approval and ratification.

ITEM NO. 4: **Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management from April 2021 up to the date of this Information Statement.**

RATIONALE: The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers, and management in the ordinary course of business. These included the approval of contracts and agreements and other transactions in the ordinary course of business. A summary of these acts and resolutions are enumerated in the Information Statement. The Company also regularly discloses material transactions approved by the Board of Directors. These disclosures are available for viewing and download at the Company's website at *www.aboitiz.com*.

A resolution ratifying the acts and proceedings of the Board of Directors, Corporate Officers and Management will be presented to the stockholders for approval.

ITEM NO. 5: **Other Business**

The Chairman will open the floor for comments or queries by the stockholders. Stockholders are given the opportunity to address the members of the Board, ask questions, and raise matters which may be properly taken up during the 2021 SSM.

---end---

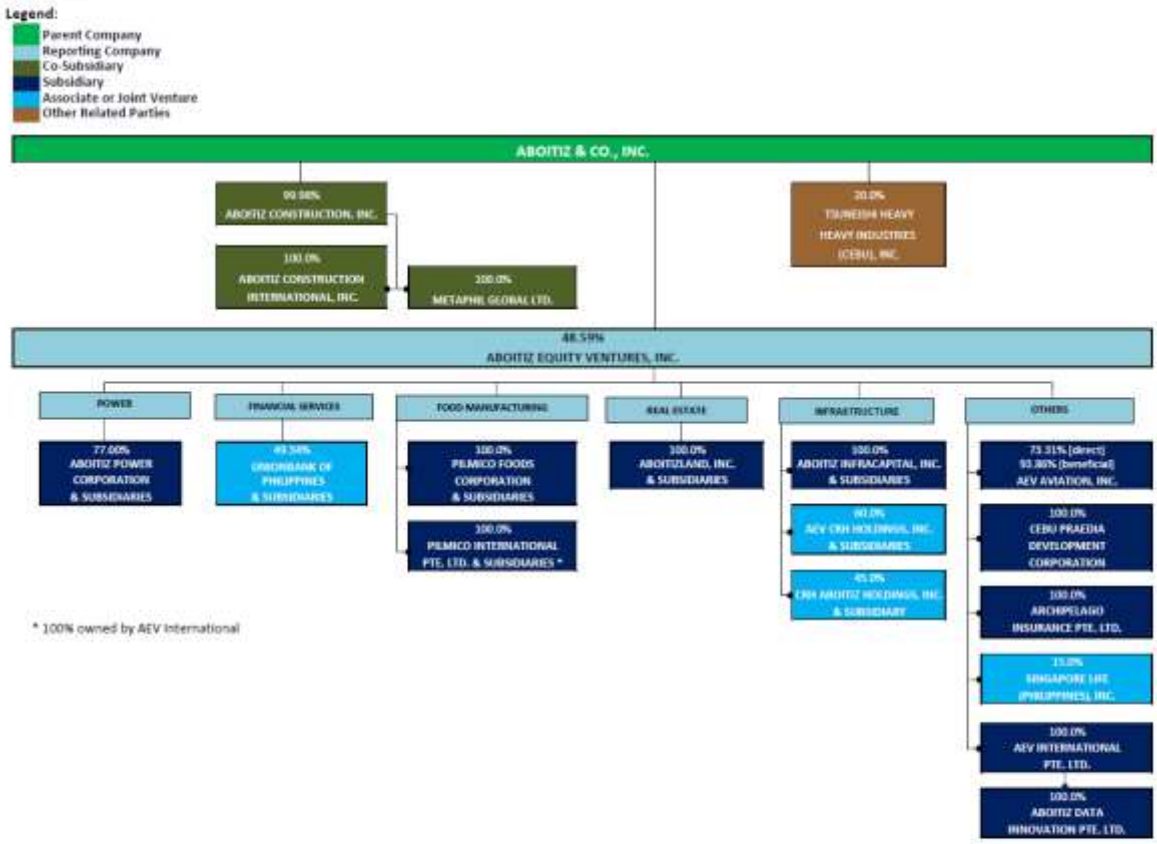
ANNEX “B”

As of June 30, 2021

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONGLOMERATE MAPPING

As of June 30, 2021



* 100% owned by AEV International

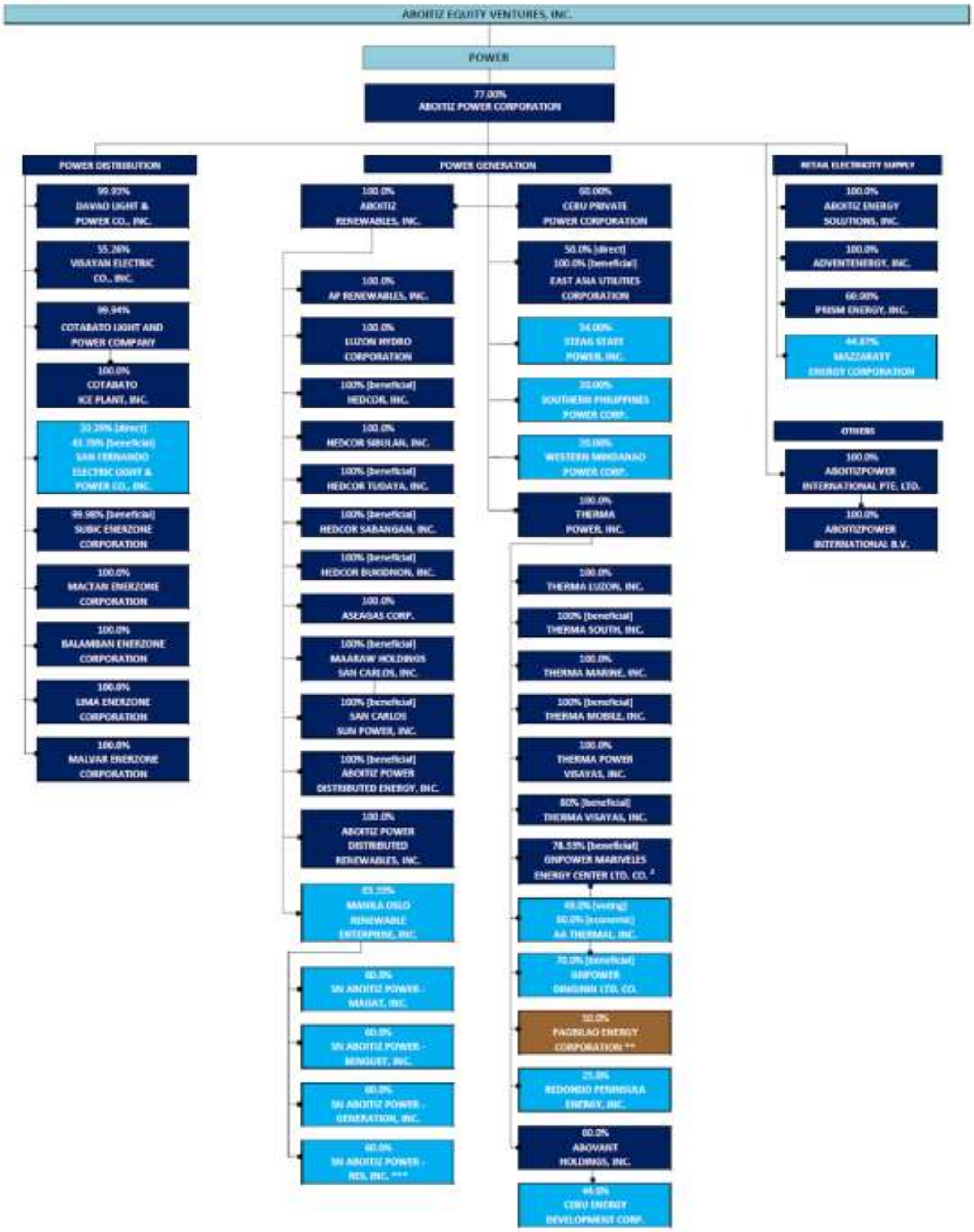
ABOITIZ EQUITY VENTURES, INC. - POWER

CONGLOMERATE MAPPING

As of June 30, 2021

Legend:

Reporting Company
Subsidiary
Associate or Joint Venture
Other Related Parties



** Joint Operations

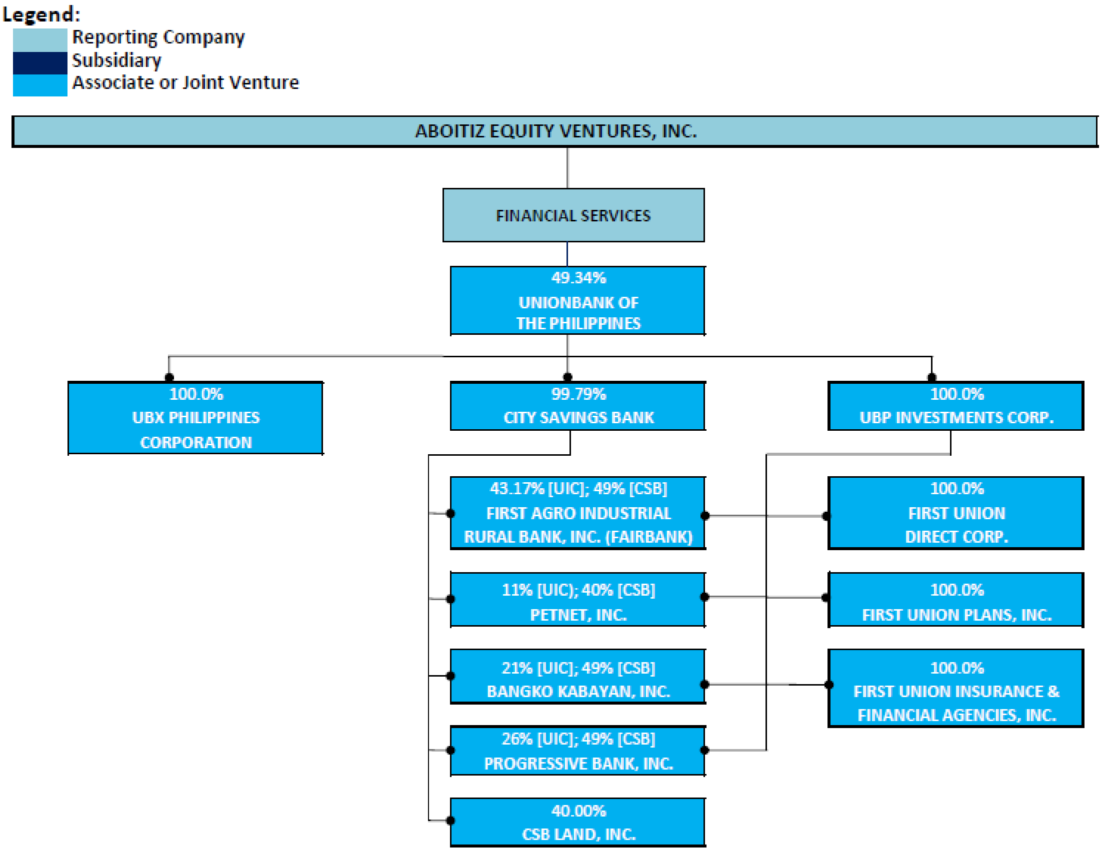
*** Engages in retail electricity supply business

1 Formerly, GNPower Mariveles Coal Plant Ltd. Co.

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES

CONGLOMERATE MAPPING

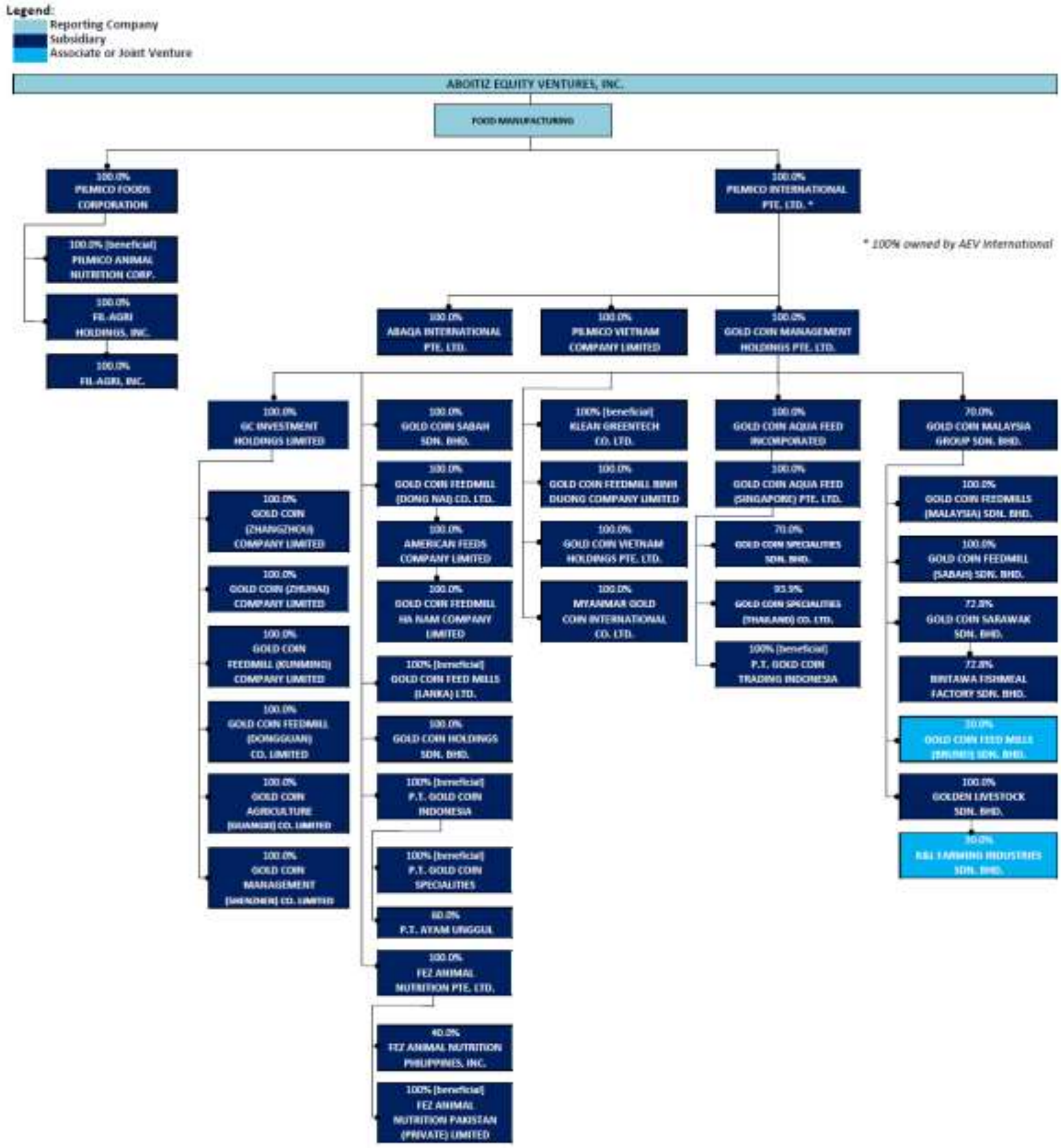
As of June 30, 2021



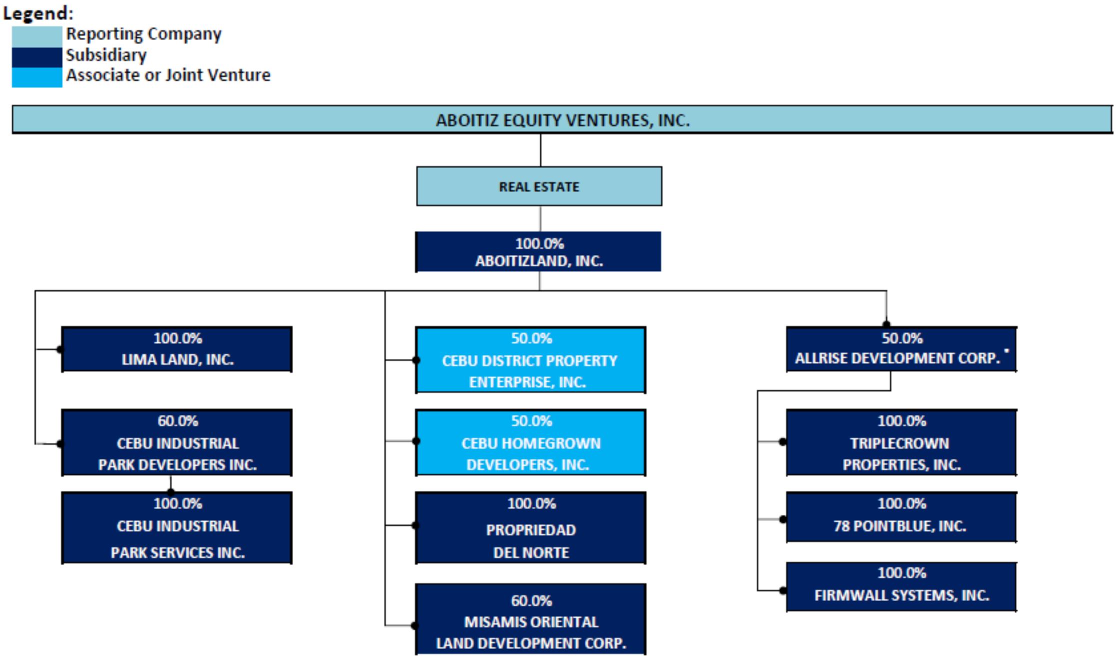
ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING

CONGLOMERATE MAPPING

As of June 30, 2021



ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING
As of June 30, 2021

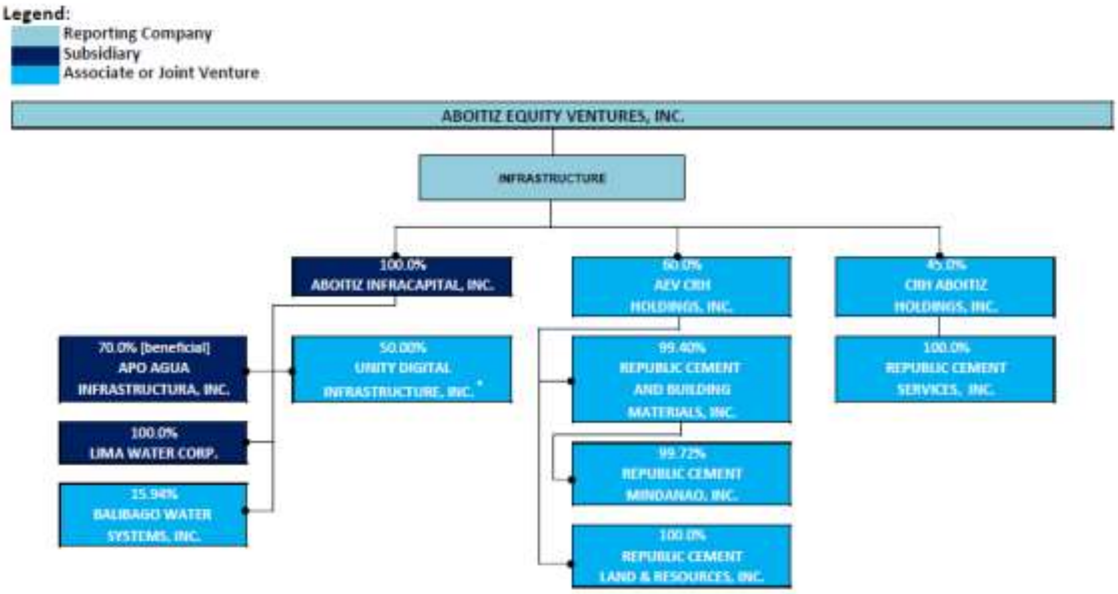


** Formerly, A2 Airport Partners, Inc.*

ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE

CONGLOMERATE MAPPING

As of June 30, 2021



** Formerly, Aboitiz Airports Advisory Services Corporation*

ANNEX "C"

Requirements and Procedures for Voting and Participation in the
2021 Special Stockholders' Meeting (SSM)
of Aboitiz Equity Ventures Inc.
(the "Company")

In light of the continuing COVID-19 global pandemic and government-imposed restrictions on mass gatherings, the Company will conduct a virtual SSM on December 10, 2021, Friday at 1:00 p.m. ("2021 SSM"). The meeting will be conducted *via* livestream at the link provided in the Company's website at https://aboitiz.com/2021ssm (the "SSM Portal") beginning on November 8, 2021.

Stockholders of record as of November 5, 2021 are entitled to participate and vote in the 2021 SSM.

The following procedures and requirements provide the ways in which the Company's stockholders can participate and vote in the 2021 SSM.

I. VOTING BY PROXY

1. *For Individual stockholders holding certificated shares in the Company* - Download the file Proxy Form for Individual Stockholder. For the Special Power of Attorney ("SPA"), refer to the Sample SPA uploaded in the SSM Portal.

2. *For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broke*r - Download the file Proxy Form for PCD Participant/Broker. Stockholders must coordinate with their brokers for the execution of this type of proxy. A stockholder may instruct his broker to directly send a scanned copy of the executed proxy to the Company, or he may send the scanned copy of the executed proxy.

3. *For Corporate Stockholders* - Download the file Proxy Form for Corporate Stockholder. For the secretary's certificate, refer to the Sample Secretary's Certificate uploaded in the SSM Portal.

4. General instructions on Voting through Proxy:
    a. Download and fill up the appropriate Proxy Form. The Chairman of the meeting, by default, is authorized to cast the votes pursuant to the instructions in the proxy.
    b. Send a scanned copy of the executed proxy through email to *aboitiz.shareholder.services@aboitiz.com.*
    c. Deadline for the submission of proxies is on December 3, 2021, to give time for the Proxy Validation Committee to review and validate the proxies received in accordance with the Company's Amended By-Laws.

II. ELECTRONIC VOTING OR VOTING *IN ABSENTIA*

1. Instead of voting by proxy, stockholders may choose to vote for the matters set out in the Agenda for the 2021 SSM through the online voting platform available at the SSM Portal. Votes cast until 10:00 a.m. on December 10, 2021 will be tabulated and presented during the 2021 SSM. Stockholders may still vote after the cut-off time, and the final votes received through proxy and through the SSM Portal after the adjournment of the meeting will be included in the minutes of the 2021 SSM. Stockholders must provide the information required and upload the documents needed to complete their registration and to cast their votes, which are then subject to verification and validation by the Office of the Corporate Secretary.

2. Stockholders will need the following documents to register at the online voting platform:

    (a) Individual Stockholders
    i. Valid email address and active contact number (landline or cellphone);
    ii. Any valid government-issued identification card (ID);

iii. Any valid stock certificate issued by the Company in the name of the individual stockholder, or stock certificate number that matches with the name provided in the registration form, if such stock certificate is lost.

(b) Stockholders with Joint Accounts

i. An authorization letter signed by other stockholders indicating the person among them authorized to cast the votes;
ii. Documents required under Items 2.a.(i) and 2.a.(ii) for the authorized stockholder; and
iii. Any valid stock certificate issued by the Company in the name of the joint stockholders, or stock certificate number that matches with the name provided in the registration form, if such stock certificate is lost.

(c) Stockholder under PCD Participant/Brokers Account or "Scripless Shares"

i. Coordinate with the broker, and request for the full account name and reference number or account number they provided to the Company; and
ii. Items 2.a.(i) and 2.a.(ii) above.

(d) Corporate Stockholders

i. Secretary's certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
ii. Any valid stock certificate in the name of the corporate stockholder; and
iii. Documents required under Items 2.a.(i) and 2.a.(ii) above for the authorized representative.

3. The SSM Portal contains the Agenda items for approval as set out in the Notice and Agenda for the 2021 SSM.

   (a) Stockholders have the option to vote: In Favor of, Against, or Abstain.

   (b) Once the stockholder finalizes his votes, he can proceed to submit the accomplished form by clicking the 'Submit' button.

   (c) After the ballot has been submitted, the stockholder may no longer change his/her vote.

4. Thereafter, the Office of the Corporate Secretary will send a confirmation email to the stockholder once his/her account has been verified and his/her vote has been recorded.

   If the registration cannot be verified due to lacking, incomplete, or unreadable documents or information, the stockholder will be notified through email. The Company shall inform the stockholder of the actions or documentations needed to complete the registration. Stockholders may contact *aboitizboardsecretariat@aboitiz.com* for queries regarding the online voting and registration.

   If the account of a stockholder cannot be verified, then the votes cast by the non-verified stockholder shall not be recorded.

5. The Office of the Corporate Secretary shall tabulate all valid and confirmed votes cast through the SSM Portal, together with the votes cast through proxies. The Board of Election Inspectors will thereafter validate the results.

6. Votes cast until 10:00 a.m. of December 10, 2021 will be tabulated and presented during the 2021 SSM. Stockholders may still vote at *https://aboitiz.com/2021ssm* after the cut-of time and the final votes received through the proxy and through the SSM Portal after the adjournment of the meeting will be included in the minutes of the 2021 SSM.

III. ATTENDANCE IN THE 2O21 SSM BY REMOTE COMMUNICATION

1. Stockholders who intend to participate in the 2021 SSM remotely may register using the link *https://aboitiz.com/2021ssm* until 10:00 a.m. of December 10, 2021.

2. To register, stockholders will need the requirements under Item II.2 above, depending on the type of ownership. Stockholders will also need to upload a valid ID as proof of identity.

3. Upon successful registration, the stockholder will receive an email confirmation and a unique link which can be used to log in and view the 2021 SSM livestream.

   If the registration cannot be verified due to lacking, incomplete, or unreadable documents or information, the stockholder will be notified through an system-generated email notification from the SSM Portal. The Company shall send a subsequent email to inform the stockholder of the actions and documentations needed to complete the registration. Stockholders may contact *aboitizboardsecretariat@aboitiz.com* for queries regarding the online voting and registration.

4. Stockholders may send questions or remarks through the SSM Portal upon registration until the adjournment of the 2021 SSM.

5. The proceedings during the 2021 SSM will be recorded.

For more questions and clarifications, stockholders may visit the Company's website at https://aboitiz.com/ or contact:

The Corporate Secretary at *aboitizboardsecretariat@aboitiz.com*
Marinel Mangubat – (632) 8886-2800 local 21757 or *aboitiz.shareholder.services@aboitiz.com*
Michael Capoy - (632) 8403-3798 or *mccapoy@stocktransfer.com.ph*

August 13, 2021

via electronic mail
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

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

via PSE EDGE
PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 28th Street, cor. 5th Avenue
Bonifacio Global City, Taguig City

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

via electronic mail
PHILIPPINE DEALING & EXCHANGE CORP.
Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Please see enclosed SEC Form 17-Q (2nd Quarterly Report 2021) of Aboitiz Equity Ventures Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL ALBERTO R. COLAYCOCNC
Corporate Secretary

COVER SHEET

C	E	O	2	5	3	6				

S.E.C. Registration Number

ABOITIZ EQUITY VENTURES INC.

(Company's Full Name)

32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA PHILIPPINES

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

MANUEL ALBERTO R. COLAYCO
Contact Person

(02) 8-886-2338
Company Telephone Number

1	2		3	1

Month *Day*
Fiscal Year

1st Quarterly Report 2021

1	7	-	Q	

FORM TYPE

4th Monday of April

0	4		2	6

Month *Day*
Annual Meeting

Secondary License Type, if Applicable

S	E	C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2021**

2. Commission identification number **CEO2536** 3.BIR Tax Identification No. **003-828-269-V**

4. Exact name of issuer as specified in its charter

   ABOITIZ EQUITY VENTURES INC.

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

   Philippines

6. Industry Classification Code: ____________ (SEC Use Only)

7. Address of issuer's principal office Postal Code

   32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634

8. Issuer's telephone number, including area code

   (02) 8 886-2800

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

   N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock ₱1 Par Value	**5,630,225,457**
Amount of Debt Outstanding (June 30, 2021)	**₱329,151,712,000.00**

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

    Yes [**x**] No [ ]

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

    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedule attached herewith.

Item 2. Management's Discussion and Analysis or Plan of Action of Financial Condition and Results of Operations

Management's Discussion and Analysis or Plan of Action of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures Inc. (AEV, the "Company", or the "Parent Company") and its Subsidiaries (collectively, the "Group") should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

The Group's operating segments are as follows: a.) Aboitiz Power Corporation (AboitizPower) and Subsidiaries (collectively, the "Power Group"), b.) Banking and Financial Services, c.) Pilmico Foods Corporation and Subsidiaries, and Pilmico International Pte. Ltd. (Pilmico International) and Subsidiaries (collectively, the "Food Group"), d.) Aboitiz InfraCapital Inc. and Subsidiaries and Republic Cement and Building Materials, Inc. and Subsidiaries (Republic) (collectively, the "Infrastructure Group"), and e.) AboitizLand, Inc. (AboitizLand) and Subsidiaries (collectively, the "Real Estate Group").

<u>TOP FIVE KEY PERFORMANCE INDICATORS</u>

Management uses the following indicators to evaluate the performance of AEV and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its Associates and Joint Ventures for each reporting period subsequent to the acquisition of the said investment. This account reflects the result of the operating performance of Associates and Joint Ventures and indicates its contribution to the 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 extraordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts 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 Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

Current Ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt-paying ability. The higher the ratio, the more liquid the Group.

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity Ratio indicates how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total liabilities by total equity.

KEY PERFORMANCE INDICATORS (KPI)
(Amounts in thousands except financial ratio data)

	JAN-JUN 2021	**JAN-JUN 2020**
EQUITY IN NET EARNINGS OF INVESTEES	**₱10,684,450**	₱3,105,353
EBITDA	**32,772,085**	22,874,102
CASH FLOW GENERATED:		
Net cash flows from operating activities	**16,874,238**	18,016,783
Net cash flows used in investing activities	**(5,365,165)**	(1,691,104)
Net cash flows from (used in) financing activities	**(20,113,358)**	12,339,600
Net increase (decrease) in Cash & Cash Equivalents	**(8,604,285)**	28,665,279
Cash & Cash Equivalents, Beginning	**65,966,411**	46,424,663
Cash & Cash Equivalents, End	**57,619,828**	75,288,514
	JUNE 30, 2021	**DECEMBER 31, 2020**
CURRENT RATIO	**1.5**	1.6
DEBT-TO-EQUITY RATIO	**1.6**	1.7

Equity earnings in investees increased by 244%, from ₱3.1 billion (bn) during the first six months of 2020 to ₱10.7 bn during the first six months of 2021. The increase was due to: (i) increased output of SN Aboitiz Power-Magat, Inc.'s and SN Aboitiz Power-Benguet, Inc.'s hydro power plants resulting from higher water inflows, (ii) higher earnings of Union Bank of the Philippines (UnionBank, or the "Bank"), (iii) recognition of income from liquidated damages received for delays in the construction of GNPower Dinginin Ltd. Co.'s (GNPD) power plant, and (iv) higher earnings of Republic due to stronger demand and reduced costs.

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. These inflows, coupled with dividends received from Associates and Joint Ventures are the main source of internally-generated funds, which are then used to finance capital expenditures, additional investments into associates, dividends, and interest payments.

With total equity increasing more than total liabilities in the first six months of 2021, Debt-to-Equity Ratio decreased to 1.6x from the end-2020 level of 1.7x. Current Ratio as of 30 June 2021 decreased to 1.5x from the end-2020 level of 1.6x, as the growth in current liabilities outpaced the increase in current assets.

REVIEW OF JANUARY-JUNE 2021 OPERATIONS COMPARED TO JANUARY-JUNE 2020

RESULTS OF OPERATIONS

For the six-month period ended 30 June 2021, AEV and its Subsidiaries posted a net income attributable to the equity holders of Parent Company ("Net Income to Equity Holders of AEV") of ₱13.5 bn, a 243% increase year-on-year (YoY). This translated to earnings per share of ₱2.39 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 53%, followed by the Banking and Financial Services, Infrastructure, Food, and Real Estate Groups at 28%, 9%, 7%, and 3%, respectively.

During the first six months of 2021, the Group generated non-recurring losses of ₱169 million (mn) (compared to ₱20 mn for the corresponding period in 2020) due to the goodwill write-off related to City Savings Bank, Inc. (CitySavings). Without these one-off losses, the Group's core net income for the first six months of 2021 was ₱13.6 bn, 246% higher YoY. AEV recorded a 43% increase in consolidated EBITDA for the first six months of 2021 to ₱32.8 bn, compared to ₱22.9 bn for the same period in 2020.

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 2021 compared to the six months ended 30 June 2020.

Revenues

Sale of Power

The Group's revenue from sale of power increased by 14%, or ₱7.3 bn, from ₱52.9 bn in the six months ended 30 June 2020 to ₱60.2 bn in the six months ended 30 June 2021. The increase was primarily attributable to (i) commissioning revenue from GNPD Unit 1, (ii) higher water inflows, (iii) higher demand, and (iv) higher Wholesale Electricity Spot Market (WESM) dispatch. The Group's sale of power comprised 56% and 59% as a percentage of total revenues for the six months ended 30 June 2020 and 30 June 2021, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 2%, or ₱0.9 bn, from ₱39.1 bn in the six months ended 30 June 2020 to ₱39.9 bn in the six months ended 30 June 2021. The increase was primarily due to higher selling prices and higher volume of feeds sold. The Group's sale of goods comprised 41% and 39% as a percentage of total revenues in the six months ended 30 June 2020 and 30 June 2021, respectively.

Real Estate

The Group's revenue from real estate increased by 33%, or ₱0.4 bn, from ₱1.1 bn in the six months ended 30 June 2020 to ₱1.5 bn in the six months ended 30 June 2021. The increase was primarily attributable to AboitizLand's higher revenue recognition following increased construction activity for its residential business, as well as increased sales with high spot down payments. As a percentage of total revenues, the Group's revenue from real estate comprised 1% for the six months periods ended 30 June 2020 and 30 June 2021.

Other Revenues

The Group's combined revenue from the fair value of swine, service fees, and other sources decreased by 56% or ₱0.8bn, from ₱1.4 bn in the six months ended 30 June 2020 to ₱0.6 bn in the six months ended 30 June 2021. This was mainly due to the decrease in live hogs sold. As a percentage of total revenues, the Group's other revenues comprised 2% and 1% in the six months ended 30 June 2020 and 30 June 2021, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power increased by 10%, or ₱3.0 bn, from ₱28.7 bn in the six months ended 30 June 2020 to ₱31.6 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher volume of energy generated and an increase in purchased power rates due to higher WESM prices. The Group's cost of generated and purchased power comprised 35% and 36% as a percentage of total costs and expenses for the six months ended 30 June 2020 and 30 June 2021, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 5%, or ₱1.6 bn, from ₱34.3 bn in the six months ended 30 June 2020 to ₱35.9 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher raw materials costs of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 42% and 41% during the six months ended 30 June 2020 and 30 June 2021, respectively.

Operating Expenses

The Group's operating expenses increased by 4% or ₱0.7 bn, from ₱18.3 bn in the six months ended 30 June 2020 to ₱19.0 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher expenses for repairs and maintenance of the Group's power plants. As a percentage of total costs and expenses, the Group's operating expenses comprised 22% for each of the six months periods ended 30 June 2020 and 30 June 2021.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 13%, or ₱97 mn, from ₱719 mn in the six months ended 30 June 2020 to ₱816 mn in the six months ended 30 June 2021. The increase was mainly due to higher cost of real estate sales following the increase in revenue recognized. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% for each of the six months periods ended 30 June 2020 and 30 June 2021.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 18%, or ₱2.3 bn, from ₱12.7 bn in the six months ended 30 June 2020 to ₱15.0 bn in the six months ended 30 June 2021.

Income Before Income Tax

The Group's income before income tax increased by 111%, or ₱9.3 bn, from ₱8.4 bn in the six months ended 30 June 2020 to ₱17.7 bn in the six months ended 30 June 2021. The increase was due to higher operating profit and equity earnings.

Net Income

As a result of the foregoing, coupled the application of the provisions of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the Group's Net Income to Equity Holders of AEV increased by 243%, or ₱9.5 bn, from ₱3.9 bn in the six months ended 30 June 2020 to ₱13.5 bn in the six months ended 30 June 2021.

Net income attributable to non-controlling interests for the six months ended 30 June 2021 increased to ₱3.2 bn, from ₱2.0 bn in the six months ended 30 June 2020. The increase was primarily due to higher consolidated net income of AboitizPower during the first six months of 2021.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of the Group's SBUs for the six months ended 30 June 2021 compared to the six months ended 30 June 2020.

Power

For the six months ended 30 June 2021, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱7.8 bn, a 171% increase from ₱2.9 bn in the six months ended 30 June 2020.

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 increased by 183%, from ₱2.7 bn in the six months ended 30 June 2020 to ₱7.7 bn in the six months ended 30 June 2021. The variance was primarily due to commissioning revenue from GNPD Unit 1, higher water inflows, higher demand, higher WESM dispatch, and other income from liquidated damages and business interruption claims. These factors offset the impact of the ongoing GNPower Mariveles Energy Center Ltd. Co.'s (GMEC) plant outage, which is currently expected to be resolved by September 2021.

Capacity sold increased from 3,388 megawatts (MW) for the six months ended 30 June 2020 to 3,600 MW for the six months ended 30 June 2021. Energy sold in the six months ended 30 June 2021 increased by 10% to 11,790 gigawatt-hours (GWh) from 10,764 GWh in the same period in 2020.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group increased by 36%, from ₱1,311 mn for the six months ended 30 June 2020 to ₱1,779 mn for the six months ended 30 June 2021. This increase was mainly driven by higher energy consumption resulting from recoveries in demand. Energy sales increased by 4% to 2,745 GWh during the six months ended 30 June 2021, from 2,629 GWh in the six months ended 30 June 2020.

Banking & Financial Services

UnionBank's contribution to Net Income to Equity Holders of AEV increased by 92%, from ₱2.2 bn in the six months ended 30 June 2020 to ₱4.2 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher net interest margins, and the increase in non-interest income which was mainly driven by higher trading gains, higher foreign exchange income, and higher fees and commissions.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group increased by 35% to ₱1.1 bn for the six months ended 30 June 2021, compared to ₱0.8 bn for the six months ended 30 June 2020.

For the six months ended 30 June 2021, the Food Group's Philippine Subsidiaries reported a net income of ₱0.9bn compared to ₱0.3 bn for the six months ended 30 June 2020. The increase was mainly due to the recovery of selling prices of the Farms business as the spread of the African Swine Fever lowered the supply of pork in the market. The improvement in the Farms business was partly offset by lower by-product contributions and higher operating and administration costs of the Flour business.

Before elimination of transactions within the Group, Pilmico International and its Subsidiaries, recorded net income of ₱157 mn for the six months ended 30 June 2021, a 69% decrease compared to ₱502 mn the six months ended 30 June 2020. This was due to higher raw materials costs for feeds.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV for the six months ended 30 June 2021, before elimination of transactions within the Group, amounted to ₱385 mn, an improvement from the ₱39 mn net loss for the six months ended 30 June 2020. The increase was mainly due to higher revenue recognition resulting from increased construction activity for AboitizLand's residential business, and an increase in sales with higher spot down payments.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group increased to ₱1.3 bn for the six months ended 30 June 2021, compared to

₱78 mn net loss for the six months ended 30 June 2020. This mainly came from the contribution of Republic which increased to ₱1.3 bn for the six months ended 30 June 2021, compared to a ₱10 mn net loss for the six months ended 30 June 2020. The increase was mainly due to stronger market demand driven by the residential and infrastructure segments, and reduced costs and increased overall efficiency.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of 30 June 2021 compared to 31 December 2020) increased by 2% to ₱623.6 bn, due to the following:

- Trade and other receivables (current and noncurrent) increased by 12% (₱44.0 bn as of 30 June 2021 compared to ₱39.4 bn as of 31 December 2020) mainly due to increased receivables of the the Power and Food Groups resulting from higher revenues.
- Inventories increased by 15% (₱24.8 bn as of 30 June 2021 compared to ₱21.6 bn as of 31 December 2020) mainly due to higher spare parts, supplies and fuel inventory of the Power Group, and higher raw materials inventory of the Food Group.
- Investments in and Advances to Associates and Joint Ventures increased by ₱5.6 bn (₱151.0 bn as of 30 June 2021 compared to ₱145.4 bn as of 31 December 2020) mainly due to ₱994 mn infusion into Unity Digital Infrastructure, Inc., AboitizPower's ₱952 mn additional infusion into GNPD, and the recording of ₱10.7 bn share in net earnings of Associates and Joint Ventures. This increase was partially offset by the ₱7.1 bn in dividends from Associates and Joint Ventures during the period.
- Other Current Assets increased by 40% (₱26.2 bn as of 30 June 2021 compared to ₱18.7 bn as of 31 December 2020) primarily due to an increase in short-term cash deposits.
- Other Noncurrent Assets increased by 7% (₱15.6 bn as of 30 June 2021 compared to ₱14.6 bn as of 31 December 2020) primarily due to additional investments in financial assets

The above increases were offset by the decrease in Cash & Cash Equivalents, which decreased by 13% (₱57.6 bn as of 30 June 2021 compared to ₱66.0 bn as of 31 December 2020). The decrease was mainly due to the movement of cash to short-term cash deposits, debt servicing, and dividend payments

Liabilities

Total Liabilities (as of 30 June 2021 compared to 31 December 2020) increased by 1% to ₱387.6 bn due to the following:

- Long-term debt, which includes both current and non-current portions, increased by 1% (₱263.1 bn as of 30 June 2021 compared to ₱261.0 bn as of 31 December 2020) mainly due to the following: (i) the issuance of ₱8.0 bn of retail bonds by AboitizPower, and (ii) a ₱780 mn loan availment by Therma Marine, Inc. These were offset by principal payments made on existing loans.
- Long-term obligation on Power Distribution System, which includes current and non-current portions, increased by 6% (₱194 mn as of 30 June 2021 compared to ₱183 mn as of 31 December 2020) due to the accretion of interest.
- Lease liabilities, which includes current and non-current portions, decreased by 7% (₱37.0 bn as of 30 June 2021 compared to ₱39.8 bn as of 31 December 2020) due to Therma Luzon, Inc.'s payment of its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).

- Trade and other payables, inclusive of noncurrent portion, increased by 12% (₱41.6 bn as of 30 June 2021 compared to ₱37.3 bn as of 31 December 2020) mainly due to the increase of trade and fuel purchases in the Power Group
- Income tax payable decreased by 37%, from ₱1.0 bn as of 31 December 2020 to ₱0.6 bn as of 30 June 2021, mainly due to the application of the provisions of the CREATE Act.
- Net derivative asset and liabilities (current and noncurrent) changed from ₱2.0 bn liability as of 31 December 2020 to ₱0.2 bn asset as of 30 June 2021. This was mainly due to the Power Group's hedging gains.
- Deferred Income Tax Liabilities (net of Deferred income tax assets) decreased by 74% (₱93 mn as of 30 June 2021 compared to ₱358 mn asset as of 31 December 2020) mainly due to the application of the provisions of the CREATE Act.
- Pension Liabilities (net of Pension assets) increased by 13% (₱519 mn as of 30 June 2021 compared to ₱459 mn as of 31 December 2020) mainly due to additional retirement cost recorded by the Group.

Equity

Equity attributable to equity holders of the parent (as of 30 June 2021 compared to 31 December 2020) increased by ₱10.6 bn, to ₱193.7 bn from ₱183.1 bn, due to the following:

- ₱13.5 bn net income recorded during the first six months of 2021; and
- ₱2.3 bn movement in cumulative translation adjustments, mainly from hedging gains.

These were partly offset by the ₱5.1 bn cash dividends paid during the first half of 2021.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the six months ended 30 June 2021, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates and Joint Ventures.

Compared to the cash inflow in the six months ended 30 June 2020, consolidated cash generated from operating activities in the six months ended 30 June 2021 decreased by ₱1.1 bn to ₱16.9 bn. This was mainly due to higher working capital requirements, which were partly offset by higher earnings before interest, depreciation and amortization.

As of 30 June 2021, ₱5.4 bn net cash was used in investing activities compared to ₱1.7 bn during the six months ended 30 June 2020. This was mainly due to additional short-term cash deposits and investment in financial assets, and higher equity infusions to Associates and Joint Ventures compared to the same period in 2020.

Net cash used in financing activities was ₱20.1 bn for the six months ended 30 June 2021 compared to ₱12.3 bn generated in the six months ended 30 June 2020. The decrease was largely attributed to the (i) payment of cash dividends in the first quarter of 2021, and (ii) payment of principal and interest on existing loans.

For the six months ended 30 June 2021, net cash outflows surpassed cash inflows, resulting in a 13% decrease in cash and cash equivalents from ₱66.0 bn as of year-end 2020 to ₱57.6 bn as of 30 June 2021.

FINANCIAL RATIOS

The Group's financial ratios remained healthy in the six months ended 30 June 2021. Current Ratio decreased to 1.5x from the end-2020 level of 1.6x, as current liabilities grew more than current assets. Debt-to-Equity Ratio declined to 1.6:1 from year-end 2020's 1.7:1, with total equity increasing more than total liabilities during the first six months of 2021.

Outlook for the Upcoming Year/Known Trends, Events, and Uncertainties Which May Have a Material Impact on Registrant

Based on information provided by UnionBank Economic Research Unit, the Company expects the Philippines' GDP to grow by 4.0% in 2021 and 5.8% in 2022. A more robust economic recovery may take place during 2021 in the event of an immediate and non-risk averse re-opening of the economy, a higher fiscal stimulus program on top of an already accommodative monetary policy since 2020, and the achievement of herd immunity on the back of an efficient and quick rollout of the COVID-19 vaccination program.

Power SBU

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

Despite increased competition in the power generation market, the AboitizPower believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of six (6) new power generation projects: (1) the GNPower Dinginin project; (2) the SN Aboitiz Power-Magat Floating Solar project; (3) the APRI steam drilling project; (4) the TMI Hybrid Battery Energy Storage System (BESS) project; (5) the SNAP Magat BESS project; and (6) the PV (Photovoltaic) Sinag Power project.

The GNPower Dinginin project is in the final stages of construction, with Unit 1 achieving first synchronization last 5 February 2021. The commissioning and testing of Unit 1 is currently ongoing. The target date for commercial operations (including the issuance of the appropriate ERC Certificate of Compliance/authority) has been moved from August 2021 to late-September 2021, while complete turnover of the unit by the EPC contractor is expected to extend beyond said date. For Unit 2, progress of the construction is going well, with the completion of the chemical cleaning of the boiler. Developments are still hampered by travel bans and slow processing of travel authorizations for foreign experts and personnel. Accordingly, the target date for Unit 2's commercial operations (including the issuance of the appropriate ERC COC/authority) is scheduled around the second quarter of 2022.

In June 2019, SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power Magat) switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power Magat floating solar project has proven its technical and commercial viability. SN Aboitiz Power Magat is working on the renewable energy service contract application with the Department of Energy (DOE). Since the National Irrigation Administration (NIA) is the government agency in charge of dams and reservoirs, SN AboitizPower Magat secured an extension of the memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW. The plan is to install up to 150 MW, depending on the final technical solution and layout.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of additional steam capacity by 2023. The two make-up wells for MakBan had been completed and started flowing into the system since April 10 and June 8, respectively, providing added steam to Makban Plant B. The new wells have provided an incremental increase of approximately 10MW to the plant's generation capacity. Another well with a projected 5 MW capacity was also completed on August 4, 2021. A total of three new make-up wells was completed in Makban, contributing to around 15 MW of MakBan's generation. Together with the 11 MW well at Tiwi which was completed last 2020, APRI and the Philipppine Geothermal Production Company, Inc. (PGPC) are expected to complete 4 out of the 12 wells this year. APRI is also developing a 14 MW Binary power plant project in Tiwi, Albay. Negotiations with top ranked bidders for design optimization and final contracting are still ongoing. APRI is expected to award the project by year-end, while commissioning is targeted by 2023. These projects are significant as they will allow APRI to optimize its current net sellable capacity of 290 MW.

In November 2020, AboitizPower announced its two battery projects. Therma Marine, Inc.'s (TMI) Hybrid BESS project (the "TMI BESS") is located in Maco, Compostela Valley. It has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with TMI's Maco oil barge. The project is currently 50% complete and commercial operations are currently targeted to commence in the first half of 2022. TMI's hybrid BESS is one of the 12 projects with a total capacity of 248 MW for regulating and contingency reserves which the AboitizPower is targeting to develop in the next 10 years. It will serve as a model for future battery investments as well as hybrid renewable energy projects.

SN Aboitiz Power-Magat's BESS project (the "SNAP BESS") is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. Early work activities have been completed, including site surveys and basic engineering design. Early work activities have been completed, including site surveys and basic engineering design. The project is expected to commence commercial operations in the second half of 2024. In connection with the project, SN AboitizPower Magat is also looking at upgrading the Magat-Santiago transmission line which is now included in the Transmission Development Plan of the National Grid Corporation of the Philippines. The benefit of this upgrade is to ensure full dispatch of the Magat power plant capacity, the battery energy storage system, and the proposed expansion in the floating solar.

PV (Photovoltaic) Sinag Power project is a 74 MW plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. Preparations for its planned construction and execution are in progress. The permits are 75% complete and the AboitizPower is on target to obtain all the permits and clearances necessary prior to start of the construction. The planned issuance of the notice to proceed for the solar plant and transmission line works is expected on October 30, 2021. The project is expected to commence commercial operations by the end of 2022.

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

The AboitizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by the DOE starting in 2021. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The AboitizPower will continue to pursue international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments. The AboitizPower will significantly grow Cleanergy by 3,700 MW, both domestically and internationally, and bring its renewables portfolio to 4,600 MW by 2030.

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

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

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

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

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

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2021 Definitive Information Statement.)

Banking & Financial Services SBU

UnionBank continues to pursue its business transformation roadmap towards its vision to become one of the top three universal banks in the Philippines in terms of return on equity, return on assets, and cost-efficiency. Rather than traditional metrics such as asset size or branch network, this transformation roadmap shifts the Bank's focus on providing financial value to stakeholders, operational excellence, customer franchise or share of wallet, unique customer experience, and delivering superior and innovative products and services.

To fulfill its vision, the Bank's primary goal is to become one of the country's great retail banks 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. At present, the majority of the Bank's revenues are already recurring in nature as loan portfolio has grown above industry average over the years (UBP: 5yr average at 12% vs. industry at 11%). The loan portfolio that the Bank has built today is a product of above-industry growth in the past, which generates the level of revenues that we have today.

Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: (i) Capital, (ii) Branch Transformation, (iii) Corporate Relationships, (iv) Processes, (v) Partners, and (vi) its unique UnionBank DNA. It leverages on Capital by prompting a shift from trading to building recurring income to generate stable returns and predictability in the growth of shareholder value. It leverages on Branch Transformation by establishing the competence of the Bank's 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. It leverages on Processes by building the foundation of the Bank's automation and digital transformation initiatives. It leverages on Partners by building synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA by building the right culture and organizational capabilities. The Bank also leverages its subsidiaries, such as City Savings Bank, Inc. (CitySavings), to serve the unbanked or underbanked segment for inclusive prosperity.

In 2015, the Bank embarked on a Digital Transformation Strategy to gain a competitive advantage and capitalize on the eventual shift of the Philippine banking industry towards digitalization. The Banks' Digital Transformation Strategy consisted of two objectives:

1) To strengthen its business model by repositioning itself into an agile and digitally-transformed universal bank. The Bank's strategy was (i) to apply higher technologies into its core banking systems and processes to quickly respond to changing customer behavior; and (ii) to employ its digitized processes to transform CitySavings and its subsidiaries into digital mass market focused-banks. The goal was to reach the underbanked and unbanked segments and employ the Bank's digitized processes to improve operational efficiencies in order to ramp up scale and accelerate achieving inclusive prosperity.

2) To search for new business models where banking may become embedded or disintermediated in people's day-to-day lives. The objective was to immerse the Bank in emerging technologies such as blockchain and the token economy which may disrupt the business of banking. The Bank sought to develop, enable, and invest in financial technologies ("fintech") companies, as their business models may evolve into the future of the financial landscape. Moreover, the Bank planned to make technology its core and to deliver digital platforms and solutions to meet its clients' banking needs. All these served to integrate the Bank in any supply and demand chain, making the Bank indispensable in a future where banking will no longer be a transaction choice but part of an integrated experience. These have, since 2019, been led by UBX PH, the Bank's technology and innovation Subsidiary.

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 digital transformation. With the key channels and platforms now in place, the Bank is focused on accelerating its customer acquisition and deepening engagement across all digital channels to achieve sustained growth of its lending and deposit businesses and, at the same time, reap operational efficiencies from its digital investments.

UBX PH is also ramping up operations with its flagship platforms, namely: (i) *i2i* (a financial platform for financial institutions); (ii) *BUX* (a payment gateway and logistics fulfillment platform for online merchants); (iii) *Sentro* (a free online shop builder embedded with a payment gateway); and (iv) *SeekCap* (a lending marketplace for MSMEs offering various financing options and faster approvals).

Without a doubt, 2020 was a challenging year across different industries due to the pandemic. The Bank is aligned with the consensus expectation that there will be a gradual path to economic recovery. Thus, while the Bank sees improvements in business activity and consumer sentiment in 2021, risks remain based on the economic indicators of certain sectors that have not yet fully recovered.

Consequently, the Bank expects a low interest environment to persist to help stimulate recovery until certain economic growth factors such as credit demand or consumer spending normalize.

The pandemic also accelerated the shift of consumer behavior towards digital banking. The industry and the Bank experienced immense growth in electronic transactions (e.g., fund transfers, bills payment, etc.), as well as increased users of digital channels and applications in 2020. The Bank expects this trend to continue, especially as more Filipinos discover and experience the advantages of digital payments and digital banking.

With the Bank's digital thrust, the Bank believes it is well-positioned to leverage on these trends as it carries on with the commercialization program of its transformation. The Bank aims to (i) accelerate digital acquisition of customers; (ii) continue to maximize engagement via digital marketing, data science, and artificial intelligence; (iii) progress towards DevSecOps to ramp up product development and testing; and (iv) continue pioneering experimentations to remain ahead of developments in the industry. To support these initiatives, the Bank has allotted more than ₱2 bn for capital expenditures in 2021.

The Bank continues to believe that its strong capitalization and above-industry profitability and efficiency ratios will continue to provide it with a cushion against potential economic headwinds.

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 also 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.

Leveraging on the global trend of increasing protein consumption, the Food Group intends to build a comprehensive animal nutrition platform in Asia. This requires 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. At the same time, the Food Group continues to utilize a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

The acquisition of the Gold Coin and its subsidiaries (the "Gold Coin Group") has allowed the Food Group to expand its customer base and geographic reach. The Company currently believes the Food Group to be the fourth largest animal feed producer in Southeast Asia based on internal market data on the capacities of major players within the market. The Food Group has and continues to harness synergies in distribution, localized operations, cross-selling, research and development, raw materials, and logistics costs.

The Food Group continues to face the challenges of the COVID-19 global pandemic and the African Swine Fever (ASF). But trusting in its strategy of "Balance, Optimize, and Develop", the Food Group was able to mitigate the decline in its bottom-line in 2020 and continue to improve on it to-date. This was evidenced by the increase in the first half of 2021 net income from the rebound of the Farms business from a loss in the same period in the previous year. For the remaining months of 2021, the Food Group continues to maintain a balanced portfolio that will maximize opportunities and minimize associated risks, amidst the continuing challenges posed by COVID-19 and ASF. 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 coming years.

The Flour business will continue employing the improved 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 for future exploration of new geographical territory. 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.

The Farms business continues to face the challenges of ASF in the swine farming industry as it brings a trade-off of risk and reward. It is believed that ASF has wiped out over a third of the Philippines' pig stocks and has resulted in a severe shortage of pork, an important part of the Filipino diet, and has led to a price increase of many food items. The Food Group sees an expansion opportunity to capture the demand and benefit on the high prices of pig and pork products. During the second quarter of 2021, the Food Group began construction in Nueva Ecija of its third breeder farm facility. The new breeder farm will have an additional capacity of 2,500 sow level and is expected to be completed by September 2022. The expansion is anchored on the confidence brought about by the improved biosecurity protocols, and methodology, that will surely thrive amidst the spread of ASF in the country. Farms' sow level capacity is expected to reach 29,020 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 August 2020, the Food Group operationalized its meat fabrication and processing plant in Tarlac, which is expected to provide more stable profitability through selling high-margin pork meats compared to live hog selling. The pork meat products are now made available in the Philippines through different digital platforms such as Lazada and via online selling from the Food Group's branded meat store – "The Good Meat". Two new physical stores will be fully operational by the end of the year with a capacity of 2 metric tons (MT) per day per store. This initiative will do two things for the Group- further develop a business-to-customer (B2C) channel and provide an expansion to the supply chain which will ensure better distribution to all customers in the relevant areas.

The targeted increase in layers capacity still remains, which is expected to result in a monthly production of 22 mn eggs by 2025.

Feeds Philippines seeks to solidify its market position through expanding production in strategic locations in the Visayas and Mindanao regions in the next five years. Feeds Philippines operationalized its third feed mill in Iligan in November 2020, and now serves the growing requirements of its Visayas and Mindanao customers. To support the wider market, the Food Group employs platform improvements in logistics to enhance operational agility and improve customer experience. Lastly, continuous product developments through precise nutrition and feeding management, the introduction of Pet Food, and building-up of Specialty Nutrition will be key to a strengthened and diversified Feeds portfolio.

The Gold Coin Group will pursue (i) fast-growing segments like aqua feeds and (ii) attractive geographies where it has a captive market and the ability to compete. This year, China will pursue geographic expansion to Guangxi via capital light options (leasing) to serve the customers from Guizhou province (currently being supplied by Yunnan) and save on freight at the same time.

These carefully selected and calibrated investments are expected to capture greater returns, while steadily building a strong and diversified regional food business integrated across the business system.

In terms of operations, the Food Group continues to find synergies between Pilmico Philippines 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.

With all of these strategies in place and in the pipeline, Food Group aims to achieve better results amidst any unforeseeable future challenges.

Food Group has allotted ₱4 bn for capital expenditures in 2021.

Infrastructure SBU

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to its economic recovery amid the COVID-19 pandemic.

Industrial

To capitalize on emerging market opportunities, Aboitiz InfraCapital aims to to scale the growth of its industrial-anchored mixed-use estates through the timely completion of (i) construction activities within the Integrated Economic Centers (IEC), and (ii) critical land banking activities. Over the second quarter of 2021, construction activities within the IEC have progressed as targeted and remained on track to be completed within schedule.

Lima Land, Inc. (LIMA Land) continues to strengthen its portfolio with 72% of its current inventory already reserved and a healthy pipeline of prospective locators as it ramps up the acquisition, planning, and design developments of its additional 47 hectares of inventory. The completion of this expansion could generate up to 20,000 new jobs in Batangas and neighboring areas. Furthermore, the planning activities for a 40-hectare industrial expansion by West Cebu Industrial Park in Balamban, Cebu is nearly complete and is expected to commence construction by January of 2022. With the limited availability of industrial lots in PEZA-proclaimed economic zones in Cebu, this expansion project addresses the demand for both new and expanding locators in medium to heavy industries.

Commercial

LIMA Estate's 30-hectare commercial area is the first master planned commercial business district (CBD) to rise in the province of Batangas. It currently houses various commercial components such as The Outlets at Lipa, LIMA Exchange, LIMA Park Hotel, and LIMA Transport Hub.

Recently opened four hectares of commercial lot inventory within the LIMA CBD. Lot sizes range from 1,800 up to 5,000 square meters, ideal for BPO companies, offices, dormitories, condominiums, schools, hospitals, hotels, civic centers, and other commercial uses. These types of establishments will complement existing commercial components in the zone. As of June 2021, 46% of the total commercial lots within the LIMA CBD have been sold and investors may start construction by the first quarter of 2022.

Leveraging on the anticipated boom of business process outsourcing (BPO) companies outside Metro Manila, LIMA Land is set to build a seven-tower office complex to be located at the heart of its CBD, with the first tower LIMA Tower One, set to break ground by late this year.

While Aboitiz InfraCapital maintains a cautious outlook in 2021, it remains optimistic about long-term growth. With the vision to turn them into smart developments in the near future, initiatives to develop the industrial zones into fully integrated economic centers will continue. Critical land banking for the expansion of the parks will continue to be pursued. Easing government restrictions and increased consumer confidence in safety protocols are expected to lead to a continued improvement in foot traffic and tenant sales in 2021, albeit still below pre-COVID levels.

Water

Lima Water Corporation (Lima Water)

Lima Water is the exclusive water and wastewater services provider of LIMA Technology Center ("LTC"), one of the Philippines' largest industrial parks. Lima Water is currently building its capability to fully support the expansion plans of LTC, which is expected to experience healthy growth in the coming years.

LWC is optimistic that the increasing water consumption trend will continue with new production lines from existing and new locators in LTC. Lima Water remains committed to supporting its customers and ensuring service continuity through its robust business continuity plans.

Apo Agua Infrastructura, Inc. (Apo Agua)

Apo Agua is the project company owned by AEV and J.V. Angeles Construction Corporation (JVACC), organized to design, construct and operate a hydroelectric powered-bulk water treatment facility and a conveyance system which will deliver at least 300 mn liters per day of treated water to the Davao City Water District (DCWD) over 30 years.

A total of around 65 kilometers of pipes of varying sizes are being laid, leading to eight off-take points of the DCWD spread across Davao City. Although construction was suspended during the second quarter of 2020 when the City was placed under enhanced community quarantine, construction has since resumed with strict social distancing protocols in place.

To mitigate the impact of the pandemic on the project, Apo Agua and its contractor, JVACC, increased its human resource count to over 5,000 workers to support the aggressive recovery plan in line with the target of achieving the first drop of water by the end of 2021.

Aboitiz InfraCapital intends to use its current water portfolio, including a 16% stake in Balibago Waterworks System, Inc., as a strategic platform to build its water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

Digital Infrastructure

In line with the Department of Information and Communication Technology's Department Circular No. 8, Aboitiz InfraCapital received the Independent Tower Company (ITC) Certificate of Registration for its towers subsidiary on February 24, 2021. The ITC Certificate of Registration recognizes Aboitiz InfraCapital's tower subsidiary as a common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites and allow the company to secure contracts with mobile network operators.

In April 2021, Aboitiz InfraCapital announced the launch of its joint venture telecommunications infrastructure platform with Partners Group, Unity Digital Infrastructure, Inc. (Unity). To date, Unity has secured master lease agreements (MLA) for pilot sites with two Mobile Network Operators (MNOs).

Aboitiz InfraCapital has also entered into partnership agreements with Globe Telecom and Dito Telecommunity to deploy small cell sites in key cities nationwide. The sites are readily available in high-density urbanized areas like Cebu and Davao, where improving network quality and services is difficult due to congestion and the availability of sites. The sites will serve as complementary offerings to the macro tower sites. Together with Globe and Dito, the deployments are ongoing to meet the accelerated demand for improved telecommunication services.

Regional Airports

The Department of Transportation (DOTr) granted Aboitiz InfraCapital Original Proponent Status to its unsolicited proposals to operate, maintain, and expand the new Bohol-Panglao International Airport on September 3, 2018. The same status was received from Civil Aviation Authority of the Philippines (CAAP) for Laguindingan Airport on February 26, 2019. On November 29, 2019, Aboitiz InfraCapital obtained the approval of the National Economic Development Authority 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.

In the face of the unprecedented impact of COVID-19 on the air travel and airport business, Aboitiz InfraCapital remains keen on pursuing its unsolicited proposals for the Bohol Panglao International Airport and Laguindingan Airport. Aboitiz InfraCapital believes that these projects are vital to reviving the economy and are aligned with its objective to support regional growth centers outside of the National Capital Region. Aboitiz InfraCapital continues to discuss the best and most prudent way to move forward with the projects with the government.

Republic Cement and Building Materials, Inc.

Cement market demand in the first half of 2021 was stronger compared to the same period in 2020, but slightly better than the same period in 2019. The recovery in market demand was primarily driven by the residential and infrastructure segments.

The outlook for the remainder of the year is cautiously optimistic. While the government has allotted a significant proportion of the 2021 national budget for infrastructure, slow economic recovery would also lead to slow recovery in market demand. Given the high levels of cost inflation expected in the second half of the year, particularly in relation to fuel and electricity costs, RCBM will continue to focus on managing its cost base effectively.

The Department of Trade Industry has started the investigation on the possible imposition of anti-dumping duty on cement imports from Vietnam.

RCBM remains committed to serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Two new mills are being commissioned which provide RCBM with additional 2.3 mn tonnes per annum (MTPA) capacity to serve the market needs. The operational excellence initiatives, cost cutting and cash optimization measures implemented since 2020 are expected to help mitigate potential impact of external headwinds that RCBM will face in the second half of this year.

RCBM will also continue to staunchly support the Philippine government's *Go Lokal* and *Buy Lokal* programs, as an industry leader and proud manufacturer of the country's best quality cement used in building a safer, greener, and stronger Republic.

Land SBU

Aboitiz Land, Inc. (AboitizLand)

AboitizLand continues to improve its operations in 2021 and is optimistic that it will continue to perform strongly by the end of the year. Aboitizland's hybrid marketing strategy of engaging vecinos both online and offline has proven to be effective as seen in its sales performance. Its digital initiatives are progressing and are all currently on track and these will help further boost its operational efficiency.

Furthermore, AboitizLand continued the sales momentum generated in the previous year generating P2.6 bn in the first half of this year, which was a 125% increase in sales compared to the same period in 2020. Furthermore, Aboitizland has been able to keep its cost-to-sales ratio at the same level as the previous year. Based on its performance in the previous quarter, Aboitizland expects that it will beat its current sales target of P2.9 bn in booked sales.

PART II--OTHER INFORMATION

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

SIGNATURES

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

Issuer	**ABOITIZ EQUITY VENTURES INC.**
Principal Accounting Officer	**Marlita M. Villacampa**
Signature and Title	**First Vice President and Comptroller**
Date	**August 13, 2021**
Authorized Officer of the Issuer	**Manuel Alberto R. Colayco**
Signature and Title	**Senior Vice President and Chief Legal Officer/Corporate Secretary/Chief Compliance Officer**
Date	**August 13, 2021**

Aboitiz Equity Ventures, Inc. and Subsidiaries

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

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

(With Comparative Figures as of December 31, 2020)
(Amounts in Thousands)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱57,619,828**	₱65,966,411
Trade and other receivables (Note 6)	**42,364,182**	38,026,254
Inventories	**24,810,653**	21,645,913
Land and improvements	**2,948,822**	3,039,972
Derivative asset (Note 24)	**1,253,963**	—
Other current assets (Note 7)	**26,233,030**	18,702,683
Total Current Assets	**155,230,478**	147,381,233
Noncurrent Assets		
Property, plant and equipment	**217,160,673**	219,538,095
Investments and advances (Note 8)	**151,029,796**	145,416,644
Intangible assets (Note 9)	**70,622,385**	67,776,489
Investment properties	**11,064,495**	10,937,685
Deferred income tax assets	**1,950,101**	2,041,497
Trade and other receivables - net of current portion (Note 6)	**882,768**	1,398,791
Net pension assets	**115,892**	115,023
Other noncurrent assets (Note 10)	**15,565,097**	14,550,470
Total Noncurrent Assets	**468,391,207**	461,774,694
TOTAL ASSETS	**₱623,621,685**	₱609,155,927
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱40,283,265**	₱35,611,592
Bank loans (Note 12)	**29,076,719**	29,330,883
Current portions of:		
Long-term debts (Notes 13 and 14)	**25,748,592**	17,417,474
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Lease liabilities (Note 15)	**7,668,028**	7,283,183
Derivative liability (Note 24)	**384,581**	982,348
Income tax payable	**632,350**	1,006,445
Total Current Liabilities	**₱103,833,535**	₱91,671,925

(Forward)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Notes 13 and 14)	**₱237,338,267**	₱243,623,606
Lease liabilities (Note 15)	**29,320,106**	32,485,663
Trade and other payables (Note 11)	**1,322,217**	1,657,982
Long-term obligation on PDS	**154,484**	143,436
Customers' deposits	**7,215,532**	6,990,008
Decommissioning liability	**5,112,476**	5,008,033
Deferred income tax liabilities	**2,042,730**	2,399,529
Net pension liability	**634,844**	574,217
Derivative liability - net of current portion (Note 24)	**654,021**	1,001,529
Total Noncurrent Liabilities	**283,794,677**	293,884,003
Total Liabilities	**387,628,212**	385,555,928
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution	**5,043,152**	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540
Acquisition of non-controlling interests	**(11,727,718)**	(11,727,718)
Accumulated other comprehensive loss (Note 17)	**(1,683,568)**	(3,959,403)
Retained earnings (Notes 16 and 25)		
Appropriated	**9,200,000**	9,200,000
Unappropriated	**174,315,549**	165,976,675
Treasury stock at cost	**(647,672)**	(647,672)
	193,677,080	183,062,371
Non-controlling Interests (Note 25)	**42,316,393**	40,537,628
Total Equity	**235,993,473**	223,599,999
TOTAL LIABILITIES AND EQUITY	**₱623,621,685**	₱609,155,927

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	For the six-month period ended June 30		For the quarter ended June 30	
	2021	**2020**	**2021**	**2020**
REVENUES (Note 18)	**₱102,334,189**	₱94,606,065	**₱55,799,139**	₱49,016,903
COSTS AND EXPENSES (Note 19)	**87,373,336**	81,955,456	**48,797,568**	42,929,852
FINANCIAL INCOME (EXPENSE)				
Interest income (Notes 5 and 6)	**281,869**	612,770	**152,174**	270,109
Interest expense (Note 23)	**(8,831,936)**	(9,092,388)	**(4,432,973)**	(4,410,970)
	(8,550,067)	(8,479,618)	**(4,280,799)**	(4,140,861)
OTHER INCOME - NET				
Share in net earnings of associates and joint ventures (Note 8)	**10,684,450**	3,105,353	**4,205,411**	1,284,948
Other income (expense) - net (Note 20)	**643,524**	1,149,215	**428,616**	1,260,328
	11,327,974	4,254,568	**4,634,027**	2,545,276
INCOME BEFORE INCOME TAX	**17,738,760**	8,425,559	**7,354,799**	4,491,466
PROVISION FOR INCOME TAX	**1,046,841**	2,530,111	**145,047**	1,594,283
NET INCOME	**₱16,691,919**	₱5,895,448	**₱7,209,752**	₱2,897,183
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱13,462,379**	₱3,924,626	**₱5,835,244**	₱1,896,617
Non-controlling interests	**3,229,540**	1,970,822	**1,374,508**	1,000,566
	₱16,691,919	₱5,895,448	**₱7,209,752**	₱2,897,183
EARNINGS PER SHARE (Note 21)				
Basic and diluted, for net income for the period attributable to ordinary equity holders of the parent	**₱2.39**	₱0.70	**₱1.04**	₱0.34

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the six-month period ended June 30		For the quarter ended June 30	
	2021	2020	**2021**	2020
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱13,462,379**	₱3,924,626	**₱5,835,244**	₱1,896,617
Non-controlling interests	**3,229,540**	1,970,822	**1,374,508**	1,000,566
	16,691,919	5,895,448	**7,209,752**	2,897,183
OTHER COMPREHENSIVE INCOME (Note 17)				
Items that will be reclassified to consolidated statements of income:				
Net movement in cumulative translation adjustments	**2,695,767**	(1,548,960)	**1,750,578**	(847,204)
Share in movement in cumulative translation adjustments of associates and joint ventures	**334,975**	40,808	**337,129**	3,958
Share in movement in net unrealized mark-to-market losses on FVOCI investments of associates	**—**	(3,122)	**—**	(3,124)
Movement in net unrealized mark-to-market gains (losses) on FVOCI investments	**(1,049)**	2,287	**545**	7,483
	3,029,693	(1,508,987)	**2,088,252**	(838,887)
Items that will not be reclassified to consolidated statements of income:				
Share in movement in actuarial gains (losses) on defined benefit plans of associates and joint ventures, net of tax	**(1,072)**	654	**—**	—
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**(6,954)**	400	**(8,273)**	400
	(8,026)	1,054	**(8,273)**	400
TOTAL COMPREHENSIVE INCOME	**₱19,713,586**	₱4,387,515	**₱9,289,731**	₱2,058,696
ATTRIBUTABLE TO:				
Equity holders of the parent	**₱15,738,214**	₱2,583,772	**₱6,530,853**	₱1,182,413
Non-controlling interests	**3,975,372**	1,803,743	**1,681,115**	876,283
	₱19,713,586	₱4,387,515	**₱8,211,968**	₱2,058,696

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021 AND 2020
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent											
							Retained Earnings					
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interest	Accumulated Other Comprehensive Income (Note 17)	Appropriated (Note 16)	Unappropriated (Note 16)	Treasury Stock	Total	Non-controlling Interest	Total
Balances at January 1, 2021	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,727,718)**	**(₱3,959,403)**	**₱9,200,000**	**₱165,976,675**	**(₱647,672)**	**₱183,062,371**	**₱40,537,628**	**₱223,599,999**
Net income for the period	—	—	—	—	—	—	—	**13,462,379**	—	**13,462,379**	**3,229,540**	**16,691,919**
Other comprehensive income	—	—	—	—	—	**2,275,835**	—	—	—	**2,275,835**	**745,832**	**3,021,667**
Total comprehensive income for the period (Note 17)	—	—	—	—	—	**2,275,835**	—	**13,462,379**	—	**15,738,214**	**3,975,372**	**19,713,586**
Cash dividends - ₱0.91 per share (Note 16)	—	—	—	—	—	—	—	**(5,123,505)**	—	**(5,123,505)**	—	**(5,123,505)**
Cash dividends paid to non-controlling interests (Note 25)	—	—	—	—	—	—	—	—	—	—	**(2,189,180)**	**(2,189,180)**
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	**(7,427)**	**(7,427)**
Balances at June 30, 2021	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,727,718)**	**(₱1,683,568)**	**₱9,200,000**	**₱174,315,549**	**(₱647,672)**	**₱193,677,080**	**₱42,316,393**	**₱235,993,473**
Balances at January 1, 2020	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,590,375)**	**(₱2,648,022)**	**₱4,200,000**	**₱162,864,330**	**(₱565,246)**	**₱176,481,176**	**₱40,713,904**	**₱217,195,080**
Net income for the period	—	—	—	—	—	—	—	3,924,626	—	3,924,626	1,970,822	5,895,448
Other comprehensive loss	—	—	—	—	—	(1,340,854)	—	—	—	(1,340,854)	(167,079)	(1,507,933)
Total comprehensive income (loss) for the period (Note 17)	—	—	—	—	—	(1,340,854)	—	3,924,626	—	2,583,772	1,803,743	4,387,515
Cash dividends - ₱1.30 per share	—	—	—	—	—	—	—	(7,321,269)	—	(7,321,269)	—	(7,321,269)
Acquisition of treasury shares	—	—	—	—	—	—	—	—	(82,426)	(82,426)	—	(82,426)
Appropriation during the year	—	—	—	—	—	—	5,000,000	(5,000,000)	—	—	—	—
Cash dividends paid to non-controlling interests (Note 25)	—	—	—	—	—	—	—	—	—	—	(3,146,866)	(3,146,866)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(311,127)	(311,127)
Balances at June 30, 2020	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,717,875)**	**(₱3,988,876)**	**₱9,200,000**	**₱154,467,687**	**(₱647,672)**	**₱171,533,753**	**₱39,059,654**	**₱210,593,407**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six-month period ended June 30		For the quarter ended June 30	
	2021	2020	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱17,738,760**	₱8,425,559	**₱7,354,799**	₱4,491,466
Adjustments for:				
Interest expense (Notes 15 and 23)	**8,831,936**	9,092,388	**4,432,973**	4,410,970
Depreciation and amortization	**6,297,112**	6,221,805	**3,209,795**	3,173,761
Net unrealized foreign exchange losses (gains)	**511,556**	(545,259)	**332,107**	(635,917)
Loss (gain) on sale/disposal of:				
Property, plant and equipment (Note 20)	**(7,143)**	44,344	**31,093**	(2,730)
Fair value through profit or loss (FVTPL) and Fair value through other comprehensive income (FVOCI) investments (Note 20)	**(27,709)**	3,999	**(24,390)**	3,854
Unrealized mark-to-market losses (gains) on derivatives	**(36,942)**	30,428	**(23,022)**	11,661
Unrealized mark-to-market losses (gains) on FVTPL investments (Note 20)	**(60,505)**	8,155	**(42,117)**	(90,876)
Dividend income (Note 20)	**(2,255)**	(3,376)	**(1,351)**	(2,183)
Interest income	**(281,869)**	(612,770)	**(152,174)**	(270,109)
Share in net earnings of associates and joint ventures (Note 8)	**(10,684,450)**	(3,105,353)	**(4,205,411)**	(1,284,948)
Operating income before working capital changes	**22,278,491**	19,559,920	**10,912,302**	9,804,949
Increase in operating assets	**(9,717,666)**	(3,926,694)	**(7,888,546)**	(3,971,219)
Increase in operating liabilities	**5,265,812**	4,561,355	**2,971,580**	2,687,333
Net cash generated from operations	**17,826,637**	20,194,581	**5,995,336**	8,521,063
Income and final taxes paid	**(952,399)**	(2,177,798)	**519,314**	(1,730,650)
Net cash flows from operating activities	**16,874,238**	18,016,783	**6,514,650**	6,790,413
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received (Note 8)	**7,803,661**	3,354,064	**1,160,527**	774,539
Interest received	**235,461**	585,034	**100,691**	262,295
Sale of or additions to FVTPL and FVOCI investments	**(1,011,267)**	39,347	**20,117**	(70,687)
Additions to:				
Property, plant and equipment and investment properties	**(3,262,367)**	(2,736,477)	**(1,978,515)**	(2,000,590)
Investments in and advances to associates (Note 8)	**(2,298,456)**	(1,751,364)	**(1,036,315)**	(262,544)
Short-term cash deposits	**(6,564,500)**	—	**(6,564,500)**	—
Increase in intangible assets	**(2,404,162)**	(1,330,125)	**(1,275,512)**	(564,373)
Decrease in other noncurrent assets	**1,527,465**	148,417	**970,695**	4,294,035
Proceeds from sale of shares of associates and joint ventures	**609,000**	—	**609,000**	—
Net cash flows from (used in) investing activities	**(5,365,165)**	(1,691,104)	**(7,993,812)**	2,432,675
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) long-term debts - net of transaction costs (Note 13 and 14)	**(399,043)**	19,280,292	**(5,511,412)**	1,934,779
Net proceeds from (payments of) bank loans (Notes 11)	**(254,164)**	14,395,521	**(2,943,585)**	882,219
Acquisition of treasury shares	—	(82,426)	—	—
Acquisition of non-controlling interest	—	(165,196)	—	(165,196)
Cash dividends paid and other changes to non-controlling interest (Note 25)	**(2,189,180)**	(3,146,866)	**(299,200)**	(1,997,674)
Cash dividends paid to equity holders of the parent (Note 16)	**(5,123,505)**	(7,321,269)	—	(7,321,269)
Interest paid	**(6,974,290)**	(6,741,121)	**(2,734,097)**	(2,656,010)
Payments of lease liabilities (Note 15)	**(5,173,176)**	(3,879,335)	**(2,513,465)**	(1,681,079)
Net cash flows from (used in) financing activities	**(20,113,358)**	12,339,600	**(14,001,759)**	(11,004,230)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(8,604,285)**	28,665,279	**(15,480,921)**	(1,781,142)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**257,702**	198,572	**349,319**	272,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**65,966,411**	46,424,663	**72,751,430**	76,796,662
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱57,619,828**	₱75,288,514	**₱57,619,828**	₱75,288,514

See accompanying Notes to Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure. The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

2. Group Information

The unaudited interim consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and a joint operation that is subject to joint control (collectively referred to as the Group).

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

			Percentage of Ownership			
			June 30, 2021		December 31, 2020	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	**77.00**	–	77.00	–
AboitizPower International Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Malvar Enerzone Corporation (MVEZ)	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding	Philippines	**–**	**100.00**	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power	Philippines	**–**	**100.00**	–	100.00
AboitizPower International B.V.	Holding	Netherlands	**–**	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	**–**	**60.00**	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	**–**	**60.00**	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership June 30, 2021 Direct	June 30, 2021 Indirect	December 31, 2020 Direct	December 31, 2020 Indirect
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
PV Sinag Power, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Amihan Power, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Solar Power, Inc*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	**–**	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Sinag Solar Power Corporation (formerly AP Solar Tiwi, Inc.)*	Power	Philippines	**–**	**100.00**	–	100.00
Retensol, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	**–**	**100.00**	–	100.00
La Filipina Elektrika, Inc. (LFEI)[1]*	Power	Philippines	**–**	**100.00**	–	40.00
Maaraw Renewable Energy Corporation[2]*	Power	Philippines	**–**	**100.00**	–	–
Wind Renewable Energy Corporation[2]*	Power	Philippines	**–**	**100.00**	–	–
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	**–**	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power-Visayas, Inc. (TPVI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (Formerly, GNPower Mariveles Coal Plant Ltd. Co.) (GMEC)	Power	Philippines	**–**	**78.33**	–	78.33
Therma Dinginin Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)	Power	Philippines	**–**	**80.00**	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	**–**	**60.00**	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	**100.00**	**–**	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**100.00**	**–**	100.00	–

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			June 30, 2021		December 31, 2020	
			Direct	**Indirect**	Direct	Indirect
Lima Land, Inc. (LLI)	Real estate	Philippines	–	**100.00**	–	100.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	**100.00**	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	**60.00**	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	–	**100.00**	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	–	**60.00**	–	60.00
ALLRise Development Corp. (formerly A2 Airport Partners, Inc.) and Subsidiaries	Real estate	Philippines	–	**50.00**	–	50.00
78 Point Blue, Inc.	Real estate	Philippines	–	**100.00**	–	100.00
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	–	**100.00**	–	100.00
Firmwall Systems, Inc.	Real estate	Philippines	–	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	–	**100.00**	–	100.00
Pilmico International Pte. Ltd. (PIPL) and Subsidiaries	Holding	Singapore	–	**100.00**	–	100.00
Pilmico Vietnam Company Limited (PVCL)	Food manufacturing	Vietnam	–	**100.00**	–	100.00
Abaqa International Pte Ltd. (formerly Comfez Pte. Ltd.)	Trading	Singapore	–	**100.00**	–	100.00
Gold Coin Management Holdings Pte. Ltd. (GCMH) and Subsidiaries	Holding	Singapore	–	**100.00**	–	100.00
GC Investment Holdings Limited	Holding	Hong Kong	–	**100.00**	–	100.00
Gold Coin (ZhangJiang) Company Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Animal Husbandry (Zhangzhou) Co. Ltd*	Feedmills	China	–	**100.00**	–	100.00
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin (Yunnan) Co. Limited*	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Agriculture (Guangxi) Co. Ltd.	Feedmills	China	–	**100.00**	–	100.00
Gold Coin Management (Shenzhen) Co. Ltd.	Holding	China	–	**100.00**	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	–	**100.00**	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	–	**100.00**	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	–	**100.00**	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd. (GCFHN)	Feedmills	Vietnam	–	**100.00**	–	100.00
Glen Arbor Holdings (Singapore) Pte. Ltd.	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	–	**100.00**	–	100.00
Gold Coin Group Limited	Holding	Hong Kong	–	**100.00**	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	–	**100.00**	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	–	–	–	100.00
Gold Coin Feedmill Binh Duong Company (GCFBDC)	Feedmills	Vietnam	–	**100.00**	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	–	**100.00**	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	–	**100.00**	–	100.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Aqua Feed Incorporated	Holding	British Virgin Island	–	**100.00**	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd.	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	–	**70.00**	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	–	**93.90**	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	–	**100.00**	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	–	**100.00**	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	–	**99.90**	–	99.90
PT Ayam Unggul (PTAYAM)	Feedmills	Indonesia	–	**60.00**	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	–	**100.00**	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	–	**40.00**	–	40.00

	Nature of Business	Place of Incorporation	June 30, 2021 Direct	June 30, 2021 Indirect	December 31, 2020 Direct	December 31, 2020 Indirect
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	**–**	**100.00**	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	**–**	**70.00**	–	70.00
Gold Coin Feedmills (Malaysia) Sdn. Bhd.	Feedmills	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Feedmills	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Sarawak Sdn. Bhd.	Feedmills	Malaysia	**–**	**72.80**	–	72.80
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	**–**	**72.80**	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	**–**	**100.00**	–	100.00
Pilmico Aqua Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Aboitiz Data Innovation Pte. Ltd.[2]*	Data Analytics	Singapore	**–**	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	**–**	100.00	–
Aboitiz Infracapital, Inc. (AIC) and Subsidiaries	Holding	Philippines	**100.00**	**–**	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	**–**	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	**2.39**	**67.61**	22.22	47.78

[1]In 2021, ARI acquired 100% of LFEI from TPI (40%) and La Filipina Uy Gongco Corporation (60%). As a result, LFEI (formerly an associate) became a subsidiary
[2]Incorporated in 2021.

** No commercial operations as of June 30, 2021.*

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

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

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

3. Basis of Preparation and Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance
The accompanying unaudited interim condensed consolidated financial statements are prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

On July 28, 2021, the Audit Committee of the Board of Directors (BOD) of the Company approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

  The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

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

  The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the change reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

As of January 1, 2021, the Group has fully adopted the provisions of PFRS 15 in relation to its real estate segment as described below:

- Philippines Interpretation Committee (PIC) Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A No: 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 7, 2019, the Philippine SEC issued SEC Memorandum Circular (MC) Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

The Group has already applied the provisions of these PIC Q&As except for the availment of the deferral option with respect to the accounting for significant financing component as provided in PIC Q&A No. 2018-12 in its most recent annual consolidated financial statements as of and for the year ended December 31, 2020. As of January 1, 2021, the Group completed the evaluation of the impact which is as follows:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitutes a significant financing component. Adoption of this guidance impacted interest income, interest expense, revenue from real estate sales, contract asset, provision for deferred income tax, deferred income tax asset or liability.

The Group has concluded that the impact to the unaudited interim consolidated financial statements, including the effect on all comparative periods presented, and the opening balance of retained earnings is not significant.

- Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The Group has concluded that the impact to the unaudited interim consolidated financial statements is not significant as its current policy in accounting for the cancellation of real estate sales is aligned with one of the approaches allowed by PIC Q&A 2020-05 where the cumulative amount of previously recognized real estate sales and the related costs of sales are reversed.

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group also included, as one of its main consideration, the continuing impact of COVID-19 pandemic in making significant judgements and assumptions.

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

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the unaudited interim condensed consolidated financial statements:

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Generation, Inc.

The Group has 60% and 70% interest in AA Thermal, Inc (AA Thermal) and GN Power Dinginin Ltd. Co. (GNPD) respectively.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD, and their respective investees. This is a result of the partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.40% ownership interest in Republic Cement and Building Materials, Inc., 99.72% ownership interest in Republic Cement Mindanao, Inc., and 100% ownership interest in Republic Cement Land and Resources, Inc.

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH.

Consequently, the Group accounts for MORE, a joint venture, and AEV CRH and GNPD, associates, using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

5. Cash and Cash Equivalents

	June 30, 2021	December 31, 2020
Cash on hand and in banks	**₱23,299,008**	₱22,224,763
Short-term deposits	**34,320,820**	43,741,648
	₱57,619,828	₱65,966,411

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

6. Trade and Other Receivables

	June 30, 2021	December 31, 2020
Trade receivables		
Power	**₱20,676,297**	₱17,726,379
Real estate	**7,855,506**	7,593,207
Food manufacturing	**9,230,764**	7,901,937
Holding and others	**832,230**	1,096,632
	38,594,797	34,318,155
Nontrade receivables	**6,904,002**	6,521,500
Dividends receivable	**600,000**	1,498,000
Advances to contractors	**470,103**	234,799
Others	**314,757**	276,282
	46,883,659	42,848,736
Less allowance for expected credit losses	**3,636,709**	3,423,691
	43,246,950	39,425,045
Less noncurrent portion	**882,768**	1,398,791
	₱42,364,182	₱38,026,254

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

Non-trade receivables include advances to partners in GMEC and Power Sector Assets and Liabilities Management Corporation (PSALM) adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMEC and due to the partners.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group
Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱7.5 billion and ₱306.8 million, respectively, as of June 30, 2021, and ₱7.3 billion and ₱301.4 million, respectively, as of December 31, 2020.

7. Other Current Assets

	June 30, 2021	December 31, 2020
Short term cash deposits	**₱7,524,960**	₱960,460
Restricted cash	**5,935,117**	5,324,213
Input value added tax (VAT)	**2,853,365**	3,452,005
Prepaid expenses	**2,435,403**	2,239,858
Insurance assets	**2,259,664**	2,227,427
Deposits for land acquisition	**1,058,123**	885,788
Biological assets	**877,164**	800,264
Advances to (National Grid Corporation of the Philippines (NGCP)	**615,792**	1,167,296
Advances to suppliers	**372,789**	106,870
Others	**2,300,653**	1,538,502
	₱26,233,030	₱18,702,683

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

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

Advances to NGCP pertain to TVI’s cost of construction and installation of substation and transmission facilities which is subject for reimbursement after completion of the project. The substation is 100.0% completed.

“Others” include asset held for sale and prepayments to regulatory agencies.

8. Investments and Advances

The Group's investees and the corresponding equity ownership are as follows:

		Percentage of ownership	
	Nature of Business	**June 30, 2021**	December 31, 2020
MORE [1]	Holding	**83.33**	83.33
GNPD **	Power generation	**70.00**	70.00
AEV CRH	Holding	**60.00**	60.00
AA Thermal [2]	Holding	**60.00**	60.00
Cebu District Property Enterprise, Inc. (CDPEI) [1] **	Real estate	**50.00**	50.00
Unity Digital Infrastructure Inc. (UDII, formerly Aboitiz Airports Advisory Services Corporation)[5]*	Services	**50.00**	100.00
Union Bank of the Philippines (UBP)	Banking	**49.34**	49.34
Hijos de F. Escaño, Inc.	Holding	**46.73**	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84
STEAG State Power Inc. (STEAG)	Power generation	**34.00**	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00
Western Mindanao Power Corporation (WMPC)	Power distribution	**20.00**	20.00
Gold Coin Feed Mills (Brunei) Sdn. Bhd. ***	Feedmills	**20.00**	20.00
Balibago Water Systems, Inc. (BWSI) [3]	Water infrastructure	**15.94**	15.94
Singlife Philippines Inc. [SLPI, formerly Singapore Life (Philippines), Inc.] [3]**	Insurance	**15.00**	15.00
Cebu Homegrown Developers, Inc. (CHDI) [1]**	Real estate	—	50.00
LFEI [4]**	Power generation	—	40.00

[1]Joint ventures.
[2]Economic interest.
[3]Significant influence by virtue of the board seat held by the Group
[4]In 2021, ARI acquired 100% of LFEI from TPI (40%) and La Filipina Uy Gongco Corporation (60%). As a result, LFEI (formerly an associate) became a subsidiary
[5]In 2021, the Group reduced its effective ownership in UDII to 50% upon entry of new joint venture partner.
***No commercial operations as of June 30, 2021.*
****Registered in Malaysia and is part of GCMH Group*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

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

In 2021, the Group also made capital contributions to CDPEI amounting to ₱310.0 million.

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

	June 30, 2021	December 31, 2020
UBP	**₱57,437,947**	₱55,369,791
GNPD/AA Thermal	**46,483,903**	41,859,316
AEV CRH	**24,297,741**	24,297,741
MORE	**7,810,878**	10,653,803
CEDC	**3,739,790**	3,409,799
STEAG	**3,201,292**	3,855,162
CRH ABOITIZ	**2,395,561**	1,146,868
CDPEI	**1,728,708**	1,417,499
SFELAPCO/PEVI	**1,005,423**	928,495
UDII	**994,068**	—
BWSI	**598,766**	580,523
Others	**540,692**	481,026
RP Energy	**520,784**	522,347
WMPC	**205,428**	168,244
SPPC	**52,904**	53,246
CHDI	**—**	652,257
	151,013,885	145,396,117

	June 30, 2021	December 31, 2020
Acquisition cost:		
Balance at beginning of period	**₱102,434,357**	₱99,669,607
Additions during the period	**2,303,072**	2,764,750
Disposals during the period	**(660,000)**	—
Balance at end of period	**104,077,429**	102,434,357
Accumulated share in net earnings:		
Balances at beginning of period	**44,585,338**	41,228,330
Share in net earnings for the period	**10,684,450**	9,019,033
Newly consolidated subsidiary	**1,007**	—
Disposals during the period	**6,742**	—
Cash dividends received and receivable	**(7,051,406)**	(5,662,025)
Balance at end of period	**48,226,131**	44,585,338
Gain on dilution	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates	**125,612**	125,612
Share in cumulative translation adjustments of associates and joint ventures	**(364,455)**	(699,430)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(1,384,237)**	(1,383,165)
	151,694,616	146,076,848
Less allowance for impairment losses	**680,731**	680,731
	151,013,885	145,396,117
Advances to associates	**15,911**	20,527
	₱151,029,796	₱145,416,644

9. Intangibles

Set out below is the carrying amount of the Group's intangible assets as of June 30, 2021 and the movements for the three-month period then ended:

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of period	₱55,170,011	₱12,068,755	₱3,078,431	₱1,029,421	₱99,746	₱943,446	₱72,389,810
Additions during the period	—	2,404,161	—	66,393	—	21,527	2,492,081
Exchange differences /Others	533,117	9,146	—	—	—	106	542,369
Balances at end of period	55,703,128	14,482,062	3,078,431	1,095,814	99,746	965,079	75,424,260
Accumulated amortization:							
Balances at beginning of period	—	3,403,951	583,620	—	88,835	536,915	4,613,321
Amortization	—	81,945	38,480	—	1,984	66,145	188,554
Balances at end of period	—	3,485,896	622,100	—	90,819	603,060	4,801,875
Net book values	₱55,703,128	₱10,996,166	₱2,456,331	₱1,095,814	₱8,927	₱362,019	₱70,622,385

10. Other Noncurrent Assets

	June 30, 2021	December 31, 2020
Prepaid taxes	**₱3,869,973**	₱3,559,354
Financial assets at FVOCI	**3,234,130**	2,215,044
Input VAT and tax credit receivable	**3,043,400**	3,076,027
Advances to contractors and projects	**1,435,486**	2,030,652
Financial assets at FVTPL	**1,107,663**	1,009,554
Receivable from NGCP	**1,023,885**	920,682
Prepaid rent and other deposits	**704,801**	845,586
Biological assets	**136,954**	133,440
Debt investments at amortized cost	**82,400**	101,161
Others	**926,405**	658,970
	₱15,565,097	₱14,550,470

Prepaid taxes are composed of creditable withholding taxes.

11. Trade and Other Payables

	June 30, 2021	December 31, 2020
Trade payables	**₱26,477,355**	₱21,245,087
Output VAT	**4,483,924**	3,583,387
Nontrade and other payables	**2,263,843**	2,236,388
Accrued expenses		
Interest	**2,478,267**	2,880,135
Taxes and fees	**851,017**	941,214
Others	**1,957,476**	1,795,287
Amounts due to contractors and other third parties	**2,008,367**	3,501,864
PSALM deferred adjustment	**1,042,861**	1,042,861
Unearned revenue	**42,372**	43,351
	41,605,482	37,269,574
Less noncurrent portion	**1,322,217**	1,657,982
	₱40,283,265	₱35,611,592

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

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

Other accrued expenses include fuel and lubricant costs, freight expense, materials and supplies that are due within 12 months.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

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

12. Bank Loans

	June 30, 2021	December 31, 2020
Philippine peso loans	**₱22,993,500**	₱25,582,500
Vietnamese dong loans	**2,701,518**	2,022,115
Chinese yuan loans	**1,595,064**	1,074,805
US dollar loans	**1,024,800**	192,092
Indonesia rupia loans	**182,027**	—
Other foreign currency-denominated loans	**579,810**	459,371
	₱29,076,719	₱29,330,883

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 0.92% - 8.50% and 1.15% to 5.55% in 2021 and 2020, respectively. These loans will mature on various dates within 12 months.

13. Long-term Debts

	June 30, 2021		December 31, 2020	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	**2.84% - 6.32%**	**₱37,888,380**	2.84% - 6.32%	₱37,888,380
Subsidiaries:				
GMEC				
Financial institutions - unsecured	**LIBOR + 1.70% - 4.85%**	**33,646,554**	LIBOR + 1.70% - 4.00%	33,711,803
Therma Marine				
Financial institutions - secured	**4.54%**	**780,277**	—	—
TVI				
Financial institutions – secured	**5.56% - 9.00%**	**27,983,935**	5.56% - 9.00%	29,418,667
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	**3.13% - 8.51%**	**52,950,000**	3.13% - 8.51%	44,950,000
Financial and nonfinancial institutions - Foreign currency -unsecured	**LIBOR + 1.20%**	**10,736,000**	LIBOR + 1.20%	14,406,900
TSI				
Financial institutions - secured	**5.26%**	**18,073,856**	5.26%	18,729,025
APRI				
Financial institutions - secured	**4.48% - 5.20%**	**6,248,800**	4.48% - 5.20%	6,873,920
Hedcor Bukidnon				
Financial institutions - secured	**4.00% - 5.34%**	**9,014,858**	4.00% - 5.34%	9,315,000
HSI				
Fixed rate corporate notes - unsecured	**4.63% - 5.42%**	**3,702,399**	4.63% - 5.42%	3,702,401
PFC				
Financial institutions - unsecured	**4.18% - 5.16%**	**2,870,000**	4.18% - 5.16%	2,877,500
PANC				
Financial institutions - unsecured	**4.50%**	**2,540,000**	4.50%	2,570,000
VECO				
Financial institution - unsecured	**4.73% - 4.81%**	**579,000**	4.73% - 4.81%	579,000
LHC				
Financial institutions - secured	**LIBOR + 2.00%**	**168,360**	LIBOR + 2.00%	271,330
DLP				
Financial institution - unsecured	**4.73% - 4.92%**	**434,250**	4.73% - 4.92%	434,250
HI				
Financial institution - secured	**7.41% - 7.87%**	**1,593,001**	7.41% - 7.87%	1,630,000
SEZ				
Financial institution - unsecured	**5.00%**	**56,500**	5.00%	56,500
CLP				
Financial institution - unsecured	**4.73% - 4.92%**	**86,850**	4.73% - 4.92%	86,850
TPVI				
Financial institution - unsecured	**3.32% - 5.06%**	**1,500,254**	3.32% - 5.06%	1,500,000
AESI				
Financial institution - secured	**4.87%**	**594,000**	4.87%	600,000
Apo Agua				
Financial institutions Philippine peso - secured	**5.75% - 8.26%**	**9,000,000**	5.75% - 8.26%	9,000,000
AEV International				
Financial institutions: Foreign currency - secured	**3.26% - 3.72%**	**10,882,400**	3.26% - 3.72%	10,709,129
US Dollar bonds Foreign currency - unsecured	**4.20%**	**19,520,000**	4.20%	19,209,200
GCMH				
Financial institution - unsecured	**LIBOR + 1.44%**	**1,952,000**	LIBOR + 2.55%	1,920,920
PTAYAM				
Financial institution - unsecured	**JIBOR + 3.48%**	**118,252**	JIBOR + 3.48%	119,082
GCFHN				
Financial institution - unsecured	**4.00% - 4.90%**	**74,424**	4.00% - 4.90%	89,112
TCP				
Financial institution - unsecured	**6.50%**	**222,100**	6.50%	235,360
Joint Operation - PEC				
Financial institution - secured	**5.77% - 6.27%**	**11,775,801**	5.50% - 8.31%	12,251,259
Total		**264,992,251**		263,135,588
Deferred financing costs		**(1,905,392)**		(2,094,508)
		263,086,859		261,041,080
Less current portion		**25,748,592**		17,417,474
Noncurrent portion		**₱237,338,267**		₱243,623,606

Loan covenants

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

These restrictions and requirements were complied with by the Group as of June 30, 2021 and December 31, 2020.

14. Debt Securities

As of June 30, 2021, AEV and AP registered and issued peso-denominated fixed-rate retail bonds totaling ₱75.9 billion under the following terms:

Maturity	Issuer	Annual Interest Rate	Amount
10-year bonds to mature on November 21, 2023	AEV	4.62%	₱1,800,000
7-year bonds to mature on August 6, 2022	AEV	5.01%	8,467,030
12-year bonds to mature on August 6, 2027	AEV	6.02%	5,071,350
5-year bonds to mature on June 18, 2024	AEV	6.02%	3,350,000
10-year bonds to mature on June 18, 2029	AEV	6.32%	1,650,000
5-year bonds to mature on November 16, 2027	AEV	3.31%	696,700
5-year bonds to mature on November 16, 2023	AEV	2.84%	6,853,300
12-year bonds to mature on September 10, 2026	AP	6.10%	3,400,000
10-year bonds to mature on September 10, 2021	AP	5.21%	6,600,000
10-year bonds to mature on July 3, 2027	AP	5.34%	3,000,000
5.25-year bonds to mature on January 25, 2024	AP	7.51%	7,700,000
7-year bonds to mature on October 25, 2025	AP	8.51%	2,500,000
7-year bonds to mature on October 14, 2026	AP	5.28%	7,250,000
2-year bonds to mature on July 6, 2022	AP	3.13%	9,000,000
5-year bonds to mature on July 6, 2025	AP	3.94%	550,000
5-year bonds to mature on March 16, 2026	AP	3.82%	8,000,000

15. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of June 30, 2021 and the movements for the six-month period then ended:

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liabilities
As of January 1	₱3,413,409	₱389,708	₱32,504,564	₱92,073	₱36,399,754	₱39,768,846
Additions	299	40,115	—	69,197	109,611	109,313
Amortization expense	(97,496)	(79,982)	(523,968)	(9,713)	(711,159)	—
Capitalized amortization	(1,077)	—	—	—	(1,077)	—
Interest expense	—	—	—	—	—	1,932,071
Payments	—	—	—	—	—	(5,173,176)
Others	6,925	3,212	—	176,066	186,203	351,080
As of June 30	₱3,322,060	₱353,053	₱31,980,596	₱327,623	₱35,983,332	₱36,988,134

Set out below are the amounts recognized in the consolidated statement of income for the six month period ended June 30, 2021:

Amortization expense of right-of-use assets	₱711,159
Interest expense on lease liabilities	1,932,071
Rent expense - low-value assets	4,300
Rent expense - short-term leases	83,372
	₱2,730,902

16. Retained Earnings

On March 5, 2021, the BOD approved the declaration of a regular cash dividend of ₱0.91 per share (₱5.1 billion) to all stockholders of record as of March 19, 2021. These dividends were taken out of the unrestricted retained earnings as of December 31, 2020, and were paid on March 31, 2021.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱151.1 billion and ₱143.6 billion as of June 30, 2021 and December 31, 2020, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

17. Other Comprehensive Income

	June 30, 2021	December 31, 2020
Cumulative Translation Adjustments		
Balance at beginning of period	**(₱474,733)**	(₱944,486)
Movements	**2,025,823**	469,753
Balance at end of period	**1,551,090**	(474,733)
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of period	**(1,468,919)**	(861,868)
Movements	**(6,954)**	(607,051)
Balance at end of period	**(1,475,873)**	(1,468,919)
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		
At beginning of period	**3,009**	3,135
Movements	**(1,049)**	(126)
Balance at end of period	**1,960**	3,009
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of period	**(765,424)**	(137,020)
Movements	**258,510**	(628,404)
Balance at end of period	**(506,914)**	(765,424)
Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures		
Balance at beginning of period	**(1,356,084)**	(819,928)
Movements	**(495)**	(536,156)
Balance at end of period	**(1,356,579)**	(1,356,084)
Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures		
At beginning of period	**102,748**	112,145
Movements	**—**	(9,397)
Balance at end of period	**102,748**	102,748
	(₱1,683,568)	(₱3,959,403)

Tax Effects Relating to Each Component of Other Comprehensive Income

	January -June 2021		
	Before Tax Amount	**Tax Expense**	**Net of Tax Amount**
Net unrealized mark-to-market losses on FVOCI investments	**(₱1,049)**	**₱—**	**(₱1,049)**
Movement in cumulative translation adjustments	**2,695,767**	**—**	**2,695,767**
Share in movement in cumulative translation adjustment of associates and joint ventures	**334,975**	**—**	**334,975**
Movement in actuarial losses on defined benefit plans	**(9,934)**	**2,980**	**(6,954)**
Share in actuarial losses on defined benefit plans of associates and joint ventures	**(1,532)**	**460**	**(1,072)**
Other comprehensive income (loss) for the period - net of tax	**₱3,018,227**	**₱3,440**	**₱3,021,667**

	January -June 2020		
	Before Tax Amount	Tax Expense	Net of Tax Amount
Net unrealized mark-to-market gains on FVOCI investments	₱2,287	₱—	₱2,287
Share in net unrealized mark-to-market losses on FVOCI investments of associates and joint ventures	(3,122)	—	(3,122)
Movement in cumulative translation adjustments	(1,548,960)	—	(1,548,960)
Share in movement in cumulative translation adjustment of associates and joint ventures	40,808	—	40,808
Share in actuarial gains on defined benefit plans of associates and joint ventures	934	(280)	654
Other comprehensive income (loss) for the period - net of tax	(₱1,507,482)	(₱451)	(₱1,507,933)

18. Revenues

	Jan - Jun 2021	Jan - Jun 2020
Sale of:		
Power	**₱60,227,887**	₱52,945,609
Goods	**39,945,610**	39,091,204
Real estate	**1,528,012**	1,146,785
Service fees	**440,933**	409,114
Sale of swine at fair value	**52,121**	897,319
Others	**139,626**	116,034
	₱102,334,189	₱94,606,065

19. Costs and Expenses

	Jan - Jun 2021	Jan - Jun 2020
Cost of goods sold	**₱35,901,680**	₱34,252,523
Cost of purchased power	**19,127,581**	16,277,881
Cost of generated power	**12,519,661**	12,395,051
Cost of real estate sales	**774,341**	683,537
Operating expenses	**19,008,361**	18,310,972
Overhead expenses	**41,712**	35,492
	₱87,373,336	₱81,955,456

20. Other Income (Expense)

	Jan - Jun 2021	Jan - Jun 2020
Net foreign exchange gains (losses)	**(₱282,296)**	₱308,422
Surcharges	**313,738**	145,513
Gain (loss) on disposal of:		
Property, plant and equipment	**7,143**	(44,344)
Financial assets at FVTPL	**27,709**	(3,999)
Non-utility operating income	**69,702**	290,191
Rental income	**78,948**	28,847
Unrealized valuation gains (losses) on financial assets	**60,505**	(8,155)
Dividend income	**2,255**	3,376
Others - net	**365,820**	429,364
	₱643,524	₱1,149,215

"Others - net" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

21. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	Jan - Jun 2021	Jan - Jun 2020
a. Net income attributable to equity holders of the parent	**₱13,462,379**	₱3,924,626
b. Weighted average number of common shares issued and outstanding	**5,630,225**	5,630,225
c. Earnings per common share (a/b)	**₱2.39**	₱0.70

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

22. Operating Segment Information

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

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

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

In addition, The Group presents geographical segments based on two categories, as follows:

- Philippines, which represents the Group's local operations; and
- Rest of Asia, which represents the foreign operations of the Group across several countries in Asia.

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Adjustments as shown below include items not presented as part of segment assets and liabilities.

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

	January -June 2021							
	Power	**Financial Services**	**Food Manufacturing**	**Real Estate**	**Infrastructure**	**Parent Company and Others**	**Eliminations**	**Consolidated**
REVENUES								
Third parties	**₱60,271,249**	**₱—**	**₱39,997,731**	**₱1,717,590**	**₱66,129**	**₱281,490**	**₱—**	**₱102,334,189**
Inter-segment	**79,868**	**—**	**806,473**	**42,067**	**1,203**	**283,167**	**(1,212,778)**	**—**
Total revenue	**₱60,351,117**	**₱—**	**₱40,804,204**	**₱1,759,657**	**₱67,332**	**₱564,657**	**(₱1,212,778)**	**₱102,334,189**
RESULTS								
Segment results	**₱13,080,463**	**₱—**	**₱1,806,245**	**₱406,551**	**(₱90,849)**	**(₱241,557)**	**₱—**	**₱14,960,853**
Unallocated corporate income (expenses) - net	**450,657**	**—**	**(31,266)**	**(15,267)**	**18,794**	**220,606**	**—**	**643,524**
INCOME FROM OPERATIONS								**15,604,377**
Interest expense	**(7,112,740)**	**—**	**(406,652)**	**(31,747)**	**(259)**	**(1,293,729)**	**13,191**	**(8,831,936)**
Interest income	**191,673**	**—**	**41,575**	**1,248**	**2,198**	**58,366**	**(13,191)**	**281,869**
Share in net earnings (losses) of associates and joint ventures	**5,229,505**	**4,170,941**	**4,906**	**2,210**	**1,278,479**	**9,136,813**	**(9,138,404)**	**10,684,450**
Benefit from (provision for) income tax	**(901,973)**	**—**	**(301,680)**	**85,552**	**(2,231)**	**73,491**	**—**	**(1,046,841)**
NET INCOME (LOSS)	**₱10,937,585**	**₱4,170,941**	**₱1,113,128**	**₱448,547**	**₱1,206,132**	**₱7,953,990**	**(₱9,138,404)**	**₱16,691,919**
Depreciation and amortization	**₱5,463,731**	**₱—**	**₱698,549**	**₱36,775**	**₱16,496**	**₱81,561**	**₱—**	**₱6,297,112**
OTHER INFORMATION (as of June 30, 2021)								
Segment assets	**₱85,507,662**	**₱—**	**₱29,418,265**	**₱19,839,266**	**₱2,855,287**	**₱19,018,265**	**(₱1,408,267)**	**₱155,230,478**
Investments and advances	**63,391,862**	**57,437,947**	**75,175**	**1,728,708**	**28,286,137**	**134,711,695**	**(134,601,728)**	**151,029,796**
Unallocated corporate assets	**256,074,682**	**—**	**31,449,635**	**9,931,756**	**10,204,244**	**10,274,969**	**(573,875)**	**317,361,411**
Consolidated total assets								**₱623,621,685**
Segment liabilities	**₱262,256,747**	**₱—**	**₱30,308,729**	**₱11,541,087**	**₱10,117,001**	**₱72,051,354**	**(₱1,956,630)**	**₱384,318,288**
Unallocated corporate liabilities	**1,421,184**	**—**	**31,299,881**	**825,321**	**17,009**	**(30,253,471)**	**—**	**3,309,924**
Consolidated total liabilities								**₱387,628,212**

	January -June 2020							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱53,013,658	₱—	₱39,988,523	₱1,146,785	₱42,468	₱414,631	₱—	₱94,606,065
Inter-segment	18,196	—	—	—	—	93,500	(111,696)	—
Total revenue	₱53,031,854	₱—	₱39,988,523	₱1,146,785	₱42,468	₱508,131	(₱111,696)	₱94,606,065
RESULTS								
Segment results	₱11,035,524	₱—	₱2,087,829	₱30,897	(₱90,233)	(₱413,408)	₱—	₱12,650,609
Unallocated corporate income (expenses) - net	1,427,716	—	(139,927)	28,988	538	(168,100)	—	1,149,215
INCOME FROM OPERATIONS								13,799,824
Interest expense	(7,197,123)	—	(527,436)	(44,044)	—	(1,346,696)	22,911	(9,092,388)
Interest income	405,295	—	32,900	6,945	10,166	180,375	(22,911)	612,770
Share in net earnings (losses) of associates and joint ventures	979,818	2,174,343	8,020	(15,606)	(40,878)	3,342,161	(3,342,505)	3,105,353
Benefit from (provision for) income tax	(1,882,509)	—	(618,947)	(12,999)	(3,050)	(12,606)	—	(2,530,111)
NET INCOME (LOSS)	₱4,768,721	₱2,174,343	₱842,439	(₱5,819)	(₱123,457)	₱1,581,726	(₱3,342,505)	₱5,895,448
Depreciation and amortization	₱2,610,960	₱—	₱360,368	₱22,175	₱4,950	₱49,592	₱—	₱3,048,045
OTHER INFORMATION (as of December 31, 2020)								
Segment assets	₱77,504,703	₱—	₱27,288,310	₱19,182,052	₱3,385,735	₱21,443,628	(₱1,423,195)	₱147,381,233
Investments and advances	61,828,801	55,369,791	71,020	2,069,756	26,025,132	126,890,485	(126,838,341)	145,416,644
Unallocated corporate assets	258,591,615	—	41,561,960	8,300,160	8,023,658	454,533	(573,876)	316,358,050
Consolidated total assets								₱609,155,927
Segment liabilities	₱261,578,030	₱—	₱28,397,739	₱12,256,824	₱9,824,430	₱71,843,403	(₱1,971,504)	₱381,928,922
Unallocated corporate liabilities	1,762,015	—	31,000,041	581,967	17,009	(29,734,026)	—	3,627,006
Consolidated total liabilities								₱385,555,928

Revenues and noncurrent operating assets by geographical locations are summarized below:

	Revenue		Property, Plant and Equipment		Intangible Assets	
	June 2021	June 2020	**June 2021**	December 2020	**June 2021**	December 2020
Philippines	**₱77,095,187**	₱68,399,128	**₱176,266,144**	₱178,347,621	**₱14,841,221**	₱12,503,579
Rest of Asia	**32,135,320**	26,318,633	**4,911,196**	4,790,720	**78,037**	102,899
	₱109,230,507	₱94,717,761	**₱181,177,340**	₱183,138,341	**₱14,919,258**	₱12,606,478

The revenue information above is based on the locations of customers. Noncurrent operating assets consist of property, plant and equipment and intangible assets.

23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents bank loans, long-term debts and lease liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

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

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

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

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

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, investments in FVTPL and FVOCI and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk
The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-

balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of June 30, 2021, 17.66% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 8.26%, and 82.34% are with fixed rates ranging from 2.84% to 9.00%. As of December 31, 2020, 15.50% of the Group's long-term debt had annual floating interest rates ranging from 1.62% to 4.90%, and 84.50% are with fixed rates ranging from 2.00% to 8.51%.

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

June 30, 2021

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱8,870,376**	**₱19,133,434**	**₱18,449,177**	**₱46,452,987**

December 31, 2020

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱2,448,799	₱30,086,294	₱8,007,950	₱40,543,043

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

The interest expense recognized during the periods follows:

	Jan - Jun 2021	Jan - Jun 2020
Long-term debts	**₱6,347,603**	₱6,544,780
Lease liabilities	**1,932,071**	1,757,433
Bank loans	**415,267**	669,987
Other long-term obligations	**136,798**	119,335
Customers' deposits	**197**	853
	₱8,831,936	₱9,092,388

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of June 30, 2021 and 2020:

	Increase (decrease) in basis points	Effect on income before tax
June 30, 2021	**200**	**(₱463,257)**
	(100)	**231,629**
June 30, 2020	200	(₱413,528)
	(100)	206,764

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first six months of 2021 and 2020, due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of June 30, 2021 and December 31, 2020, foreign currency denominated borrowings account for 30.58% and 31.15%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	June 30, 2021		December 31, 2020	
	US dollar	**Philippine peso Equivalent**[1]	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$386,049**	**₱18,839,191**	$618,093	₱29,682,701
Short-term deposits	**154,200**	**7,524,960**	20,000	960,460
Trade and other receivables	**42,261**	**2,062,337**	111,091	5,334,947
Investments in FVTPL and FVOCI	**43,447**	**2,120,214**	21,789	1,046,395
Total financial assets	**625,957**	**30,546,702**	770,973	37,024,503
Financial liabilities				
Bank loans	**21,000**	**1,024,800**	78,054	3,748,384
Trade and other payables	**151,939**	**7,414,623**	240,418	11,545,608
Long-term debts	**879,400**	**42,914,720**	963,243	46,257,829
Lease liabilities	**360,705**	**17,602,404**	400,786	19,246,931
Total financial liabilities	**1,413,044**	**68,956,547**	1,682,501	80,798,752
Net foreign currency denominated liabilities	**($787,087)**	**(₱38,409,846)**	($911,528)	(₱43,774,249)

[1]$1= ₱48.80
[2]$1= ₱48.02

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

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
June 30, 2021	**US dollar strengthens by 5%**	**(₱1,920,492)**
	US dollar weakens by 5%	**1,920,492**
December 31, 2020	US dollar strengthens by 5%	(₱2,188,712)
	US dollar weakens by 5%	2,188,712

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

Equity price risk
Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of June 30, 2021 and December 31, 2020, the Group's exposure to equity price risk is minimal.

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

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of June 30, 2021 and December 31, 2020 is summarized in the following table:

	June 30, 2021	December 31, 2020
Power distribution:		
Industrial	**₱5,089,099**	₱4,005,713
Residential	**1,821,535**	1,922,998
Commercial	**1,147,837**	1,144,382
City street lighting	**788,748**	764,702
Power generation:		
Power supply contracts	**9,227,564**	8,066,769
Spot market	**2,573,996**	1,821,815
	₱20,648,779	₱17,726,379

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

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of June 30, 2021 and December 31, 2020, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 10.87% and 8.02%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents, short term cash deposits and trade and other receivables, which are all short-term in nature, have balances of ₱57.6 billion, ₱7.5 billion and ₱42.4 billion as of June 30, 2021, respectively and ₱66.0 billion, ₱1.0 billion and ₱38.0 billion as of December 31, 2020, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

June 30, 2021

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	**₱37,296,548**	**₱37,296,548**	**₱2,249,904**	**₱34,469,515**	**₱577,129**	**₱—**
Customers' deposits	**7,215,532**	**7,215,532**	**—**	**171**	**426,379**	**6,788,982**
Financing						
Bank loans	**29,076,719**	**29,076,719**	**—**	**29,076,719**	**—**	**—**
Long-term debts	**263,086,859**	**264,400,680**	**—**	**25,702,710**	**133,327,724**	**105,370,246**
Lease liabilities	**36,988,134**	**47,883,711**	**—**	**10,762,434**	**32,341,986**	**4,779,291**
Long-term obligation on PDS	**194,484**	**320,000**	**—**	**40,000**	**200,000**	**80,000**
Others						
Derivative liabilities	**1,038,602**	**1,038,602**	**—**	**384,581**	**654,021**	**—**
	₱374,896,878	**₱387,231,792**	**₱2,249,904**	**₱100,436,130**	**₱167,527,239**	**₱117,018,519**

**Excludes statutory liabilities*

Capital Management

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

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

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

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

Gearing ratios of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Bank loans	**₱29,076,719**	₱29,330,883
Long-term obligations	**300,074,993**	300,809,926
Cash and cash equivalents (including restricted cash and short-term cash deposits)	**(71,079,905)**	(72,251,084)
Net debt (a)	**258,071,807**	257,889,725
Equity	**235,993,473**	223,599,999
Equity and net debt (b)	**₱494,065,280**	₱481,489,724
Gearing ratio (a/b)	**52.23%**	53.56%

24. Financial Instruments

Fair Value of Financial Instruments

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

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

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

	June 30, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱1,618,795**	**₱1,485,954**	₱2,140,226	₱1,939,398
Financial liabilities:				
Lease liabilities	**36,988,134**	**35,035,811**	39,768,846	38,413,752
Long-term debt - fixed rate	**216,633,872**	**233,635,503**	220,498,037	245,613,118
PSALM deferred adjustment	**1,618,795**	**1,485,954**	2,140,226	1,939,398
Long-term obligation on PDS	**194,484**	**162,164**	183,436	162,164
	₱255,435,285	**₱270,319,432**	₱262,590,545	₱286,128,432

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

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

Lease liabilities
The fair value of the lease liabilities was calculated by discounting future cash flows using applicable interest rates. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The disclosed fair value is determined using Level 3 inputs.

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

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

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

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

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

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

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

The movements in fair value changes of all derivative instruments are as follows:

	June 30, 2021	December 31, 2020
At beginning of period	**(₱1,983,877)**	(₱2,334,937)
Net changes in fair value of derivatives designated as cash flow hedges	**2,059,858**	877,257
Net changes in fair value of derivatives not designated as accounting hedges	**36,942**	(4,848)
Fair value of settled instruments	**102,438**	(521,349)
At end of period	**₱215,361**	(₱1,983,877)

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly
Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

As of June 30, 2021 the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱1,107,663**	**₱1,107,663**	**₱—**	**₱—**
At FVOCI	**3,234,130**	**3,234,130**	**—**	—
Derivative asset	**1,253,963**	—	**1,253,963**	—
Derivative liability	**1,038,602**	—	**1,038,602**	—
Disclosed at fair value:				
Lease liabilities	**35,035,811**	—	—	**35,035,811**
Long-term debt - fixed rate	**233,635,503**	—	—	**233,635,503**
Long-term obligation on PDS	**162,164**	—	—	**162,164**

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

25. Other Disclosure

a. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, Hedcor Bukidnon, Hedcor Tudaya, Hedcor Sabangan and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

b. COVID-19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon. The community quarantine is still in effect as March 31, 2021 varying in terms of restrictiveness. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The economic slowdown during the community quarantine has been caused by reduced consumer spending in most sectors and therefore, affects the Group's operations.

The Group has experienced the negative effect of the COVID-19 pandemic in its 2020 operations across most of its segments, varying in terms of magnitude. However, because of the diverse business portfolio of the Group covering different industries and to a certain extent, geographical location , the overall effect has been cushioned. In addition, significant improvements have been felt in the latter part of 2020 as the economy started to improve.

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

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

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

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

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

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

The Group reflected the changes in the current and deferred income taxes in its unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱0.6 billion.

d. Dividends to Non-Controlling Interests
The Company's material partly-owned subsidiary, AP and its subsidiaries, paid cash dividends amounting to ₱2.2 billion and ₱3.1 billion to non-controlling interests during the six-month periods ended June 30, 2021 and 2020, respectively.

e. Material Events and Changes
1. ₱8.0 billion AP bond issuance
In March 2021, AP issued the first tranche of its ₱30.0 billion debt securities program, equivalent to ₱8.0 billion. The Fixed Rate "Series A Bonds" has an interest rate of 3.82% per annum maturing in 2026. The bonds have been rated PRS Aaa by PhilRatings.

2. Aboitizland sale of its 50% equity stake in CHDI
In April 2021, AboitizLand entered into a Share Sale and Purchase Agreement with Ixidor Holdings, Inc. ("Ixidor") for the sale by AboitizLand of its entire interest in CHDI to Ixidor for ₱609.0 million.

3. AEV issuance of third tranche bonds
On August 9, 2021, the Company will issue the third tranche of retail bonds from its ₱30.0 billion fixed-rate retail bonds shelf registration program. The third tranche bonds has a principal amount of ₱5.0 billion and an oversubscription option of up to ₱5.0 billion. The bonds have been rated PRS Aaa by PhilRatings.

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

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

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

f. Material Adjustments

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

g. Contingencies

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

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

SCHEDULE A – RELEVANT FINANCIAL RATIOS

	Formula	June 30, 2021	December 31, 2020
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.5**	1.6
Acid test ratio	Cash + Marketable securities + Accounts receivable + Other liquid assets / Current liabilities	**1.1**	1.2
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	**1.6**	1.7
Asset to equity ratio	Total assets / Total equity	**2.6**	2.7
Net debt to equity ratio	Debt - Cash & cash equivalents / Total equity	**1.1**	1.2
Gearing ratio	Debt - Cash & cash equivalents / Total equity + (Debt - Cash & cash equivalents)	**52.2%**	53.6%
Interest coverage ratio	EBIT / Interest expense	**3.1**	2.7
PROFITABILITY RATIOS			
Operating margin	Operating profit / Total revenues	**14.6%**	16.9%
Return on equity *	Net income after tax / Total equity	**Not Applicable**	9.0%

*Ratio marked * is deemed Not Applicable for the interim reporting period since this will not be comparable to the ratio reported in the previous period.*

SCHEDULE B - USE OF PROCEEDS

(Amounts in Thousands)

1.) ₱7.6 billion bonds issued in 2020

	Projected Usage (Per Prospectus)	Actual Usage[1]
Payment of the maturing 2013 Series A Bonds	₱6,200,000	₱6,200,000
Payment of the maturing 2015 Series A Bonds	2,664,112	1,245,578
Partially finance the 2021 equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao	1,000,000	—
Bond issuance costs	135,888	104,422
TOTAL	**₱10,000,000**	**₱7,550,000**

[1] The full allotment for the oversubscription was not availed.

2.) ₱5.0 billion bonds issued in 2019

	Projected Usage (Per Prospectus)	Actual Usage
Repayment of Medium-term Loan of AEV International Pte. Ltd.	₱4,936,384	₱4,937,310
Bond issuance costs	63,616	62,690
TOTAL	**₱5,000,000**	**₱5,000,000**

3.) ₱24.0 billion bonds issued in 2015

	Projected Usage (Per Prospectus)	Actual Usage
Capital Infusion into Aboitiz Land, Inc.	₱9,892,000	₱10,000
Capital Infusion into Apo Agua Infrastructura, Inc.	2,055,000	14
Capital Infusion into Aseagas Corporation	311,000	222,500
Capital Infusion into PETNET, Inc.	765,000	125,000
Full repayment of existing long-term debt to fund purchase of UBP shares in 2010 & 2011	1,188,000	1,188,000
Bond Issuance Costs	214,077	219,926
Acquisition of a stake in the Philippine business of Lafarge S.A.	9,574,923	22,234,560
TOTAL	**₱24,000,000**	**₱24,000,000**

**The actual amount spent for the above projects in 2015 reached ₱25.5bn. The funding came from the ₱24bn retail bond proceeds and the ₱1.5bn balance from internally-generated funds.*

4.) ₱8.0 billion bonds issued in 2013

	Projected Usage (Per Prospectus)	Actual Usage
Aboitizland - JV with Ayala Land, Inc.	₱1,499,600	₱1,350,000
Aboitizland - Additional landbank purchases	500,000	590,000
Aboitizland - Purchase of Lima Land Shares	1,545,500	1,546,000
Aboitizland - Purchase of Lima Land Shares	—	985,000
Sub-total	**3,545,100**	**4,471,000**
Payment of Existing Short-term Debt to Finance:		
Capital Infusion into AEV Aviation	500,000	500,000
Purchase of UnionBank shares in 2012	1,030,000	1,030,000
Purchase of UnionBank shares in 2013	1,768,000	1,768,000
Sub-total	**3,298,000**	**3,298,000**
Aseagas - Liquid Bio Methane Project	622,437	295,473
Bond Issuance Costs	79,603	86,114
Warchest	454,860	—
TOTAL	**₱8,000,000**	**₱8,150,586**

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES

1) AGING OF RECEIVABLES

AS OF : JUNE 30, 2021

(amounts in thousand pesos)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	15,182,826	1,094,055	435,505	3,936,393	20,648,779
Food Manufacturing	6,493,609	619,789	354,473	1,762,893	9,230,764
Real Estate	3,047,515	288,543	199,204	4,320,244	7,855,506
Holding and Others	733,162	20,787	33,807	44,474	832,230
	25,457,112	**2,023,174**	**1,022,989**	**10,064,004**	**38,567,279**
Others	**6,536,708**	**285,660**	**109,410**	**1,384,602**	**8,316,380**
	31,993,820	**2,308,834**	**1,132,399**	**11,448,606**	**46,883,659**
Less Allowance for Expected Credit Losses					**3,636,709**
					43,246,950

2) ACCOUNTS RECEIVABLE DESCRIPTION

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

3) NORMAL OPERATING CYCLE

Power Subsidiaries

Distribution	-	60 days
Generation	-	65 days
Food Subsidiaries	-	90 days
Real Estate Subsidiaries	-	30 days

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CE02536

COMPANY NAME

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

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

32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.aboitiz.com.ph	(2) 8886-2800	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8375	April 26	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Timothy Joseph P. Abay	timothy.abay@aboitiz.com	(02) 8886-2496	Not available

CONTACT PERSON's ADDRESS

c/o Aboitiz Equity Ventures, Inc., 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

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

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

SEC
Securities and Exchange Commission Philippines
Cebu Extension Office
15 APR 2021
By
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

aboitiz
Equity Ventures

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Aboitiz Equity Ventures, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ENRIQUE M. ABOITIZ JR.
Chairman of the Board

SABIN M. ABOITIZ
President & Chief Executive Officer

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 5th day of March, 2021.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2021
DPQA SECTION INITIAL

Republic of the Philippines)
MAKATI CITY) **S.S.**

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

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz Jr.	P6213075A	February 28, 2018, Manila
	04602774	February 18, 2021, Cebu City
Sabin M. Aboitiz	P2003168A	February 23, 2017, Manila
	04602771	February 18, 2021, Cebu City
Manuel R. Lozano	P7066571A	May 6, 2018, Manila
	22190534	January 27, 2021, Taguig City

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

Witness my hand and seal this _____ day of MAR 1 7 2021 2021.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT NO M-182 UNTIL DEC 31, 2021
ROLL NO 68402/ MCLE COMPLIANCE NO. VI-0021 36/3-29-2019
IBP O.R No.2275859-LIFETIME MEMBER MAY 8, 2017
PTR No.8533058- JAN 04, 2021- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

Doc. No. 75 ;
Page No. 17 ;
Book No. 84 ;
Series of 2021.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City,
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment Testing of Goodwill

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2020, the goodwill attributable to several cash-generating units (CGUs) amounted to ₱55.2 billion or 9% of total assets, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to uncertainty on the estimation process due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically discount and growth rates, revenue assumptions, and material price inflation.

The Group's disclosures about goodwill are included in Note 14 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodologies and assumptions used. These assumptions include discount and growth rates, revenue assumptions, and material price inflation. We compared the key assumptions used, such as growth rate and revenue assumptions against the historical performance of the CGUs, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Revenue Recognition of Distribution Utilities

The distribution utilities' revenue from the sale of electricity amounting to ₱41.8 billion accounts for 22% of the Group's consolidated revenues and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 2 and 26 to the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2020, certain segments of its property, plant and equipment totaling ₱41.6 billion, may be impaired due to the existence of impairment indicators. As such, the Group assessed the recoverable amount of these segments of property and equipment and this requires significant judgment and involves estimation and assumptions about future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, we consider such assessment as a key audit matter in our audit.

The disclosures about the recoverability of certain segments of property, plant and equipment are included in Note 13 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodologies and assumptions used. These assumptions include future electricity generation levels and costs, as well as external inputs such as fuel prices, electricity prices and discount rates. We compared the key assumptions used against the historical performance of certain segments of property, plant and equipment, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts of certain segments of property, plant and equipment.

Accounting for Investment in an Associate

The Group has an investment in Union Bank of the Philippines (UBP), which is a universal bank that is publicly listed in the Philippine Stock Exchange and accounted for under the equity method. For the year ended December 31, 2020, the Group's share in the net income of UBP amounted to ₱5.9 billion and accounts for 28% of the Group's consolidated net income. The Group's share in UBP's net income is significantly affected by the level of provisioning of its loans and receivables applying the expected credit loss (ECL) model. This matter is significant to our audit because the application of the ECL model requires significant management judgment and estimates.

The Group's disclosures on investments in associates are in Notes 2 and 10 to the consolidated financial statements.

Audit Response
We obtained the financial information of UBP for the year ended December 31, 2020 and recomputed the Group's share in net income of UBP and assessed the disclosures of the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider the time value of money and the best available forward-looking information. We also inspected and considered the results of the model validation on the risk rating performed by management's specialist.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested UBP's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of credit enhancements provided by any party; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (g) tested the effective interest rate used in discounting the ECL.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures.

Consolidation Process

Aboitiz Equity Ventures, Inc. owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosures on the basis of consolidation are in Note 2 to the consolidated financial statements.

Audit Response
We obtained an understanding of the Group's consolidation process and the related controls, the process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation and reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the foreign currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-071-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534345, January 4, 2021, Makati City

March 5, 2021

BUREAU OF INTERNAL REVENUE
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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱65,966,411	₱46,424,663
Trade and other receivables (Note 5)	38,026,254	35,195,594
Inventories (Note 6)	21,645,913	20,776,828
Land and improvements (Note 6)	3,039,972	2,570,892
Derivative asset (Note 36)	—	51,060
Other current assets (Notes 7 and 8)	18,702,683	19,406,255
Total Current Assets	147,381,233	124,425,292
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 18)	219,538,095	225,558,765
Investments and advances (Note 10)	145,416,644	140,351,748
Intangible assets (Notes 9 and 14)	67,776,489	66,801,095
Investment properties (Notes 15 and 31)	10,937,685	11,291,880
Deferred income tax assets - net (Note 32)	2,041,497	3,127,072
Trade receivables - net of current portion (Note 5)	1,398,791	2,423,038
Derivative asset - net of current portion (Note 36)	—	82,327
Net pension assets (Note 30)	115,023	190,243
Other noncurrent assets (Notes 8 and 16)	14,550,470	14,134,641
Total Noncurrent Assets	461,774,694	463,960,809
TOTAL ASSETS	₱609,155,927	₱588,386,101
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 17, 35 and 40)	₱35,611,592	₱36,440,163
Bank loans (Note 18)	29,330,883	25,717,137
Current portions of:		
Long-term debts (Note 19)	17,417,474	27,126,918
Long-term obligation on Power Distribution System (PDS) (Note 14)	40,000	40,000
Lease liabilities (Notes 13 and 22)	7,283,183	5,656,226
Derivative liability (Note 37)	982,348	2,255,736
Income tax payable	1,006,445	776,596
Total Current Liabilities	91,671,925	98,012,776

(Forward)

	December 31	
	2020	2019
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 19)	**₱243,623,606**	₱212,452,620
Lease liabilities (Notes 22)	**32,485,663**	39,637,536
Trade payables (Notes 17 and 35)	**1,657,982**	7,206,837
Long-term obligation on PDS (Note 14)	**143,436**	159,350
Customers' deposits (Note 20)	**6,990,008**	6,721,156
Decommissioning liability (Note 21)	**5,008,033**	3,567,492
Deferred income tax liabilities - net (Note 32)	**2,399,529**	2,581,511
Net pension liability (Note 30)	**574,217**	639,155
Derivative liability - net of current portion (Note 37)	**1,001,529**	212,588
Total Noncurrent Liabilities	**293,884,003**	273,178,245
Total Liabilities	**385,555,928**	371,191,021
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	**5,694,600**	5,694,600
Additional paid-in capital (Note 23)	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution (Note 2)	**5,043,152**	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540
Acquisition of non-controlling interests (Note 2)	**(11,727,718)**	(11,590,375)
Accumulated other comprehensive income (Note 25)	**(3,959,403)**	(2,648,022)
Retained earnings (Notes 10 and 24)		
Appropriated	**9,200,000**	4,200,000
Unappropriated	**165,976,675**	162,864,330
Treasury stock at cost (Note 23)	**(647,672)**	(565,246)
	183,062,371	176,481,176
Non-controlling Interests	**40,537,628**	40,713,904
Total Equity	**223,599,999**	217,195,080
TOTAL LIABILITIES AND EQUITY	**₱609,155,927**	₱588,386,101

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Sale of:			
Power (Note 26)	**₱109,867,394**	₱124,605,660	₱130,734,557
Goods	**71,286,473**	69,625,434	47,751,035
Real estate (Notes 15 and 26)	**3,541,272**	4,116,175	3,925,308
Fair value of swine (Note 8)	**1,310,621**	1,529,743	2,501,841
Service fees (Note 40)	**551,455**	1,153,570	1,883,506
Others (Note 35)	**168,613**	126,886	146,573
	186,725,828	201,157,468	186,942,820
COSTS AND EXPENSES			
Cost of generated and purchased power	**54,871,109**	71,361,850	71,680,298
Cost of goods sold (Notes 6 and 28)	**61,518,767**	61,177,948	43,693,907
Operating expenses (Notes 28, 35, 38 and 39)	**37,015,283**	33,546,426	30,398,694
Cost of real estate sales (Note 6)	**1,748,270**	2,305,141	1,871,385
Overhead expenses (Note 28)	**98,609**	111,213	136,593
	155,252,038	168,502,578	147,780,877
OPERATING PROFIT	**31,473,790**	32,654,890	39,161,943
Share in net earnings of associates and joint ventures (Note 10)	**9,019,033**	11,502,090	7,727,663
Interest income (Notes 4, 35 and 36)	**1,007,236**	1,574,268	1,476,151
Interest expense (Notes 22 and 36)	**(17,917,087)**	(17,048,359)	(14,638,588)
Other income (expense) - net (Notes 5, 31 and 35)	**4,809,275**	5,517,803	1,410,826
INCOME BEFORE INCOME TAX	**28,392,247**	34,200,692	35,137,995
PROVISION FOR INCOME TAX (Note 32)	**7,583,258**	4,758,404	3,899,198
NET INCOME	**₱20,808,989**	₱29,442,288	₱31,238,797
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱15,433,613**	₱22,036,129	₱22,232,977
Non-controlling interests	**5,375,376**	7,406,159	9,005,820
	₱20,808,989	₱29,442,288	₱31,238,797
EARNINGS PER SHARE (Note 33)			
Basic and diluted, for net income for the year attributable to equity holders of the parent	**₱2.74**	₱3.91	₱3.95

See accompanying Notes to Consolidated Financial Statements.

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱15,433,613**	₱22,036,129	₱22,232,977
Non-controlling interests	**5,375,376**	7,406,159	9,005,820
	20,808,989	29,442,288	31,238,797
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in cumulative translation adjustments, net of tax	**135,893**	(2,028,859)	639,746
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**(513,559)**	(505,502)	464,139
Share in movement in net unrealized mark-to-market gains (losses) on FVOCI investments of associates (Note 10)	**(10,116)**	(2,382)	14,295
Movement in net unrealized mark-to-market gains (losses) on FVOCI investments (Note 25)	**(126)**	2,992	(17,136)
	(387,908)	(2,533,751)	1,101,044
Items that will not be reclassified to consolidated statements of income:			
Share in movement in actuarial gains (losses) on defined benefit plans of associate and joint ventures, net of tax	**(531,153)**	(394,994)	112,229
Movement in actuarial losses on defined benefit plans, net of tax	**(607,051)**	(185,103)	(10,633)
	(1,138,204)	(580,097)	101,596
TOTAL COMPREHENSIVE INCOME	**₱19,282,877**	₱26,328,440	₱32,441,437
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱14,122,232**	₱19,415,184	₱23,247,913
Non-controlling interests	**5,160,645**	6,913,256	9,193,524
	₱19,282,877	₱26,328,440	₱32,441,437

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent											
							Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Accumulated Other Comprehensive Income (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2020	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱11,590,375)	(₱2,648,022)	₱4,200,000	₱162,864,330	(₱565,246)	₱176,481,176	₱40,713,904	₱217,195,080
Net income for the year	–	–	–	–	–	–	–	15,433,613	–	15,433,613	5,375,376	20,808,989
Other comprehensive loss	–	–	–	–	–	(1,311,381)	–	–	–	(1,311,381)	(214,731)	(1,526,112)
Total comprehensive income (loss) for the year	–	–	–	–	–	(1,311,381)	–	15,433,613	–	14,122,232	5,160,645	19,282,877
Cash dividends - ₱1.30 per share (Note 24)	–	–	–	–	–	–	–	(7,321,268)	–	(7,321,268)	–	(7,321,268)
Acquisition of treasury shares (Note 23)	–	–	–	–	–	–	–	–	(82,426)	(82,426)	–	(82,426)
Appropriation during the year (Note 24)	–	–	–	–	–	–	5,000,000	(5,000,000)	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(4,607,417)	(4,607,417)
Acquisition of non-controlling interests	–	–	–	–	(137,343)	–	–	–	–	(137,343)	1,373	(135,970)
Changes in non-controlling interests	–	–	–		–	–	–	–	–	–	(730,877)	(730,877)
Balances at December 31, 2020	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱11,727,718)	(₱3,959,403)	₱9,200,000	₱165,976,675	(₱647,672)	₱183,062,371	₱40,537,628	₱223,599,999
Balances at January 1, 2019, as previously reported	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,679,549)	(₱12,464)	₱4,200,000	₱148,541,910	(₱565,246)	₱174,705,140	₱42,558,391	₱217,263,531
Effects of adoption of PFRS 16	–	–	–	–	–	–	–	(278,423)	–	(278,423)	(94,836)	(373,259)
Restatement of a subsidiary	–	–	–	–	–	(14,613)	–	–	–	(14,613)	1,228,919	1,214,306
Balances at January 1, 2019, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,679,549)	(27,077)	4,200,000	148,263,487	(565,246)	174,412,104	43,692,474	218,104,578
Net income for the year	–	–	–	–	–	–	–	22,036,129	–	22,036,129	7,406,159	29,442,288
Other comprehensive loss	–	–	–	–	–	(2,620,945)	–	–	–	(2,620,945)	(492,903)	(3,113,848)
Total comprehensive income (loss) for the year	–	–	–	–	–	(2,620,945)	–	22,036,129	–	19,415,184	6,913,256	26,328,440
Cash dividends - ₱1.32 per share (Note 24)	–	–	–	–	–	–	–	(7,435,286)	–	(7,435,286)	–	(7,435,286)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(5,235,131)	(5,235,131)
Acquisition of non-controlling interests	–	–	–	–	(9,910,826)	–	–	–	–	(9,910,826)	(1,395,615)	(11,306,441)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,261,080)	(3,261,080)
Balances at December 31, 2019	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱11,590,375)	(₱2,648,022)	₱4,200,000	₱162,864,330	(₱565,246)	₱176,481,176	₱40,713,904	₱217,195,080

	Attributable to equity holders of the parent											
							Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interest (Note 2)	Accumulated Other Comprehensive Income (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2018, as previously reported	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	(₱4,334,008)	₱1,622,000	₱135,288,145	(₱521,132)	₱154,698,419	₱37,572,509	₱192,270,928
Effects of adoption of new accounting standards	—	—	—	—	—	3,306,608	—	810,043	—	4,116,651	—	4,116,651
Balances at January 1, 2018	5,694,600	13,013,197	5,043,152	469,540	(1,577,075)	(1,027,400)	1,622,000	136,098,188	(521,132)	158,815,070	37,572,509	196,387,579
Net income for the year	—	—	—	—	—	—	—	22,232,977	—	22,232,977	9,005,820	31,238,797
Other comprehensive income	—	—	—	—	—	1,014,936	—	—	—	1,014,936	187,704	1,202,640
Total comprehensive income for the year	—	—	—	—	—	1,014,936	—	22,232,977	—	23,247,913	9,193,524	32,441,437
Cash dividends - ₱1.28 per share (Note 24)	—	—	—	—	—	—	—	(7,211,255)	—	(7,211,255)	—	(7,211,255)
Acquisition of treasury shares (Note 23)	—	—	—	—	—	—	—	—	(44,114)	(44,114)	—	(44,114)
Reversal of appropriation (Note 24)	—	—	—	—	—	—	(1,622,000)	1,622,000	—	—	—	—
Appropriation during the year (Note 24)	—	—	—	—	—	—	4,200,000	(4,200,000)	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(5,831,777)	(5,831,777)
Acquisition of non-controlling interests	—	—	—	—	(102,474)	—	—	—	—	(102,474)	246	(102,228)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	1,623,889	1,623,889
Balances at December 31, 2018	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,679,549)	(₱12,464)	₱4,200,000	₱148,541,910	(₱565,246)	₱174,705,140	₱42,558,391	₱217,263,531

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱28,392,247**	₱34,200,692	₱35,137,995
Adjustments for:			
Interest expense (Note 36)	**17,917,087**	17,048,359	14,638,588
Depreciation and amortization (Note 28)	**12,696,823**	11,536,837	9,818,431
Net unrealized foreign exchange losses (gains)	**(1,972,048)**	(1,951,509)	1,319,008
Impairment loss (recovery) on property, plant and equipment, goodwill and other assets (Notes 2, 13, 14 and 16)	**–**	(245,489)	847,620
Write-off / provision for decline in value of project costs	**56,410**	71,802	179,225
Loss (gain) on sale/disposal of:			
Property, plant and equipment (Note 13)	**27,097**	301,228	292,194
Fair value through profit or loss (FVTPL) and FVOCI investments (Note 3)	**(15,622)**	(834)	8,830
Investment in a subsidiary (Note 9)	**–**	(4,382)	(165,876)
Unrealized mark-to-market losses on derivatives	**4,848**	3,889	196,096
Unrealized mark-to-market losses (gains) on FVTPL investments	**(79,501)**	(57,998)	13,518
Dividend income (Note 31)	**(4,827)**	(10,651)	(19,060)
Net unrealized valuation gains on investment property (Notes 15 and 31)	**(401,410)**	(1,829,732)	(511,820)
Interest income (Note 36)	**(1,007,236)**	(1,574,268)	(1,476,151)
Share in net earnings of associates and joint ventures (Note 10)	**(9,019,033)**	(11,502,090)	(7,727,663)
Operating income before working capital changes	**46,594,835**	45,985,854	52,550,935
Decrease (increase) in:			
Trade and other receivables	**(12,509,152)**	(7,383,477)	(5,046,239)
Inventories	**(656,462)**	1,327,976	(2,404,398)
Land and improvements	**(455,870)**	(360,626)	(387,780)
Pension asset	**(5,165)**	–	–
Other current assets	**4,455,492**	960,381	(3,764,696)
Increase (decrease) in:			
Trade and other payables	**4,605,102**	6,339,593	1,840,197
Pension liability	**2,207**	(15,156)	(12,940)
Customers' deposits	**277,376**	513,105	(86,326)
Net cash flows generated from operations	**42,308,363**	47,367,650	42,688,753
Income and final taxes paid	**(6,087,298)**	(4,610,604)	(4,271,404)
Net cash flows from operating activities	**36,221,065**	42,757,046	38,417,349

(Forward)

BUREAU OF INTERNAL REVENUE
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	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	**₱5,366,853**	₱4,948,019	₱5,355,297
Interest received	**989,728**	1,724,033	1,618,973
Proceeds from sale of:			
FVTPL and FVOCI investments	**358,705**	506,419	156,062
Property, plant and equipment	**285,176**	85,015	35,694
Acquisition through business combination, net of cash acquired (Note 9)	**—**	(368,169)	(16,211,727)
Disposal of a subsidiary, net of cash disposed (Note 9)	**—**	—	296,441
Additions to:			
Short-term cash deposits	**(960,460)**	—	—
FVTPL and FVOCI investments	**(2,446,260)**	(554,485)	(276,062)
Property, plant and equipment and investment properties (Notes 13 and 15)	**(7,648,918)**	(12,575,634)	(10,687,679)
Investments in and advances to associates (Note 10)	**(2,762,715)**	(28,281,257)	(7,873,129)
Increase in intangible assets (Note 14)	**(2,292,307)**	(2,934,395)	(774,441)
Increase in other noncurrent assets	**(2,394,185)**	(2,432,692)	(2,401,683)
Net cash flows used in investing activities	**(11,504,383)**	(39,883,146)	(30,762,254)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**62,231,716**	44,962,947	39,157,476
Net proceeds from (settlements of) bank loans	**3,613,747**	(1,261,449)	1,054,387
Acquisition of treasury shares (Note 23)	**(82,426)**	—	(44,114)
Acquisition of non-controlling interests (Note 2)	**(165,196)**	(13,114,048)	(220,200)
Cash dividends paid and other changes to non-controlling interest	**(4,607,417)**	(5,235,131)	(5,831,777)
Cash dividends paid to equity holders of the parent (Note 24)	**(7,321,268)**	(7,435,286)	(7,211,255)
Interest paid	**(13,478,788)**	(10,400,954)	(10,935,378)
Payments of:			
Long-term debts (Note 19)	**(36,674,074)**	(15,494,718)	(21,388,035)
Lease liabilities, including accretion of interest	**(7,862,233)**	(7,638,946)	(7,804,460)
Net cash flows used in financing activities	**(4,345,939)**	(15,617,585)	(13,223,356)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,370,743**	(12,743,685)	(5,568,261)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(828,995)**	135,319	(268,924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**46,424,663**	59,033,029	64,870,214
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱65,966,411**	₱46,424,663	₱59,033,029

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
3 2021

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission (SEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply, power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 34). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 5, 2021.

2. Group Information, Basis of Preparation and Summary of Significant Accounting Policies

a. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled of the Company and a joint operation that is subject to joint control (collectively referred to as the Group). The following are the subsidiaries as of December 31 of each year:

			Percentage of Ownership			
	Nature of Business	Place of Incorporation	**2020** Direct	**2020** Indirect	2019 Direct	2019 Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	**77.00**	**–**	76.98	–
AboitizPower International Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
APR 13 2021

	Nature of Business	Place of Incorporation	Percentage of Ownership 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
Mactan Enerzone Corporation (MEZ)	Power	Philippines	–	100.0	–	100.00
Malvar Enerzone Corporation (MVEZ)	Power	Philippines	–	100.00	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	–	100.00	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	–	100.00	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	–	100.00	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	–	99.93	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding	Philippines	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power	Philippines	–	100.00	–	100.00
AboitizPower International B.V.	Holding	Netherlands	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	–	60.00	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power	Philippines	–	100.00	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power	Philippines	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc. *	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	–	100.00	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Retensol, Inc. *	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
			Percentage of Ownership			
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power-Visayas, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (Formerly, GNPower Mariveles Coal Plant Ltd. Co.) (GMEC)[A]	Power	Philippines	**–**	**78.33**	–	78.33
Therma Dinginin Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)	Power	Philippines	**–**	**80.00**	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	**–**	**60.00**	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	**100.00**	**–**	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**100.00**	**–**	100.00	–
Lima Land, Inc. (LLI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	**–**	**60.00**	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	**–**	**100.00**	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	**–**	**60.00**	–	60.00
A2 Airports, Inc. (A2) and Subsidiaries	Real estate	Philippines	**–**	**50.00**	–	50.00
78 Point Blue, Inc.	Real estate	Philippines	**–**	**100.00**	–	100.00
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	**–**	**100.00**	–	100.00
Firmwall Systems, Inc.	Real estate	Philippines	**–**	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico International Pte. Ltd. (PIPL) and Subsidiaries	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico Vietnam Company Limited (PVCL, formerly, Pilmico Vietnam Feeds Joint Stock Company)	Food manufacturing	Vietnam	**–**	**100.00**	–	100.00
Abaqa International Pte Ltd. (formerly Comfez Pte. Ltd.)	Trading	Singapore	**–**	**100.00**	–	100.00
Gold Coin Management Holdings Pte. Ltd. (GCMH) and Subsidiaries[B]	Holding	Singapore	**–**	**100.00**	–	100.00
GC Investment Holdings Limited	Holding	Hong Kong	**–**	**100.00**	–	100.00
Gold Coin (ZhangJiang) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Animal Husbandry (Zhangzhou) Co. Ltd*	Feedmills	China	**–**	**100.00**	–	–
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	**–**	**100.00**	–	100.00
Gold Coin (Yunnan) Co. Limited*	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Agriculture (Guangxi) Co. Ltd.*	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Management (Shenzhen) Co.	Holding	China	**–**	**100.00**	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	**–**	**100.00**	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	**–**	**100.00**	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd. (GCFHN)	Feedmills	Vietnam	**–**	**100.00**	–	100.00
Glen Arbor Holdings (Singapore) Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	–
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	**–**	**100.00**	–	60.00
Comfez Limited[C]	Trading	Hong Kong	**–**	**–**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
Gold Coin Group Limited	Holding	Hong Kong	–	**100.00**	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	–	**100.00**	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Feedmill Bing Duong Company (GCFBDC, formerly, Pilmico Animal Nutrition Joint Stock Company)	Feedmills	Vietnam	–	**100.00**	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	–	**100.00**	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	–	**100.00**	–	100.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Aqua Feed Incorporated (formerly, Syaqua Group Incorporated)	Holding	British Virgin Island	–	**100.00**	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd. (formerly, SYAQUA Singapore Pte Ltd)	Holding	Singapore	–	**100.00**	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	–	**70.00**	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	–	**93.90**	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	–	**100.00**	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	–	**100.00**	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	–	**99.90**	–	99.90
PT Ayam Unggul (PTAYAM)	Feedmills	Indonesia	–	**60.00**	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	–	**100.00**	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	–	**40.00**	–	40.00
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	–	**100.00**	–	100.00
FEZ Animal Nutrition (Malaysia) Sdn.Bhd.[C]	Holding	Malaysia	–	–	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	–	**70.00**	–	70.00
Gold Coin Feedmills (Malaysia) Sdn. Bhd.	Feedmills	Malaysia	–	**100.00**	–	100.00
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Feedmills	Malaysia	–	**100.00**	–	100.00
Gold Coin Sarawak Sdn. Bhd.	Feedmills	Malaysia	–	**72.80**	–	72.80
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	–	**72.80**	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	–	**100.00**	–	100.00
Pilmico Aqua Pte. Ltd.	Holding	Singapore	–	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	–	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	–	100.00	–
Aboitiz Infracapital, Inc. (AIC) and Subsidiaries	Holding	Philippines	**100.00**	–	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	–	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	**22.22**	–	22.22	–
Aboitiz Airports Advisory Services, Inc. *	Services	Philippines	–	**100.00**	–	100.00

A) In 2019, ownership increased in relation to AA Thermal, Inc. (AA Thermal) acquisition (see Note 9)
B) In 2019, ownership increased in relation to the acquisition of the noncontrollng interest in GCMH (see Note 9)
C) Deregistered in 2020
** No commercial operations as of December 31, 2020.*

b. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which includes the availment of the relief granted by the Philippine SEC under Memorandum Circular Nos. 14-2018 and 3-2019.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and a joint operation that is subject to joint control. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of total comprehensive income or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective except for the amendments to PFRS 16, *Leases*.

Except as otherwise indicated, adoption of the following new and amended standards and interpretations did not have any significant impact on the consolidated financial statements:

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

  These amendments do not have an impact on the consolidated financial statements but will be applied to future business combinations of the Group.

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

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

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

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

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

  The Group adopted the amendments starting January 1, 2020 and availed the reliefs covered by the amendments. The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relations that will be affected by interbank offered rate (IBOR) reform as financial instruments transition to risk-free interest rates (RFRs), analyzed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Group manages through hedging relationships.

Interest rate swaps (IRS)	Nominal Amount	Tenor (years)
USD LIBOR (3 months)	₱21.7 billion	3.56
USD LIBOR (3 months)	4.5 billion	2.57
USD LIBOR (6 months)	0.4 billion	1.32

The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

The Group has applied the following reliefs that were introduced by the amendments:

- When considering the 'highly probable' requirement, the Group has assumed that the LIBOR interest rate on which the Group's hedged debt is based does not change as a result of IBOR reform;
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the LIBOR interest rate on which the cash flows of the hedged debt and the IRS that hedges it are based is not altered by the IBOR reform; and
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to RFRs during 2022 and the spread will be similar to the spread included in the IRS used as the hedging instrument;
- No other changes to the terms of the floating-rate debt are anticipated; and
- The Group has incorporated the uncertainty over when the floating-rate debt will move to RFR, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalized by adding an additional spread to the discount rate used in the calculation.

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

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

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

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

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

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

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments beginning January 1, 2020.

New Standards and Interpretation Issued and Effective after December 31, 2020

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

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly RFR:
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are applied prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are applied retrospectively.

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

- Deferral of Philippines Interpretation Committee (PIC) Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A No: 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 7, 2019, the Philippine SEC issued SEC Memorandum Circular (MC) Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

The Group only availed of the deferral of the accounting for significant financing component as provided in PIC Q&A Nos. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract asset, provision for deferred income tax, deferred income tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

- Deferral of Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. The Group is still evaluating the approach to be availed among the existing options. Had the relief not been adopted and the current practice would be different from the approach to be implemented, this could have impacted the recording of revenue from real estate sales, cost of real estate sales, valuation of repossessed inventory and gain or loss from repossession in 2020.

Summary of Significant Accounting Policies

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability that is within the scope of PFRS 9 will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest (based on the proportionate share of the Group in the identifiable net assets of the acquiree) over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each balance sheet date, the Team analyzes the movements in the values of the investment properties which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

<u>Investments in Associates and Joint Ventures</u>
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share in the profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each balance sheet date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Foreign Currency Translation

The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the balance sheet date, the assets and liabilities of subsidiaries and associates whose functional currencies are not the Philippine peso, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income as cumulative translation adjustment. On disposal of any of these subsidiaries or associates, the cumulative translation adjustment recognized in other comprehensive income relating to the disposed entity is recognized in the consolidated statement of income.

Cash and Cash Equivalents

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

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

Financial Instruments - Classification and Measurement

Classification of financial assets

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

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

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payment of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

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

The Group's debt financial assets as of December 31, 2020 and 2019 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheet. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

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

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

Dividends are recognized in profit or loss only when:
- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

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

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

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

The Group's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2020 and 2019.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at FVTPL
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate
- contingent consideration recognized by an acquirer in accordance with PFRS 3

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities measured at amortized cost (which was initially recognized at fair value net of directly attributable transaction costs) as of December 31, 2020 and 2019 include trade and other payables, customers' deposits, bank loans, lease liabilities, long-term obligation on PDS and long-term debts (see Note 36).

Reclassifications of financial instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at FVTPL.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVTPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVTPL.

The Group uses derivative financial instruments, such as foreign currency forward, IRS and commodity swap contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, as well as commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency forward contracts and the commodity contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Group designated all of the foreign currency forward and commodity swap contracts as hedging instrument. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a nonfinancial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or nonfinancial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to the consolidated statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

Classification of Financial Instruments Between Liability and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. The extent of the Group’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group’s continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash- settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

<u>Impairment of Financial Assets</u>
The Group recognizes ECL for the following financial assets that are not measured at FVTPL:
- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the balance sheet date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each balance sheet date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade receivables. The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Guarantee Contracts and Loan Commitments
Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the consolidated financial statements at fair value. Subsequently, these are measured at the higher of:
- the amount of the loss allowance determined in accordance with the ECL model; and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and trading inventories	–	purchase cost on a specific identification basis
Other raw materials and production supplies, materials, parts and supplies	–	purchase cost on a moving average method
Finished goods and work in progress	–	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs
Fuel	–	purchase cost on a first-in, first-out basis

NRV of wheat grains and other raw materials and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs. An allowance for inventory losses and inventory shrinkage is provided, when necessary, based on management's review of inventory turnover in accordance with prescribed policies.

Real estate inventories include land, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized. The costs of inventory recognized in the consolidated statement of income is determined with reference to the specific costs incurred on the real estate sold and an allocation on a pro-rata basis on any non-specific costs.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition, and at each balance sheet date, at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Cost also include decommissioning liability relating to the decommissioning of power plant, if any. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10 - 50
Power plant and equipment	2 - 50
Steam field assets	20 - 25
Transmission, distribution and substation equipment:	12 - 40
Machinery and equipment	2 - 30
Transportation equipment	2 - 10
Office furniture, fixtures and equipment:	2 - 25
Leasehold improvements	3 - 20
Tools and others	2 - 20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Leases (prior to adoption of PFRS 16 in 2019)

Arrangement Containing a Lease
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance lease
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated balance sheet as lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the estimated useful life of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16 in 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>Group as a lessee</u>
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Land	10-50
Building	2-50
Power plant	20-25
Manufacturing plant, equipment and others	2-20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Service Concession Arrangements
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15 for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties
Investment properties, which pertain to land, land improvements and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Impairment of Nonfinancial Assets

Property, plant and equipment, intangible assets, investments and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Decommissioning liability

The decommissioning liability arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of decommissioning liability" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of property, plant and equipment. The amount deducted from the cost of property, plant and equipment, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the property, plant and equipment, the excess shall be recognized immediately in the consolidated statement of income.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Sale of Power

Contracts with customers for the Power Group generally include power generation and ancillary services, power distribution and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is generated. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time based on amounts billed.

Sale of Goods
Revenue from the sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of Real Estate
Contracts with customers for the Real Estate Group's real estate segment generally include sale of lot, sale of house and lot and sale of unfurnished and fully furnished condominium units.

For the sale of lot, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the development of lot is used as an input to deliver a combined output.

For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

If the sale of lot, house and lot and unfurnished and fully furnished condominium units occurs at completion, the Real Estate Group shall recognize revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Otherwise, if the sale occurs prior to completion, the Real Estate Group shall recognize revenue over time, using the output method (i.e., POC) as the appropriate measure of progress, satisfying the criterion of which the Real Estate Group's performance does not create an asset with an alternative use and the Real Estate Group has an enforceable right to payment for performance completed to date.

The buyer could enforce its rights to the promised property if the developer seeks to sell the unit to another buyer. This contractual restriction on the developer's ability to direct the promised property for another use is considered substantive as the property is not interchangeable with other properties that the entity could transfer to the buyer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. The Real Estate Group also has enforceable right to payment for performance completed to date notwithstanding contract terminations.

In determining the transaction price for real estate sales, the Real Estate Group considers the existence of significant financing component. Contracts with real estate customers provide two alternative payment options, spot cash and installment payments, after the contracts are signed. For both payment options, the Real Estate Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Real Estate Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Real Estate Group also concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of property to the customer, as well as the prevailing interest rates in the market.

However, pursuant to the SEC Memorandum Circular No. 14, series of 2018, the Real Estate Group opted to avail of the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheet.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in OCI is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the

reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate and infrastructure) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 34.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRSs require management to make judgment, estimates and assumptions that affect amount reported in the consolidated financial statements and related notes. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under circumstances. The following items are those matters which the Group assess to have significant risk arising from judgements and estimation uncertainties:

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currencies are the US dollar (US$), Singapore dollar, Vietnamese Dong, Indonesian Rupiah, Renminbi, Malaysian Ringgit, Sri Lanka Rupee, Pakistani Rupee, Myanmar Kyat, or Thai Baht. The Philippine peso is the currency of the primary economic environment in which most of the companies in the Group operate and it is the currency that mainly influences their revenues and costs.

Service concession arrangements - Companies in the Group as Operators

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA); LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC) and Apo Agua's Treated Bulk Water concession agreement with Davao City Water District (DCWD). SEZ, MEZ, LHC and Apo Agua's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG State Power, Inc. (STEAG), has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Determining fair value of customers' deposits
In applying PFRS 9 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱7.0 billion and ₱6.7 billion as of December 31, 2020 and 2019, respectively (see Notes 20).

Determining whether Independent Power Producer (IPP) Administration Agreement Contains a Lease
In accounting for its IPP Administration Agreement with PSALM, the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a lease and recognized the property, plant and equipment and lease liability at the present value of the agreed monthly payments to PSALM (see Note 22).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2020 and 2019, the carrying value of the power plant amounted to ₱32.5 billion and ₱33.6 billion, respectively (see Note 13). The carrying value of the lease liability amounted to ₱37.1 billion and ₱42.1 billion as of December 31, 2020 and 2019, respectively (see Note 22).

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2020 and 2019, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet (SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group has 60% and 70% interest in AA Thermal and GN Power Dinginin Ltd. Co. (GNPD), respectively.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD, and their respective investees. This is a result of the partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBM), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Contractual cash flows assessment
For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Identifying performance obligations
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

For sale of developed lots, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the lot development is used as an input to deliver a combined output. For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

Revenue recognition
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concludes that:
- revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power;
- when a contract is judged to be for the construction of a property, revenue is recognized using the POC method as construction progresses. The POC is made reference to the stage of completion of projects and contracts determined on the basis of the estimated completion of physical proportion of the contract work;
- for sale of goods, revenue is recognized at a point in time, generally on the delivery of goods.

Identifying methods for measuring progress of revenue recognized over time
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

The Group recognizes revenues from real estate sales over time using output method in measuring progress. The use of output method is the best method in measuring progress since the entitlement of the customers to the output performed as of date is easily measured and observed on the basis that POC for the construction of real estate properties is determined using the estimated completion of physical proportion of the contract work.

Determining method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

For Power Group, some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. It is determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Allocation of variable consideration
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Distinction among real estate inventories, land and improvements, and investment properties
The Group determines whether a property is classified as real estate inventories, land and improvements or investment properties:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.
- Land and improvements comprise land and related improvements that are part of the Group's strategic land banking activities for development or sale in the medium or long-term. These properties are neither developed nor available for sale and therefore not yet considered as part of real estate inventories.
- Investment properties comprise land, land improvements and buildings (principally composed of offices, commercial warehouses and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group considers each property separately in making its judgment.

<u>Estimates and assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2020 and 2019 based on management's assessment. The carrying amounts of the investments in and advances to associates and joint ventures amounted to ₱145.4 billion and ₱140.4 billion as of December 31, 2020 and 2019, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2020 and 2019 (see Note 10).

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2020 and 2019 amounted to ₱55.2 billion and ₱56.3 billion, respectively (see Note 14). Goodwill impairment recognized in 2018 amounted to ₱45.9 million (see Note 31). No impairment of goodwill was recognized in 2020 and 2019.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2020 and 2019, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱175.0 billion and ₱178.9 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2020 and 2019, the net book values of property, plant and equipment, excluding land, amounted to ₱179.6 billion and ₱184.4 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2020 and 2019, the net book value of intangible asset - service concession rights amounted to ₱8.7 billion and ₱6.5 billion, respectively (see Note 14).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2020 and 2019, the net book values of intangible assets - customer contracts amounted to ₱10.9 million and ₱14.9 million, respectively (see Note 14).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2020 and 2019, the carrying value of franchise amounted to ₱2.5 billion and ₱2.6 billion, respectively (see Note 14).

Assessing impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible assets (excluding goodwill), and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible assets (excluding goodwill) and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheets and consolidated statements of income. The aggregate net book values of these assets as of December 31 are as follows:

	2020	2019
Property, plant and equipment (see Note 13)	**₱219,538,095**	₱225,558,765
Other current assets (see Note 7)	**12,418,010**	14,956,539
Intangible assets (see Note 14)	**12,606,478**	10,478,363
Other noncurrent assets (see Note 16)	**11,224,711**	8,319,366
	₱255,787,294	₱259,313,033

Impairment losses recognized on these nonfinancial assets in 2020, 2019 and 2018 amounted to ₱113.7 million, nil and ₱847.6 million, respectively.

Measurement of ECL

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the balance sheet date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the balance sheet date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*

  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*

  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs change, are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2020 and 2019, allowance for ECL amounted to ₱3.4 billion and ₱2.8 billion, respectively. Trade and other receivables, net of allowance for ECL, amounted to ₱39.4 billion and ₱37.6 billion as of December 31, 2020 and 2019, respectively (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the status of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2020 and 2019, allowance for inventory obsolescence amounted to ₱170.2 million and ₱155.6 million, respectively. The carrying amounts of inventories, including land and improvements, net of valuation allowance, amounted to ₱24.7 billion and ₱23.3 billion as of December 31, 2020 and 2019, respectively (see Note 6).

Estimating the incremental borrowing rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The carrying amount of the lease liabilities amounted to ₱39.8 billion and ₱45.3 billion as of December 31, 2020 and 2019, respectively (see Note 22).

Estimating decommissioning liability
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statements of income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱5.0 billion and ₱3.6 billion as of December 31, 2020 and 2019, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deferred income tax assets amounting ₱2.9 billion and ₱3.4 billion as of December 31, 2020 and 2019, respectively (see Note 32).

Details of the Group's recognized and unrecognized deferred income tax assets are discussed in Note 32.

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱353.7 million in 2020, ₱315.8 million in 2019 and ₱318.7 million in 2018. The net pension assets as of December 31, 2020 and 2019 amounted to ₱115.0 million and ₱190.2 million, respectively. Net pension liabilities as of December 31, 2020 and 2019 amounted to ₱574.2 million and ₱639.2 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2020 and 2019, the carrying value of the biological assets amounted to ₱0.9 billion and ₱1.1 billion, respectively (see Note 8).

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each balance sheet date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 15).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018.

4. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	**₱22,224,763**	₱18,151,459
Short-term deposits	**43,741,648**	28,273,204
	₱65,966,411	₱46,424,663

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱0.9 billion in 2020 and ₱1.5 billion in 2019 and 2018, respectively (see Note 36).

5. Trade and Other Receivables

	2020	2019
Trade receivables (see Note 36)		
Power	**₱17,726,379**	₱18,394,472
Food manufacturing	**7,901,937**	7,492,861
Real estate	**7,593,207**	5,196,331
Holding and others	**1,096,632**	1,222,026
	34,318,155	32,305,690
Nontrade receivables	**6,521,500**	5,926,179
Dividends receivable (see Note 10)	**1,498,000**	1,199,068
Advances to contractors	**234,799**	63,339
Others	**276,282**	902,582
	42,848,736	40,396,858
Less allowance for expected credit losses	**3,423,691**	2,778,226
	39,425,045	37,618,632
Less noncurrent portion	**1,398,791**	2,423,038
	₱38,026,254	₱35,195,594

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 35.

Non-trade receivables include advances to partners in GMEC and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances to Partners are subject to offset against any cash dividends declared by GMEC and due to the partners. PSALM adjustment refers to the current and non-current portions of the amounts pertaining to Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) which, as granted by the ERC, are to be recovered from the customers and to be remitted to PSALM.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group
Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱7.3 billion and ₱0.3 billion, respectively, as of December 31, 2020, and ₱4.9 billion and ₱0.3 billion, respectively, as of December 31, 2019.

Trade receivables of real estate group include the following movement in the contract assets:

	2020	2019
At January 1	**₱1,099,517**	₱754,893
Unbilled revenues for the year	**1,596,289**	348,305
Less allowance for expected credit losses	**3,681**	3,681
At December 31	**₱2,692,125**	₱1,099,517

Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage-of-completion, against amounts billed to customers.

The rollforward analysis of allowance for expected credit losses is presented below:

December 31, 2020

	Trade Receivables			
	Power	**Food Manufacturing**	**Real Estate**	**Total**
At beginning of year	**₱1,973,520**	**₱701,871**	**₱102,835**	**₱2,778,226**
Provisions (see Note 28)	**719,193**	**328,809**	**57,837**	**1,105,839**
Write-off	**(121,618)**	**(2,264)**	**—**	**(123,882)**
Reversals/recovery/others	**(294,722)**	**(41,770)**	**—**	**(336,492)**
At end of year	**₱2,276,373**	**₱986,646**	**₱160,672**	**₱3,423,691**

December 31, 2019

	Trade Receivables			
	Power	Food Manufacturing	Real Estate	Total
At beginning of year	₱1,749,991	₱602,570	₱102,835	₱2,455,396
Provisions (see Note 28)	87,086	191,680	—	278,766
Write-off	(89,496)	(30,294)	—	(119,790)
Reversals/recovery/others	225,939	(62,085)	—	163,854
At end of year	₱1,973,520	₱701,871	₱102,835	₱2,778,226

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income (expense) - net" account in the consolidated statements of income.

6. Inventories and Land and Improvements

Inventories

	2020	2019
At cost:		
Fuel and lubricants	**₱1,635,333**	₱2,514,447
Materials, parts and supplies	**4,812,170**	4,245,715
Real estate inventories	**4,761,107**	4,891,197
Raw materials	**2,101,297**	2,058,603
Finished goods (see Note 28)	**1,449,166**	1,468,608
Work in progress	**33,367**	13,686
At NRV:		
Wheat grains and other raw materials	**5,915,153**	4,587,257
Materials, parts and supplies	**938,320**	997,315
	₱21,645,913	₱20,776,828

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱19.7 billion in 2020, ₱29.4 billion in 2019 and ₱29.4 billion in 2018 (see Note 28). The cost of inventories recognized as part of operating expenses in the consolidated statements of income amounted to ₱305.8 million in 2020, ₱353.7 million in 2019 and ₱285.3 million in 2018 (see Note 28).

Allowance for inventory obsolescence amounted to ₱170.2 million and ₱155.6 million as of December 31, 2020 and 2019, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱14.6 million in 2020, ₱3.0 million in 2019 and ₱1.0 million in 2018 (see Note 28).

Cost of inventories carried at NRV amounted to ₱6.9 billion and ₱5.6 billion as of December 31, 2020 and 2019, respectively.

A summary of the movement in real estate inventories is set out below:

	2020	2019
At January 1	**₱4,891,197**	₱4,417,009
Construction/development costs incurred	**1,397,039**	2,086,632
Land acquired during the year	**41,814**	413,803
Contract cost asset related to capitalized sales commissions	**182,574**	165,123
Land costs transferred from land and improvements	**—**	130,466
Reversal of capitalized commission related to forfeited units	**(6,035)**	(16,695)
Amortization of capitalized contract cost asset (recognized as cost of real estate inventories sold)	**(64,572)**	(70,395)
Cost of real estate inventories sold	**(1,683,698)**	(2,234,746)
Others	**2,788**	—
At December 31	**₱4,761,107**	₱4,891,197

Land and Improvements

	2020	2019
At January 1	**₱2,570,892**	₱2,340,113
Additions	**456,011**	360,626
Transfers to real estate inventories	**—**	(130,466)
Transfers to investment properties	**(406)**	(2,911)
Disposal	**(141)**	—
Other transfers/adjustments	**13,616**	3,530
At December 31	**₱3,039,972**	₱2,570,892

7. **Other Current Assets**

	2020	2019
Restricted cash	**₱5,324,213**	₱4,449,716
Input VAT	**3,452,005**	2,722,595
Prepaid expenses	**2,239,858**	4,874,810
Insurance assets	**2,227,427**	2,298,702

(Forward)

	2020	2019
Advances to NGCP	**₱1,167,296**	₱1,727,028
Short-term cash deposits	**960,460**	—
Deposits for land acquisition	**885,788**	1,107,693
Biological assets (see Note 8)	**800,264**	942,820
Advances to suppliers	**106,870**	671,783
Others	**1,538,502**	611,108
	₱18,702,683	₱19,406,255

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

Advances to NGCP pertain TVI's cost of construction and installation of substation and transmission facilities which is subject for reimbursement after completion of the project. As of December 31, 2020, the substation is 100.0% completed.

In 2020, TVI reclassified portion of its advances to NGCP to "Other noncurrent assets" based on its assessment of the expected timing of collection of these assets (see Note 16).

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

"Others" include asset held for sale and prepayments to regulatory agencies.

8. Biological Assets

	2020	2019
Presented under Other Current Assets (see Note 7):		
Market hogs	**₱396,905**	₱498,722
Piglets	**230,173**	230,255
Growing stocks	**173,186**	196,250
Others	**—**	17,593
	800,264	942,820
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**133,440**	140,304
	₱933,704	₱1,083,124

As of December 31, 2020 and 2019, biological assets are measured at fair value under Level 3 input. Fair values are determined based on average market selling prices at balance sheet date. Market hogs, piglets, growing stocks, bearers (breeders), and others are measured at fair value less estimated costs to sell.

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount of consumable biological assets follows:

	2020	2019
At beginning of year	**₱1,083,124**	₱1,168,136
Additions	**1,079,523**	1,896,643
Sales at fair value	**(1,310,621)**	(1,529,743)
Transferred to breeding herd	**(224,033)**	(184,152)
Increase (decrease) in fair value (see Notes 28 and 31)	**305,711**	(267,760)
At end of year	**₱933,704**	₱1,083,124

Consumable biological assets are included under “Other current assets” account while bearers are included under “Other noncurrent assets” account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of AA Thermal

On May 2, 2019, AP completed its acquisition of a 49% voting stake and a 60% economic stake in AA Thermal, AC Energy’s thermal platform in the Philippines. Total consideration was $572.9 million or ₱29.8 billion.

AA Thermal has interests in GMEC, the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan, and in GNPD, the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin,Mariveles, Bataan, which is currently under construction.

The completion of the transaction increased AP’s economic interests in GMEC and GNPD to 78.3%, and 75.0%, respectively.

b. Acquisition of additional interest in GCMH

On May 28, 2019, PIPL acquired the remaining 25% equity interest in GCMH for a total cash consideration of $144.8 million or ₱7.57 billion. The carrying value of non-controlling interest acquired is ₱2.31 billion and as a result, PIPL recognized the ₱5.26 billion difference between the consideration and carrying value of the additional interest acquired as “Acquisition of non-controlling interests”, an equity reserve account.

The completion of the transaction increased the Group's equity interest in GCMH to 100%.

c. Dilution of Interest in A2 Airports, Inc. (A2) and Acquisition of Triplecrown Properties, Inc. (TCP) and 78 PointBlue, Inc. (PB)

Prior to 2019, A2 is a wholly-owned subsidiary of AboitizLand. In September 2019, E360, Inc. (E360) and AboitizLand contributed capital in A2, which resulted in the ownership interest of E360 and ALand to be at 50% each. The capital contribution of E360 resulted in AboitizLand's recognition of non-controlling interest.

On September 18, 2019, A2 acquired 100% equity interest in TCP and PB at a cash consideration of ₱340.2 million and ₱63.5 million, respectively. TCP and PB are engaged in the business of leasing microstudios located in the business districts of Makati and Taguig.

In 2020, the purchase price allocation in the acquisition of TCP and PB was finalized. No changes were made on the provisional accounting done in 2019.

d. Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UnionBank), respectively. UnionBank is a banking associate of AEV. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

After securing the Bangko Sentral ng Pilipinas on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion, which was settled in cash. The sale was approved by the Philippine Competition Commission on May 8, 2018.

Accordingly, PETNET was deconsolidated from the December 31, 2018 consolidated financial statements of the Group, and a gain on sale of PETNET amounting to ₱166.9 million was reported under "Other income (expense) - net" in the 2018 consolidated statement of income (see Note 31).

10. **Investments and Advances**

	2020	2019
Acquisition cost:		
Balance at beginning of year	**₱99,669,607**	₱71,388,350
Additions during the year	**2,764,750**	28,281,257
Balance at end of year	**102,434,357**	99,669,607
Accumulated share in net earnings:		
Balances at beginning of year	**41,228,330**	35,195,825
Share in net earnings for the year	**9,019,033**	11,502,090
Cash dividends received and receivable	**(5,662,025)**	(5,469,585)
Balance at end of year	**44,585,338**	41,228,330
Gain on dilution	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates	**125,612**	135,727
Share in cumulative translation adjustments of associates and joint ventures	**(699,430)**	(185,871)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(1,383,165)**	(852,012)
	146,076,848	141,009,917
Less allowance for impairment losses	**680,731**	680,731
	145,396,117	140,329,186
Advances to associates	**20,527**	22,562
	₱145,416,644	₱140,351,748

The Group's investees and the corresponding equity ownership are as follows:

		Percentage of ownership		
	Nature of Business	**2020**	2019	2018
MORE[1] (see Note 3)	Holding	**83.33**	83.33	83.33
GNPD[2**] (see Note 3 and 9)	Power generation	**70.00**	72.50	45.00
AEV CRH (see Note 3)	Holding	**60.00**	60.00	60.00
AA Thermal[3] (see Notes 3 and 9)	Holding	**60.00**	60.00	—
Cebu District Property Enterprise, Inc. (CDPEI)[1] **	Real estate	**50.00**	50.00	50.00
Cebu Homegrown Developers, Inc. (CHDI)[1]**	Real estate	**50.00**	50.00	—
AA Infrastructure Projects Corp.[4]	Holding	**—**	—	50.00
Union Bank of the Philippines (UBP)	Banking	**49.34**	49.34	49.36
Hijos de F. Escaño, Inc. (Hijos)	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	40.00
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00	25.00

(Forward)

	Nature of Business	Percentage of ownership		
		2020	2019	2018
Gold Coin Feed Mills (B) Sdn. Bhd. (see Note 9) ***	Feedmills	**20.00**	20.00	20.00
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00	20.00
Western Mindanao Power Corporation (WMPC)	Power distribution	**20.00**	20.00	20.00
Balibago Water Systems, Inc. (BWSI)[5]	Water distribution	**15.94**	15.94	11.14
Singlife Philippines Inc. [SLPI, formerly Singapore Life (Philippines), Inc.][5]	Insurance	**15.00**	15.00	—
Accuria, Inc.[4]	Holding	**—**	—	49.54

[1]*Joint ventures.*

[2]*GNPD change in ownership based on the Partnership Agreement and in 2019 due to AA Thermal acquisition (see Note 9)*

[3]*Economic interest.*

[4]*Liquidated.*

[5]*Significant influence by virtue of the board seat held by the Group.*

***No commercial operations as of December 31, 2020.*

****Registered in Malaysia and is part of GCMH Group that was acquired by PIPL in 2018.*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for GNPD and SFELAPCO. As of December 31, 2020, AA Thermal has an indirect ownership in GNPD of 50% while the Group's direct ownership in GNPD is 40% resulting to the Group's effective ownership in GNPD of 70%. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

As of December 31, 2020 and 2019, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

<u>2020</u>

GNPD
In 2020, the Group, through TPI and AA Thermal, made capital contributions to GNPD amounting to US$48.3 million (₱2.3 billion).

CHDI
In 2020, Aboitizland made capital contributions to CHDI amounting to ₱430.0 million.

Hijos

In 2020, the Group converted the advances to Hijos to equity in the form of common and redeemable preferred shares amounting to ₱15.4 million.

2019

GNPD

In 2019, the Group, through TPI and AA Thermal, made capital contributions to GNPD amounting to US$81.5 million (₱4.2 billion).

CHDI

In December 2019, CHDI was incorporated as a joint venture vehicle with certain companies and individuals. Aboitizland made an initial capital contribution to CHDI amounting to ₱230.0 million.

SLPI

In December 2019, the Company purchased 1.95 million shares of SLPI from Singapore Life Pte. Ltd. and Di-Firm Capital Pte. Ltd. for a total consideration of ₱195.0 million. As a result, AEV owns 15% of the outstanding shares of SLPI.

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

	2020	2019
UBP	**₱55,369,791**	₱51,837,773
GNPD/ATI	**41,859,316**	41,257,477
AEV CRH	**24,297,741**	23,853,892
MORE	**10,653,803**	10,180,552
STEAG	**3,855,162**	4,032,405
CEDC	**3,409,799**	3,447,491
CDPEI	**1,417,499**	1,443,212
CRH ABOITIZ	**1,146,868**	1,411,852
SFELAPCO/PEVI	**928,495**	881,812
CHDI	**652,257**	230,000
BWSI	**580,523**	567,451
RP Energy	**522,347**	525,769
WMPC	**168,244**	142,577
SPPC	**53,246**	61,497
Others	**481,026**	455,426
	₱145,396,117	₱140,329,186

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱43.2 billion and ₱34.7 billion as of December 31, 2020 and 2019, respectively. Following is the summarized financial information of significant associates and joint ventures:

	2020	2019	2018
UBP			
Total current assets	**₱199,808,679**	₱164,085,694	₱90,653,142
Total noncurrent assets	**579,640,542**	611,326,747	583,129,543
Total current liabilities	**(609,454,264)**	(623,292,442)	(538,299,718)
Total noncurrent liabilities	**(59,853,656)**	(49,373,397)	(44,522,066)
Equity attributable to equity holders of UBP Parent Company	**₱109,348,591**	₱102,224,491	₱90,417,723
Gross revenue	**₱38,577,694**	₱38,355,155	₱31,629,220
Operating profit	**12,706,087**	15,082,156	8,497,725
Net income attributable to equity holders of the parent	**11,866,730**	14,492,636	7,316,102
Total comprehensive income attributable to equity holders of the parent	**11,400,379**	14,089,679	7,581,026
Group's share in net income	**₱5,855,311**	₱7,150,500	₱3,599,941
AEV CRH			
Total current assets	**₱9,846,023**	₱7,641,829	₱7,184,970
Total noncurrent assets	**86,791,652**	88,563,173	83,802,263
Total current liabilities	**(8,760,495)**	(10,153,092)	(29,392,890)
Total noncurrent liabilities	**(47,148,627)**	(46,636,497)	(21,384,054)
Equity attributable to equity holders of AEV CRH Parent Company	**₱40,761,254**	₱39,457,293	₱40,233,724
Gross revenue	**₱22,436,120**	₱23,937,863	₱25,810,769
Operating profit	**3,077,040**	1,760,626	2,775,116
Net income (loss) attributable to equity holders of the parent	**1,222,888**	(756,190)	(690,801)
Group's share in net income (loss)	**₱733,733**	(₱453,714)	(₱414,481)
GNPD			
Total current assets	**₱3,949,591**	₱1,612,549	₱1,705,863
Total noncurrent assets	**71,095,383**	67,043,356	40,707,048
Total current liabilities	**(2,542,327)**	(5,623,202)	(3,342,924)
Total noncurrent liabilities	**(56,958,752)**	(48,514,482)	(29,473,440)
Equity	**₱15,543,895**	₱14,518,221	₱9,596,547
Operating loss	**(₱752,254)**	(₱1,161,098)	(₱352,858)
Net loss	**(1,642,379)**	(1,160,004)	(68,174)
Group's share in net loss	**(₱683,376)**	(₱726,682)	(₱15,435)

(Forward)

	2020	2019	2018
Additional information:			
Cash and cash equivalents	**₱272,868**	₱1,093,991	₱911,642
Noncurrent financial liabilities	**2,146,158**	48,514,482	29,473,440
MORE			
Total current assets	**₱1,046,825**	₱681,925	₱141,293
Total noncurrent assets	**12,724,102**	12,222,826	12,196,002
Total current liabilities	**(961,848)**	(610,443)	(54,462)
Total noncurrent liabilities	**(24,516)**	(75,721)	—
Equity	**₱12,784,563**	₱12,218,587	₱12,282,833
Gross revenue	**₱178,636**	₱198,636	₱180,236
Operating profit	**3,194,516**	3,750,522	4,133,911
Net income	**3,193,335**	3,732,874	4,125,996
Other comprehensive income (loss)	**22,889**	(152,630)	96,116
Group's share in net income	**₱2,658,476**	₱3,110,204	₱3,439,589
Additional information:			
Cash and cash equivalents	**₱36,165**	₱34,480	₱31,873
STEAG			
Total current assets	**5,053,099**	₱3,107,046	₱3,459,931
Total noncurrent assets	**9,000,415**	9,967,406	10,477,098
Total current liabilities	**(1,605,648)**	(1,379,138)	(1,672,896)
Total noncurrent liabilities	**(4,205,178)**	(2,840,129)	(3,262,770)
Equity	**₱8,242,688**	₱8,855,185	₱9,001,363
Gross revenue	**3,941,673**	₱4,812,414	₱4,468,016
Operating profit	**1,504,642**	1,250,028	1,115,567
Net income	**1,022,111**	1,150,501	687,186
Other comprehensive loss	**(42,194)**	(29,106)	(37,173)
Group's share in net income	**₱210,781**	₱249,432	₱87,508
CEDC			
Total current assets	**₱4,611,404**	₱5,199,140	₱4,986,619
Total noncurrent assets	**11,851,774**	12,842,201	13,371,586
Total current liabilities	**(7,751,429)**	(2,496,096)	(2,158,754)
Total noncurrent liabilities	**(1,008,946)**	(7,672,244)	(8,943,522)
Equity	**₱7,702,803**	₱7,873,001	₱7,255,929
Gross revenue	**₱7.718.729**	₱8.578.452	₱9.728.163
Operating profit	**2,726,815**	3,017,831	3,300,164
Net income	**1,576,645**	2,317,071	1,880,853
Other comprehensive income (loss)	**(17,256)**	29,483	13,277
Group's share in net income	**₱710,307**	₱1,002,882	₱827,576

(Forward)

	2020	2019	2018
SFELAPCO			
Total current assets	**₱1,112,909**	₱1,135,431	₱1,104,307
Total noncurrent assets	**2,825,295**	2,691,104	2,567,663
Total current liabilities	**(831,991)**	(868,787)	(763,966)
Total noncurrent liabilities	**(826,003)**	(784,368)	(699,175)
Equity	**₱2,280,210**	₱2,173,380	₱2,208,829
Gross revenue	**₱4,318,340**	₱4,448,624	₱4,088,124
Operating profit	**573,989**	479,553	408,160
Net income	**437,566**	342,199	302,677
Other comprehensive income (loss)	**8,203**	(51,500)	(63,679)
Group's share in net income	**₱198,142**	₱164,080	₱168,307
CRH ABOITIZ			
Total current assets	**₱3,465,478**	₱2,282,852	₱1,641,152
Total noncurrent assets	**1,060,228**	2,018,183	947,134
Total current liabilities	**(1,998,848)**	(1,207,635)	(1,820,630)
Total noncurrent liabilities	**(235,367)**	(311,037)	(28,379)
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱2,291,491**	₱2,782,363	₱739,277
Gross revenue	**₱19,400,456**	₱22,381,756	₱11,606,618
Operating profit	**753,143**	2,006,089	882,680
Net income (loss) attributable to equity holders of the parent	**(540,705)**	2,123,380	402,116
Group's share in net income (loss)	**(₱243,317)**	₱955,521	₱180,952
BWSI			
Total current assets	**₱914,456**	₱873,394	₱809,074
Total noncurrent assets	**2,442,976**	1,985,934	1,843,428
Total current liabilities	**(874,732)**	(376,229)	(496,344)
Total noncurrent liabilities	**(588,271)**	(655,607)	(629,689)
Equity	**₱1,894,429**	₱1,827,492	₱1,526,470
Gross revenue	**₱1,771,653**	₱1,542,971	₱1,335,975
Gross profit	**1,017,943**	879,122	752,553
Net income	**379,214**	287,131	259,858
Group's share in net income	**₱60,447**	₱44,129	₱15,130
WMPC			
Total current assets	**₱786,831**	₱643,983	₱717,162
Total noncurrent assets	**338,568**	348,174	454,108

(Forward)

	2020	2019	2018
Total current liabilities	**(₱203,776)**	(₱193,157)	(₱551,781)
Total noncurrent liabilities	**(80,403)**	(83,804)	(74,341)
Equity	**₱841,220**	₱715,196	₱545,148
Gross revenue	**₱1,390,204**	₱1,157,772	₱1,393,417
Operating profit	**427,771**	280,417	13,006
Net income	**348,795**	196,693	20,521
Other comprehensive income	**—**	—	—
Group's share in net income	**₱69,667**	₱31,353	₱4,104
SPPC			
Total current assets	**₱149,970**	₱148,228	₱182,303
Total noncurrent assets	**222,642**	265,422	311,472
Total current liabilities	**(51,339)**	(39,137)	(36,361)
Total noncurrent liabilities	**(55,041)**	(76,324)	(58,491)
Equity	**₱266,232**	₱298,189	₱398,923
Gross revenue	**₱12,857**	₱—	₱160,831
Operating loss	**(56,722)**	(88,013)	(19,307)
Net loss	**(48,136)**	(77,296)	(23,407)
Other comprehensive income	**—**	—	—
Group's share in net loss	**(₱8,250)**	(₱15,459)	(₱4,681)
AA Thermal			
Total current assets	**₱491,206**	₱75,243	₱—
Total noncurrent assets	**15,998,648**	14,827,626	—
Total current liabilities	**(134)**	(7,762)	—
Total noncurrent liabilities	**—**	—	—
Equity	**₱16,489,720**	₱14,895,107	₱—
Gross revenue	**₱—**	₱—	₱—
Operating profit	**—**	—	—
Net income	**—**	—	—
Other comprehensive income	**—**	—	—
Group's share in net loss	**(₱6,937)**	₱—	₱—
Additional information:			
Cash and cash equivalents	**₱491,133**	₱75,215	₱—
Noncurrent financial liabilities	**—**	—	—

(Forward)

	2020	2019	2018
Others*			
Total current assets	**₱2,516,803**	₱777,850	₱757,343
Total noncurrent assets	**10,768,059**	10,180,503	7,402,800
Total current liabilities	**(474,097)**	(910,703)	(157,380)
Total noncurrent liabilities	**(4,546,333)**	(3,591,416)	(1,952,041)
Gross revenue	**₱238,538**	₱154,018	₱163,497
Net loss	**(169,835)**	(57,732)	(751,707)

**The financial information of insignificant associates and joint ventures is indicated under "Others".*

The amounts for SFELAPCO are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱449.2 million, ₱374.8 million and ₱952.8 million in 2020, 2019, and 2018, respectively.

11. Material partly - owned subsidiary

As of December 31, 2020, the Company has 77.00% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2020, 2019 and 2018 of AP is provided below:

	2020	2019	2018
Summarized comprehensive income information			
Revenue	**₱110,376,649**	₱125,635,157	₱131,572,084
Cost of sales	**54,871,109**	71,361,850	71,680,298
Operating expenses	**28,625,653**	25,417,433	23,395,104
Finance costs - net	**13,600,452**	12,755,943	11,202,073
Other income - net	**7,603,699**	7,297,349	3,064,514
Profit before tax	**20,883,134**	23,397,280	28,359,123
Income tax	**6,061,912**	3,215,498	2,925,623
Profit for the year	**₱14,821,222**	₱20,181,782	₱25,433,500
Total comprehensive income	**₱11,997,615**	₱17,566,603	₱26,494,498
Summarized other financial information			
Attributable to non-controlling interests	**₱1,698,873**	₱2,619,313	₱3,892,404
Dividends paid to non-controlling interests	**2,350,216**	2,490,288	2,364,492

Summarized balance sheet information

Total current assets	**₱77,504,702**	₱76,896,785
Total noncurrent assets	**320,420,416**	333,572,572
Total current liabilities	**56,023,593**	51,390,469
Total noncurrent liabilities	**207,316,452**	225,435,877
Equity	**₱134,585,073**	₱133,643,011

Summarized cash flow information

Operating cash flows	**₱31,781,669**	₱39,356,962
Investing cash flows	**(4,526,973)**	(34,060,584)
Financing cash flows	**(25,914,010)**	(14,376,055)

12. **Joint Operation**

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

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

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

13. **Property, Plant and Equipment**

	2020	2019
Property, plant and equipment	**₱183,138,341**	₱187,974,887
Right-of-use asset (see Note 22)	**36,399,754**	37,583,878
	₱219,538,095	₱225,558,765

December 31, 2020

	Building, Warehouses and Improvements	**Power Plant and Equipment and Steam Field Assets** (see Note 21)	**Transmission, Distribution and Substation Equipment**	**Machinery and Equipment**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Land**	**Construction in Progress**	**Others**	**Total**
Cost											
At January 1	**₱45,258,069**	**₱141,948,261**	**₱21,295,812**	**₱9,630,900**	**₱2,796,330**	**₱12,659,004**	**₱3,055,878**	**₱3,754,564**	**₱8,094,853**	**₱2,344,094**	**₱250,837,765**
Additions	**452,224**	**416,501**	**—**	**158,599**	**144,300**	**269,838**	**68,193**	**10,015**	**5,593,097**	**214,673**	**7,327,440**
Disposals	**(163,304)**	**(98,178)**	**—**	**(40,933)**	**(201,752)**	**(61,831)**	**(12,372)**	**(1,610)**	**—**	**(15,311)**	**(595,291)**
Reclassifications and Others	**1,962,701**	**(3,941,317)**	**1,706,296**	**182,087**	**3,708,023**	**450,965**	**104,835**	**(85,410)**	**(6,400,300)**	**3,437,323**	**1,125,203**
At December 31	**47,509,690**	**138,325,267**	**23,002,108**	**9,930,653**	**6,446,901**	**13,317,976**	**3,216,534**	**3,677,559**	**7,287,650**	**5,980,779**	**258,695,117**
Accumulated depreciation and amortization											
At January 1	**7,881,849**	**32,096,916**	**5,738,598**	**5,077,557**	**1,643,826**	**5,328,053**	**779,768**	**147,102**	**—**	**1,034,769**	**59,728,438**
Depreciation and amortization	**1,781,330**	**5,923,510**	**672,817**	**657,152**	**272,069**	**748,404**	**146,151**	**21,448**	**—**	**389,308**	**10,612,189**
Disposals	**(11,234)**	**(24,237)**	**(23)**	**(39,798)**	**(159,133)**	**(55,510)**	**(11,988)**	**—**	**—**	**(2,708)**	**(304,631)**
Reclassifications and Others	**(36,564)**	**2,648,308**	**—**	**(95,756)**	**(12,951)**	**9,280**	**20,530**	**(687)**	**—**	**(259,503)**	**2,272,657**
At December 31	**9,615,381**	**40,644,497**	**6,411,392**	**5,599,155**	**1,743,811**	**6,030,227**	**934,461**	**167,863**	**—**	**1,161,866**	**72,308,653**
Impairment (see Note 31)	**—**	**599,963**	**—**	**—**	**2,088**	**792**	**251**	**—**	**2,645,029**	**—**	**3,248,123**
Net Book Values	**₱37,894,309**	**₱97,080,807**	**₱16,590,716**	**₱4,331,498**	**₱4,701,002**	**₱7,286,957**	**₱2,281,822**	**₱3,509,696**	**₱4,642,621**	**₱4,818,913**	**₱183,138,341**

December 31, 2019

	Building, Warehouses and Improvements	Power Plant and Equipment and Steam Field Assets (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost											
At January 1	₱28,738,498	₱133,773,646	₱19,458,140	₱9,354,817	₱2,702,556	₱9,831,153	₱3,033,342	₱3,489,652	₱39,193,075	₱2,440,081	₱252,014,960
Acquisition of subsidiaries	274	—	—	17,525	2,110	29,132	—	—	—	—	49,041
Additions	273,584	1,032,129	—	181,900	314,534	243,057	9,528	209,599	9,435,565	42,696	11,742,592
Disposals	(8,045)	(413,521)	(29,432)	(22,586)	(194,668)	(47,422)	(170)	—	(4,763)	(1,510)	(722,117)
Reclassifications and Others	16,253,758	7,556,007	1,867,104	99,244	(28,202)	2,603,084	13,178	55,313	(40,529,024)	(137,173)	(12,246,711)
At December 31	45,258,069	141,948,261	21,295,812	9,630,900	2,796,330	12,659,004	3,055,878	3,754,564	8,094,853	2,344,094	250,837,765
Accumulated depreciation and amortization											
At January 1	7,046,812	37,378,911	5,227,736	4,573,573	1,508,023	4,293,735	677,765	127,847	—	1,025,886	61,860,288
Acquisition of subsidiaries	249	—	—	2,469	1,653	5,216	—	—	—	—	9,587
Depreciation and amortization	1,152,650	5,970,481	598,759	622,172	298,587	650,865	147,394	19,544	—	124,985	9,585,437
Disposals	(6,475)	(70,556)	(29,432)	(22,353)	(157,806)	(46,794)	(141)	—	—	(2,072)	(335,629)
Reclassifications and Others	(311,387)	(11,181,920)	(58,465)	(98,304)	(6,631)	425,031	(45,250)	(289)	—	(114,030)	(11,391,245)
At December 31	7,881,849	32,096,916	5,738,598	5,077,557	1,643,826	5,328,053	779,768	147,102	—	1,034,769	59,728,438
Impairment (see Note 31)	—	486,280	—	—	2,088	792	251	—	2,645,029	—	3,134,440
Net Book Values	₱37,376,220	₱109,365,065	₱15,557,214	₱4,553,343	₱1,150,416	₱7,330,159	₱2,275,859	₱3,607,462	₱5,449,824	₱1,309,325	₱187,974,887

In 2020 and 2019, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱41.6 billion and ₱3.6 billion respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 7.12% to 8.79% in 2020 and 9.83% in 2019 was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.

- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.

- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the projects taking into account the impact of COVID-19.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2020 and 2019.

In 2020, impairment loss amounting to ₱113.7 million has been recognized on specific equipment that has been determined to be damaged.

In 2020 and 2019, movements to power plant equipment and steam field assets includes adjustments in the decommissioning liability due to change in accounting estimates amounting to ₱1.2 billion (increase) and ₱0.3 billion (decrease), respectively, and because of an additional obligation originating in 2020 (see Note 21).

In 2020 and 2019, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits, amounting to nil and ₱0.9 billion, respectively (see Note 19). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 5.7% to 9.4% which are the effective interest rate of the specific borrowings in 2019.

Property, plant and equipment with carrying amounts of ₱110.5 billion and ₱124.0 billion as of December 31, 2020 and 2019, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱6.6 billion and ₱5.9 billion as of December 31, 2020 and 2019, respectively, are still in use.

In 2019, the Group completed the sale of its transmission assets. These assets have been previously recognized as property held for sale carried at its recoverable amount of ₱675.8 million (see Note 31).

14. Intangible Assets

December 31, 2020

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	**₱56,322,732**	**₱9,585,872**	**₱3,078,431**	**₱911,600**	**₱99,746**	**₱867,829**	**₱70,866,210**
Additions during the year	—	**2,568,430**	—	**188,439**	—	**96,599**	**2,853,468**
Write-off (see Note 31)	—	—	—	**(56,410)**	—	—	**(56,410)**
Exchange differences	**(1,152,721)**	**(85,547)**	—	**(14,208)**	—	**(20,982)**	**(1,273,458)**
Balances at end of year	**55,170,011**	**12,068,755**	**3,078,431**	**1,029,421**	**99,746**	**943,446**	**72,389,810**
Accumulated amortization:							
Balances at beginning of year	—	**3,050,596**	**506,659**	—	**84,867**	**422,993**	**4,065,115**
Amortization	—	**353,355**	**76,961**	—	**3,968**	**113,922**	**548,206**
Balances at end of year	—	**3,403,951**	**583,620**	—	**88,835**	**536,915**	**4,613,321**
Net book values	**₱55,170,011**	**₱8,664,804**	**₱2,494,811**	**₱1,029,421**	**₱10,911**	**₱406,531**	**₱67,776,489**

December 31, 2019

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱56,361,133	₱6,480,374	₱3,078,431	₱583,095	₱99,746	₱678,887	₱67,281,666
Additions during the year	—	3,187,814	—	419,637	—	191,312	3,798,763
Acquisition of a subsidiary	13,089	—	—	—	—	—	13,089
Write-off (see Note 31)	—	—	—	(40,371)	—	—	(40,371)
Exchange differences	(51,490)	(82,316)	—	(50,761)	—	(2,370)	(186,937)
Balances at end of year	56,322,732	9,585,872	3,078,431	911,600	99,746	867,829	70,866,210

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Accumulated amortization:							
Balances at beginning of year	₱—	₱2,688,997	₱429,699	₱—	₱72,317	₱313,880	₱3,504,893
Amortization	—	361,599	76,960	—	12,550	109,113	560,222
Balances at end of year	—	3,050,596	506,659	—	84,867	422,993	4,065,115
Net book values	₱56,322,732	₱6,535,276	₱2,571,772	₱911,600	₱14,879	₱444,836	₱66,801,095

Goodwill

Goodwill acquired through business combinations have been attributed to the following cash-generating unit (CGU).

	2020	2019
GMEC	**₱37,933,567**	₱39,996,797
GCMH	**15,832,496**	14,898,432
LEZ	**467,586**	467,586
PVCL	**395,539**	416,225
HI	**220,228**	220,228
BEZ	**191,471**	191,471
LLI	**61,202**	61,202
GCFBDC	**54,833**	57,702
TCP & PB	**13,089**	13,089
	₱55,170,011	₱56,322,732

The recoverable amount of the CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2020 and 2019

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates

The discount rate applied to cash flow projections are from 7.12% to 20.67% in 2020 and from 9.87% to 16.82% in 2019, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions

2020

	LEZ	BEZ	GMEC	HI	GCMH	PVCL	GCFBDC	LLI	TCP & PB
Basis for Revenue Assumptions		**Electricity sales**				**Animal feeds sales**		**Lot sales**	**Rental**
Year 1	**4%**	**6%**	**8%**	**17%**	**12%**	**8%**	**2%**	**4%**	**83%**
Year 2	**10%**	**2%**	**0%**	**-2%**	**8%**	**3%**	**5%**	**4%**	**15%**
Year 3	**7%**	**1%**	**10%**	**3%**	**6%**	**5%**	**4%**	**3%**	**12%**
Year 4	**11%**	**2%**	**4%**	**0%**	**6%**	**5%**	**6%**	**12%**	**41%**
Year 5	**10%**	**3%**	**0%**	**20%**	**5%**	**5%**	**6%**	**9%**	**22%**

2019

	LEZ	BEZ	GMEC	HI	GCMH	PVCL	GCFBDC	LLI
Basis for Revenue Assumptions		Electricity sales				Animal feeds sales		Lot sales
Year 1	10%	4%	0%	-6%	19%	23%	10%	47%
Year 2	0%	-6%	2%	16%	9%	11%	10%	-17%
Year 3	4%	1%	7%	15%	9%	6%	10%	-3%
Year 4	4%	-3%	3%	12%	7%	3%	10%	1%
Year 5	4%	10%	10%	5%	5%	3%	8%	12%

Materials price inflation

In 2020, the assumption used to determine the value assigned to the materials price inflation is 2.50% in 2021, and settles at 3.00% for the next 4 years until 2025. The starting point of 2021 is consistent with external information sources.

In 2019, the assumption used to determine the value assigned to the materials price inflation is 3.30% in 2020, decreases to 3.20% in 2021 and settles at 3.00% for the next 3 years until 2024.

Foreign exchange rates

In 2020, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱50.00 to a dollar in 2021 and depreciates annually at an average of 0.88% until 2025. In 2019, the assumption used to determine foreign exchange rate is weakening Philippine peso which starts at a rate of ₱54.70 to a dollar in 2020 and depreciates annually at an average of 2.67% until 2024.

Management has reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the Group taking into consideration the impact of COVID-19. To reflect ongoing uncertainty, the likelihood that actual performance will differ from these assumptions has been estimated at a CGU level with reference to external market forecasts and the CGU's current performance.

Based on the impairment testing, no impairment of goodwill was recognized in 2020 and 2019. In 2018, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Service Concession Rights

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period in accordance with Philippine Interpretation IFRIC 12. The intangible asset with a carrying value of ₱1.3 billion and ₱1.6 billion as of December 31, 2020 and 2019, respectively, was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA for the privatization of the SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

  For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱655.8 million and ₱700.3 million as of December 31, 2020 and 2019, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱77.6 million and ₱84.5 million as of December 31, 2020 and 2019, respectively.

- Service concession rights consist of the costs of construction of the treated bulk water supply facility, required for the delivery of treated bulk water to the Davao City Water District, pursuant to the concession agreement.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱6.7 billion and ₱4.1 billion as of December 31, 2020 and 2019, respectively.

  The amortization of intangible assets is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 28).

15. Investment Properties

December 31, 2020

	Land	Land Improvements	Buildings	Construction-in-Progress	Total
At January 1	**₱7,787,454**	**₱253,256**	**₱2,686,663**	**₱564,507**	**₱11,291,880**
Additions	**137,950**	**11,098**	**43,538**	**128,892**	**321,478**
Gain on fair valuation (see Note 31)	**361,925**	**—**	**39,485**	**—**	**401,410**
Disposal	**(9,072)**	**—**	**(6,831)**	**—**	**(15,903)**
Transfers/adjustments	**(873,246)**	**(149,722)**	**80,744**	**(118,956)**	**(1,061,180)**
At December 31	**₱7,405,011**	**₱114,632**	**₱2,843,599**	**₱574,443**	**₱10,937,685**

December 31, 2019

	Land	Land Improvements	Buildings	Construction-In-Progress	Total
At January 1	₱5,158,082	₱250,360	₱2,816,225	₱—	₱8,224,667
Acquisition of subsidiaries	156,407	—	178,711	210,556	545,674
Additions	400,597	2,896	9,923	419,626	833,042
Gain on fair valuation (see Note 31)	1,916,027	—	(86,295)	—	1,829,732
Transfers/ adjustments	156,341	—	(231,901)	(65,675)	(141,235)
At December 31	₱7,787,454	₱253,256	₱2,686,663	₱564,507	₱11,291,880

Rental income earned from and direct operating expenses of investment properties amounted to ₱527.8 million and ₱51.5 million, respectively, in 2020; ₱539.8 million and ₱71.8 million, respectively, in 2019; and ₱475.4 million and ₱68.9 million, respectively, in 2018 (see Note 26).

As of December 31, 2020 and 2019, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and buildings, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2020	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱7,405,011**	**Sales Comparison Approach**	**Price per square meter**	**₱1,100 - ₱21,840**
Buildings and land Improvements	**2,958,231**	**Income Approach, Cost Approach**	**Estimated cost, remaining economic life**	**20 – 34 years**

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱7,787,454	Sales Comparison Approach	Price per square meter	₱7,600 - ₱33,400
Buildings and land Improvements	2,939,919	Income Approach, Cost Approach	Estimated cost, remaining economic life	15 – 38 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

16. **Other Noncurrent Assets**

	2020	2019
Prepaid taxes	**₱3,559,354**	₱848,439
Input VAT and tax credit receivable, net of allowance for impairment loss of ₱44.1 million in 2020 and ₱9.9 million in 2019 (see Note 31)	**3,076,027**	4,501,086
Financial assets at FVOCI	**2,215,044**	176,479
Advances to contractors and projects	**2,030,652**	1,452,272
Financial assets at FVTPL	**1,009,554**	731,797
Advances to NGCP - net of current portion (see Note 7)	**920,682**	—
Prepaid rent and other deposits	**845,586**	442,713
Biological assets (see Note 8)	**133,440**	140,304
Debt investments at amortized cost	**101,161**	234,968
Restricted cash	**—**	4,672,031
Others	**658,970**	934,552
	₱14,550,470	₱14,134,641

Prepaid taxes are composed of creditable withholding taxes. In 2020, the Group reclassified from "Other current assets" a portion of its prepaid taxes amounting to ₱2.7 billion based on its assessment of the expected utilization.

In 2020, TVI and the contractors executed a settlement agreement finalizing the resolution of the dispute under their Engineering, Procurement and Construction agreement whereby the contractors shall pay liquidating damages amounting to ₱611.0 million. Accordingly, performance securities drawn by TVI on June 11, 2019 that were previously recognized as restricted cash, have been remitted to the contractors (see Note 31).

17. **Trade and Other Payables**

	2020	2019
Trade payables (see Notes 21 and 40)	**₱21,245,087**	₱21,026,347
Nontrade and other payables	**2,236,388**	3,252,202
Accrued expenses		
Interest	**2,880,135**	2,735,860
Taxes and fees	**941,214**	1,288,214
Others	**1,795,287**	1,677,452
Output VAT	**3,583,387**	3,129,901
Amounts due to contractors and other third parties	**3,501,864**	7,312,999
PSALM deferred adjustment (see Note 42)	**1,042,861**	3,183,080
Unearned revenue	**43,351**	40,945
	37,269,574	43,647,000
Less noncurrent portion (see Note 35)	**1,657,982**	7,206,837
	₱35,611,592	₱36,440,163

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, taxes and licenses, freight expense and materials and supplies that are due within 12 months.

Amounts due to contractors and other third parties include liabilities arising from construction projects (see Notes 13 and 14).

18. **Bank Loans**

	2020	2019
Philippine peso loans	**₱25,582,500**	₱23,026,701
Vietnamese dong loans	**2,022,115**	715,950
Chinese yuan loans	**1,074,805**	1,175,412
US dollar loans	**192,092**	455,715
Indonesia rupia loans	**—**	25,876
Other foreign currency-denominated loans	**459,371**	317,483
	₱29,330,883	₱25,717,137

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 1.15% to 5.55% and 2.69% to 8.55% in 2020 and 2019, respectively. These loans will mature on various dates within the next 12 months.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

19. **Long-term Debts**

	2020		2019	
	Annual Interest	**Amount**	Annual Interest	Amount
Company:				
Financial and non-financial institutions - unsecured	**2.84% - 6.32%**	**₱37,888,380**	4.41% - 6.32%	₱37,000,000
Subsidiaries:				
GMEC				
Financial institutions - secured	**LIBOR + 1.7% - 4.85%**	**33,711,803**	LIBOR + 1.7% - 4.85%	37,247,830
TVI				
Financial institutions - secured	**5.56% - 9.00%**	**29,418,667**	5.56% - 9.00%	31,520,000
AP				
Financial and non-financial institutions - Philippine peso - unsecured	**3.13% - 8.51%**	**44,950,000**	5.21% - 8.51%	35,450,000
Financial and non-financial institutions - Foreign currency - unsecured	**LIBOR + 1.20%**	**14,406,900**	LIBOR + 1.20%	15,190,500
TSI				
Financial institutions - secured	**5.26%**	**18,729,025**	5.05% - 5.70%	20,039,365
APRI				
Financial institutions - secured	**4.48% - 5.20%**	**6,873,920**	4.48% - 5.20%	8,124,160
Hedcor Bukidnon				
Financial institutions - secured	**4.00% - 5.34%**	**9,315,000**	4.75% - 7.36%	9,416,666

(Forward)

	2020		2019	
	Annual Interest	**Amount**	Annual Interest	Amount
HSI				
Fixed rate corporate notes - unsecured	**4.63% - 5.42%**	**3,702,401**	4.05% - 5.42%	3,801,400
PILMICO				
Financial institutions - unsecured	**4.18% - 5.16%**	**2,877,500**	4.18% - 5.16%	2,885,000
PANC				
Financial institutions - unsecured	**4.50%**	**2,570,000**	4.50%	2,640,000
VECO				
Financial institution - unsecured	**4.73% - 4.81%**	**579,000**	4.59% - 4.81%	776,000
LHC				
Financial institutions - secured	**2.25% - 4.81%**	**271,330**	3.94% - 4.81%	564,580
DLP				
Financial institution - unsecured	**4.73% - 4.92%**	**434,250**	4.59% - 4.81%	582,000
HI				
Financial institution - secured	**7.41% - 7.87%**	**1,630,000**	5.25% - 7.87%	1,750,000
SEZ				
Financial institution - unsecured	**5.00%**	**56,500**	5.00%	113,000
CLP				
Financial institution - unsecured	**4.73% - 4.92%**	**86,850**	4.59% - 4.81%	116,400
TPVI				
Financial institution - unsecured	**3.32% - 5.06%**	**1,500,000**	5.06% - 5.25%	1,300,000
AESI				
Financial institution - secured	**4.87 %**	**600,000**	—	—
Apo Agua				
Financial institutions - secured	**5.75% - 8.26%**	**9,000,000**	6.50% - 8.26%	5,999,773
AEV International				
Financial institutions:				
Foreign currency - secured	**3.26% - 3.72%**	**10,709,129**	3.46% - 3.72%	11,291,604
US Dollar bonds:				
Foreign currency - unsecured	**4.20%**	**19,209,200**	—	—
GCMH				
Financial institutions - unsecured	**LIBOR + 2.55%**	**1,920,920**	LIBOR + 1.75%	2,025,400
PTAYAM				
Financial institutions - unsecured	**JIBOR + 3.48%**	**119,082**	JIBOR + 3.48%	127,386
GCFHN				
Financial institutions - unsecured	**4.00% - 4.90%**	**89,112**	4.51% - 6.00%	105,835
TCP				
Financial institution - unsecured	**6.50%**	**235,360**	7.80% - 9.18%	248,680
Joint Operation - PEC				
Financial institution - secured	**5.50% - 8.31%**	**12,251,259**	5.50% - 8.31%	13,380,097
Total		**263,135,588**		241,695,676
Deferred financing costs		**(2,094,508)**		(2,116,138)
		261,041,080		239,579,538
Less current portion		**17,417,474**		27,126,918
Noncurrent portion		**₱243,623,606**		₱212,452,620

The Company

In November 2020, the Company issued a total of ₱7.6 billion bonds, broken down into ₱6.9 billion 3-year and ₱0.7 billion 5-year bonds at fixed interest rates ranging from 2.84% to 3.31%.

In June 2019, the Company issued a total of ₱5.0 billion bonds, broken down into ₱3.4 billion 5-year and ₱1.6 billion 10-year bonds at fixed interest rates ranging from 6.02% to 6.32%.

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%. As of December 31, 2020, the ₱10.5 billion 5-year bonds were fully paid upon maturity.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%. As of December 31, 2020, the ₱6.2 billion 7-year bonds were fully paid upon maturity.

All of the Company's issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

In April 2020, the Company executed an agreement with Metropolitan Bank and Trust Company (MBTC) for a 7-year loan in the amount of ₱10.0 billion at an annual fixed rate of 4.45%. In November 2020, ₱10.0 billion was drawn from this facility.

GMEC

On August 29, 2017, GMEC entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US$800.0 million, the proceeds of which will be used to refinance GMEC's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US$600.0 million was drawn from the NFA, out of which US$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of $200.0 million was drawn from the NFA.

Loans payable consist of the following dollar denominated loans as of December 31, 2020 and 2019 (in thousands):

	2020	2019	Interest Rate Per Annum	Payment Schedule
NFA				
Fixed Rate Loan	**$420,818**	$448,164	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	**251,175**	267,450	Six-month LIBOR plus 1.70% margin	
Working Capital				
BDO	**30,000**	20,000	LIBOR plus 1.7% applicable margin	Payable within 3 months
Total borrowings	**701,993**	735,614		
Less unamortized portion of deferred financing costs	**(4,151)**	(4,017)		
	697,842	731,597		
Less current portion	**67,984**	63,583		
Loans payable - net of current portion	**$629,858**	$668,014		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱32.0 billion. As of December 31, 2020 and 2019, ₱31.5 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱26.0 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.0 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱44.8 billion as of December 31, 2020, and a pledge of TVI's shares of stock held by its shareholders.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%.

In July 2017, AP issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%.

In October 2018, AP issued a total of ₱10.20 billion bonds, broken down into a ₱7.70 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.50 billion 7-year bond due 2028 at an annual fixed rate equivalent to 8.51%.

In October 2019, AP issued ₱7.3 billion 7-year bond due 2026 at an annual fixed rate equivalent to 5.28%.

In July 2020, AP issued the fourth and last tranche of its ₱30.0 billion debt securities program, totaling to ₱9.55 billion, broken down into a ₱9.0 billion 2-year bonds due 2022 at an annual fixed rate equivalent to 3.125% and a ₱0.5 billion 5-year bonds due 2025 at an annual fixed rate equivalent to 3.935%.

All of AP's issued retail bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

In April 2019, AP executed and availed a US$300.0 million syndicated bridge loan facility loan agreement with foreign banks to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on applicable LIBOR plus 1.2%. The loan will mature on the 5th anniversary of the first utilization date.

In November 2019, AP obtained a ₱5.0 billion 7-year long term loan from a local bank at an annual fixed rate of 5.28%.

AESI

On April 16, 2020, AESI entered into a loan agreement with BPI with a principal amount of ₱600.0 million, which was fully drawn in 2020. The term of the loan is 10 years and interest is fixed at 4.87% for 5 years subject to reset 2 days prior to the 5th anniversary. The loan is payable in equal, semi-annual amortizations of at least one percent (1%) of the loan amount per annum, with balloon payment at maturity date.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.7 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱29.7 billion as of December 31, 2020, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate is fixed for the first seven years and will be repriced and fixed for another five years.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.0 billion as of December 31, 2020, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2020, ₱9.3 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount.

Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

On April 3, 2020, Hedcor Bukidnon entered into a loan agreement with BPI, up to the maximum principal amount of ₱225.0 million which was fully drawn in 2020, for the construction of the Transformer Facility and other general corporate purposes.

The term of the loan is 8 years and the loan shall be paid as follows: (i) payment of an aggregate amount equivalent to 70% of the total principal amount of the loans, by equal semi-annual amortizations beginning on the seventh interest payment date up to and including the maturity date; and (ii) payment of the amount equivalent to 30% of the total principal amount of the loans, on the maturity date.

On September 29, 2020, Hedcor Bukidnon entered into an omnibus agreement for a loan facility in the principal amount of ₱9.1 billion which was fully drawn in 2020 to refinance the project loan availed in 2015.

The term of the loan is 10 years and the loan shall be paid as follows: (i) payment of an aggregate amount equivalent to 70% of the total original amount of the Loan, by equal semi-annual amortizations beginning on the first interest payment date up to and including the Maturity Date; and (ii) payment of the amount equivalent to 30% of the total original amount of the loan, on the maturity date.

<u>TPVI</u>
On December 23, 2019, TPVI entered into a Loan Agreement with the Philippine National Bank (PNB) for an aggregate amount of ₱1.5 billion available in two drawdowns. The loan proceeds were utilized, among others, in funding necessary operating and capital expenditures. Drawdowns were made on December 26, 2019 and April 27, 2020 for ₱1.3 billion and ₱200 million respectively. The loan is payable for 15 years, with a grace period of 3 years. The mode of repayment is sculpted with balloon payment of 70%.

<u>HSI</u>
On November 17, 2016, HSI entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.1 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

PILMICO availed of ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines (LBP) as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC) ("exempt security").

In October 2019, PILMICO availed of ₱1.4 billion from the NFA it signed with LBP as the Note Holder. The NFA provided for the issuance of 10-year corporate notes issued as an exempt security.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 28, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 17, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on their respective maturity dates at December 29, 2029 and September 27, 2026, respectively, at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the LBP. The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually.

Intangible asset arising from service concession arrangement with carrying value of ₱1.3 billion as of December 31, 2020, was used as collateral to secure LHC's long-term debt (see Note 14).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.39 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Apo Agua

On November 29, 2018, Apo Agua entered into an Omnibus Notes Facility and Security Agreement with various banks for a project loan facility in the aggregate principal amount of up to ₱9.0 billion to design, develop, procure, construct, operate and maintain a water treatment plant facility at Brgy. Gumalang, Davao City. The loan drawdown mode is staggered based on an agreed schedule. As of December 31, 2020, ₱9.0 billion has been drawn from this facility.

The loan is secured by a mortgage of all the assets of Apo Agua and a pledge of Apo Agua's shares held by its pledgors: AEV, the Parent Company, JVACC and JVAGHC. The term of the loan is 15 years and the first principal payment will be made at the earlier of fifty-four (54) months after the date of issuance of the agreement or six (6) months after commercial operation date whichever comes earlier. The remaining principal balance shall be paid in semi-annual equal installments. No payment shall be made to the principal during the grace period.

AEV International

On July 20, 2018, AEV International availed of a syndicated loan facility with the amount of US$338 million (₱18.6 billion). The loan bears a floating interest rate computed based on applicable spread over LIBOR and will mature in five (5) years.

On December 28, 2018, the loan was partially prepaid in the amount of US$115 million (₱6.3 billion).

In January 2020, AEV International issued a US dollar-denominated Regulation S-only senior unsecured notes, at an aggregate principal amount of US$ 400 million and a tenor of 10 years (the "Notes"). The Notes are unrated, have a fixed coupon rate of 4.2% payable semiannually, and are unconditionally and irrevocably guaranteed by the Company as the guarantor. The Notes are listed on the Singapore Exchange.

TCP

TCP entered into a various loan agreement with a local bank whereby the latter agreed to provide TCP an aggregate principal amount of loan up to ₱250.0 million to finance the construction of TCP's real estate projects. Interest is payable quarterly and was initially set at 8.65% per annum for the first 3 months, subject to reset thereafter.

Drawdown Date	**Maturity Date**	**Outstanding as of December 31, 2020**
09/30/2019	09/11/2028	₱18,440
09/27/2019	02/02/2029	19,280
09/17/2019	10/12/2028	19,040
08/20/2019	12/27/2028	19,040
07/26/2019	10/12/2028	19,040
07/25/2019	09/11/2028	23,050
03/06/2019	12/27/2028	24,100
02/07/2019	02/02/2029	9,640
12/27/2018	12/27/2028	23,800
10/15/2018	10/12/2028	19,040
09/13/2018	09/11/2028	23,050
06/29/2018	06/16/2028	17,840
		₱235,360

GCMH and Subsidiaries

GCMH Group obtained loans from various lenders with floating interest rates ranging from 1.59% to 8.6% and from 3.24% to 11.16% in 2020 and 2019, respectively.

Long-term debt of Joint Operation

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.3 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱36.4 billion as of December 31, 2020, and a pledge of the shares of stock held by the joint operators.

Loan covenants

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

These restrictions and requirements were complied with by the Group as of December 31, 2020 and 2019.

20. **Customers' Deposits**

	2020	2019
Bill and load	**₱4,526,498**	₱4,294,742
Lines and poles	**1,187,053**	1,149,552
Transformers	**1,085,294**	1,077,175
Others	**191,163**	199,687
	₱6,990,008	₱6,721,156

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Other customer deposits pertain mainly to deposits from real estate buyers.

Interest expense on customers' deposits amounted to ₱4.0 million in 2020, ₱4.4 million in 2019, and ₱2.1 million in 2018 (see Note 36).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts. The portion of customers' deposit to be refunded within the next 12 months amounted to ₱23.4 million and ₱19.4 million as of December 31, 2020 and 2019, respectively, and are presented as part of "Trade and other payables" (see Note 17).

21. Decommissioning liability

Decommissioning liability includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2020	2019
Balances at beginning of year	**₱3,567,492**	₱3,678,810
Change in accounting estimate (see Note 13)	**1,158,166**	(321,948)
Additions	**158,184**	—
Accretion of decommissioning liability (see Note 36)	**124,191**	210,630
Balances at end of year	**₱5,008,033**	₱3,567,492

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. Leases

TLI

In 2009, TLI was appointed by PSALM as Administrator of the coal-fired power plant in Pagbilao, Quezon under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.8 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the consolidated financial statements as part of "Power, plant and equipment" and "Lease liabilities" accounts, respectively (see Notes 3 and 13).

APRI

On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease.

GMEC

In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMEC, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMEC entered into another lease agreement with PGRPI for land to be used for staff house.

Sacasun

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties.

HI, HTI and HSI

HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

Therma Mobile

On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

EAUC

Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities for a period of 25 years.

TPVI

TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties.

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

2020

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liability
As at January 1	**₱3,242,610**	**₱578,432**	**₱33,575,200**	**₱187,636**	**₱37,583,878**	**₱45,293,762**
Additions	**233,058**	**234,270**	**—**	**12,838**	**480,166**	**473,381**
Amortization expense	**(203,517)**	**(198,778)**	**(1,105,125)**	**(29,279)**	**(1,536,699)**	**—**
Capitalized amortization	**(4,322)**	**—**	**—**	**—**	**(4,322)**	**—**
Interest expense	**—**	**—**	**—**	**—**	**—**	**3,287,801**
Capitalized interest	**—**	**—**	**—**	**—**	**—**	**6,417**
Payments	**—**	**—**	**—**	**—**	**—**	**(7,862,233)**
Others	**145,580**	**(224,216)**	**34,489**	**(79,122)**	**(123,269)**	**(1,430,282)**
As at December 31	**₱3,413,409**	**₱389,708**	**₱32,504,564**	**₱92,073**	**₱36,399,754**	**₱39,768,846**

2019

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liability
As at January 1	₱3,279,969	₱714,672	₱34,669,713	₱201,463	₱38,865,817	₱49,786,728
Additions	49,478	84,817	—	4,421	138,716	93,839
Amortization expense	(92,580)	(175,001)	(1,094,513)	(29,663)	(1,391,757)	—
Capitalized amortization	(1,871)	—	—	—	(1,871)	—
Interest expense	—	—	—	—	—	4,381,935
Capitalized interest	—	—	—	—	—	1,805
Payments	—	—	—	—	—	(7,638,946)
Others	7,614	(46,056)	—	11,415	(27,027)	(1,331,599)
As at December 31	₱3,242,610	₱578,432	₱33,575,200	₱187,636	₱37,583,878	₱45,293,762

The Group's right-of-use assets are presented as part of "Property, plant and equipment" account.

The Group also has certain leases with lease terms of 12 months or less or are of low value. The Group applies the exemption of PFRS 16 and recognizes the rent expense when incurred.

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

	2020	2019
Amortization expense of right-of-use assets	**₱1,536,699**	₱1,391,757
Interest expense on lease liabilities	**3,287,801**	4,381,935
Rent expense – short-term leases	**129,672**	67,168
Rent expense – low value assets	**4,759**	25,750
	₱4,958,931	₱5,866,610

23. **Capital Stock**

Information on the Company's authorized capital stock as of December 31, 2020 and 2019 are as follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2020	2019
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**64,374,164**	61,807,064
Balance at end of year	**5,630,225,457**	5,632,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheets.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2020 and 2019.

As of December 31, 2020, and 2019, the Company has 8,375 and 8,893 shareholders, respectively.

Treasury Shares

In November 2018, AEV purchased 1 million treasury shares amounting to ₱44.1 million. In March 2020, the Company purchased 2.6 million treasury shares amounting to ₱82.4 million. As of December 31, 2020 and 2019, treasury shares held by AEV totaled 64.4 million and 61.8 million, with corresponding acquisition cost of ₱647.7 million and ₱565.2 million, respectively.

24. **Retained Earnings**

On March 6, 2020, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.30 per share (₱7.3 billion) to all stockholders of record as of March 20, 2020. These dividends were taken out of the unrestricted retained earnings as of December 31, 2019, and were paid on April 3, 2020.

b. Appropriation of ₱5.0 billion of the retained earnings as of December 31, 2019 for the additional capital infusion into AboitizLand to finance its on-going projects.

On March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.4 billion) to all stockholders of record as of March 21, 2019. These dividends were taken out of the unrestricted retained earnings as of December 31, 2018, and were paid on April 5, 2019.

On March 8, 2018, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.28 per share (₱7.2 billion) to all stockholders of record as of March 22, 2018. These dividends were taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.

b. Appropriation of ₱4.2 billion of the retained earnings as of December 31, 2017 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infrastructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infrastructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

c. Reversal of ₱1.6 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua.

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company’s year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱143.6 billion and ₱135.2 billion as at December 31, 2020 and 2019, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. **Other Comprehensive Income**

	2020	2019
Cumulative Translation Adjustments		
Balance at beginning of year	**(₱944,486)**	₱719,792
Movements	**469,753**	(1,664,278)
Balance at end of year	**(474,733)**	(944,486)
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of year	**(861,868)**	(676,765)
Movements	**(607,051)**	(185,103)
Balance at end of year	**(1,468,919)**	(861,868)
Net Unrealized Gains on Financial Assets at FVOCI		
At beginning of year	**3,135**	143
Movements	**(126)**	2,992
Balance at end of year	**3,009**	3,135
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of year	**(137,020)**	250,295
Movements	**(628,404)**	(387,315)
Balance at end of year	**(765,424)**	(137,020)
Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures		
Balance at beginning of year	**(819,928)**	(₱435,068)
Movements	**(536,156)**	(384,860)
Balance at end of year	**(1,356,084)**	(819,928)
Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures		
At beginning of year	**112,145**	114,527
Movements	**(9,397)**	(2,382)
Balance at end of year	**102,748**	112,145
	(₱3,959,403)	(₱2,648,022)

26. **Revenues**

a. Power

Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act

Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.
Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

i. CLP: April 1, 2017 to March 31, 2021
ii. DLP and VECO: July 1, 2018 to June 30, 2022
iii. SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱41.9 billion, ₱46.1 billion and ₱44.9 billion in 2020, 2019 and 2018, respectively.

<u>Sale from Generation of Power and Retail Electricity</u>

Energy Trading through the Philippine Wholesale Electricity Spot Market (WESM)

Certain subsidiaries are trading participants and direct members under the generator sector of the WESM. These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.4 billion in 2020, ₱6.4 billion in 2019 and ₱6.8 billion in 2018, respectively.

Power Supply Agreements
Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱42.6 billion in 2020, ₱46.8 billion in 2019 and ₱54.2 billion in 2018.

Retail Electricity Supply Agreements
Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱16.5 billion in 2020, ₱22.8 billion in 2019 and ₱24.2 billion in 2018, respectively.

b. Real estate revenues consist of the following:

	2020	2019	2018
Real estate sales	**₱2,730,257**	₱3,296,910	₱3,219,565
Rental income	**527,832**	539,761	475,429
Service fees and others	**283,183**	279,504	230,314
	₱3,541,272	₱4,116,175	₱3,925,308

27. Purchased Power

Distribution

The Group’s distribution utilities entered into contracts with NPC/PSALM and generation companies for the purchase of electricity, and into Transmission Service Agreements with NGCP for the transmission of electricity.

To avail of opportunities in the competitive electricity market, some of the Group’s distribution utilities registered as direct participants of the WESM.

Total purchased power amounted to ₱20.0 billion, ₱21.8 billion, ₱23.6 billion in 2020, 2019 and 2018, respectively.

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers’ required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Total purchased power amounted to ₱7.7 billion, ₱7.6 billion, ₱4.9 billion in 2020, 2019 and 2018, respectively.

Retail Electricity Supply

AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. In October 2019, a compromise agreement with PSALM was effected, which includes the termination of supply and ₱125.0 million payment of AESI as termination fee.

The Group also purchases from WESM in order to supply its contestable customers.

Total purchased power amounted to ₱3.7 billion, ₱6.4 billion and ₱7.6 billion in 2020, 2019 and 2018, respectively.

28. Costs and Expenses

Cost of generated power consists of:

	2020	2019	2018
Fuel costs (see Note 6)	**₱19,650,746**	₱29,394,773	₱29,423,013
Steam supply costs (see Note 40)	**2,974,611**	5,008,607	5,227,807
Energy fees	**565,676**	694,696	646,317
Ancillary charges	**225,916**	360,095	355,260
Wheeling expenses	**44,909**	68,535	21,821
	₱23,461,858	₱35,526,706	₱35,674,218

Cost of goods sold consists of:

	2020	2019	2018
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱56,243,449**	₱55,809,698	₱41,184,394
Direct labor (see Note 29)	**375,476**	384,488	302,993
Manufacturing overhead			
Depreciation (see Note 13)	**1,142,955**	1,070,930	763,488
Indirect labor (see Note 29)	**834,018**	774,055	494,370
Power	**679,519**	739,874	517,010
Repairs and maintenance	**532,641**	573,206	380,606
Outside services	**479,294**	384,525	185,932
Fuel and lubricants	**283,416**	311,971	193,061
Employees' benefits (see Notes 29 and 30)	**204,396**	199,841	86,863
Insurance	**115,182**	99,625	59,697
Office and general supplies	**107,074**	70,210	57,092
Taxes and licenses	**81,096**	71,784	69,866
Toll milling expenses	**68,969**	54,049	26,873
Freight and handling	**63,897**	72,642	60,075

(Forward)

	2020	2019	2018
Rental	**₱35,277**	₱41,027	₱66,012
Pest control	**25,280**	19,251	21,658
Medicines and vaccines	**22,661**	56,529	43,553
Royalty fee	**8,912**	10,520	11,472
Others	**195,813**	149,602	118,516
	4,880,400	4,699,641	3,156,144
Cost of goods manufactured	**61,499,325**	60,893,827	44,643,531
Finished goods inventory (see Note 6)			
Beginning of year	**1,468,608**	1,752,729	317,007
Acquisition of subsidiaries (see Note 9)	**—**	—	486,098
End of year	**(1,449,166)**	(1,468,608)	(1,752,729)
	₱61,518,767	₱61,177,948	₱43,693,907

Operating expenses consist of:

	2020	2019	2018
Depreciation and amortization (see Notes 13 and 14)	**₱11,519,993**	₱10,434,429	₱9,021,735
Personnel costs (see Notes 29 and 30)	**8,111,685**	7,565,163	7,183,608
Taxes and licenses	**3,350,398**	3,132,133	2,546,058
Outside services (see Note 35)	**3,264,600**	2,670,470	1,770,689
Repairs and maintenance	**2,657,859**	2,559,198	2,170,396
Insurance	**1,733,944**	1,057,165	1,015,790
Freight and handling	**1,340,004**	1,342,422	1,143,709
Provision for impairment of trade receivables (see Note 5)	**1,105,839**	278,766	309,820
Management and professional fees (see Note 35)	**927,392**	918,395	724,422
Transportation and travel	**506,814**	839,882	562,220
Advertising	**369,263**	476,780	460,933
Utilities	**182,914**	187,374	190,536
Rent	**101,919**	46,597	548,715
Training and development	**66,520**	255,570	172,237
Fuel and lubricants	**18,497**	78,900	86,437
Commissions	**1,394**	640	76,998
Others	**1,756,248**	1,702,542	2,414,391
	₱37,015,283	₱33,546,426	₱30,398,694

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2020	2019	2018
Personnel costs (see Notes 29 and 30)	**₱34,914**	₱41,783	₱54,037
Depreciation and amortization (see Notes 13 and 14)	**33,875**	31,478	33,208
Repairs and maintenance	**14,279**	21,214	23,557
Rent	**6,481**	2,420	16,114
Insurance	**4,958**	3,862	3,425
Fuel	**3,713**	6,305	4,893
Others	**389**	4,151	1,359
	₱98,609	₱111,213	₱136,593

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2020	2019	2018
Property, plant and equipment (see Note 13)	**₱10,612,189**	₱9,585,437	₱9,242,594
Right of use assets (see Note 22)	**1,536,699**	1,391,757	—
Intangible assets (see Note 14)	**547,935**	559,643	575,837
	₱12,696,823	₱11,536,837	₱9,818,431

29. Personnel Costs

	2020	2019	2018
Salaries and wages	**₱8,112,268**	₱6,862,064	₱6,640,098
Employee benefits (see Note 30)	**1,286,581**	1,799,914	827,960
	₱9,398,849	₱8,661,978	₱7,468,058

30. **Pension Benefit Plans**

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, pension benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2020	2019	2018
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱327,922**	₱294,728	₱297,480
Net interest cost	**27,204**	19,653	26,015
Remeasurement of other long-term employee benefits	**(1,396)**	1,372	(4,842)
	₱353,730	₱315,753	₱318,653

	2020	2019	2018
Remeasurement gains (losses) recognized in the consolidated statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**(₱437,544)**	(₱130,633)	₱221,199
Return (losses) on assets excluding amount included in net interest cost	**(573,483)**	23,460	(197,855)
	(₱1,011,027)	(₱107,173)	₱23,344

Net pension liabilities

	2020	2019
Present value of obligation	**₱4,003,447**	₱3,576,699
Fair value of plan assets	**(3,544,253)**	(3,127,787)
Pension liability	**₱459,194**	₱448,912

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
At January 1	**₱3,576,699**	₱3,577,859
Net benefit costs in the consolidated statements of income		
Current service costs	**320,721**	296,645
Interest cost	**179,927**	210,494
Transfers and others	**12,885**	(230)
Past service costs	**7,201**	(1,917)
Remeasurement of other long-term employee benefits	**(1,396)**	1,372
Benefits paid	**(530,134)**	(638,157)
Remeasurements in other comprehensive income:		
Actuarial losses due to experience adjustments	**177,014**	3,001
Actuarial losses due to changes in financial assumptions	**260,530**	127,632
	₱4,003,447	₱3,576,699

Changes in the fair value of plan assets are as follows:

	2020	2019
At January 1	**₱3,127,787**	₱3,250,202
Actual contributions	**1,091,944**	236,959
Interest income included in net interest cost	**152,723**	190,841
Transfers and others	**23,429**	(225)
Actual return excluding amount included in net interest cost	**(573,483)**	23,460
Benefits paid	**(278,147)**	(573,450)
At December 31	**₱3,544,253**	₱3,127,787

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2020	2019
At January 1	**₱448,912**	₱327,657
Contribution to retirement fund	**(1,091,944)**	(236,959)
Retirement expense for the year	**353,730**	315,753
Actuarial losses recognized for the year	**1,011,027**	107,173
Transfers and others	**(10,544)**	(5)
Benefits paid from Group operating funds	**(251,987)**	(64,707)
At December 31	**₱459,194**	₱448,912

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2020	2019
Cash and fixed-income investments	**₱2,402,972**	₱1,523,737
Equity instruments:		
Power	**402,335**	577,112
Holding	**492,551**	493,830
Financial institution	**75,733**	82,594
Others	**170,662**	450,514
Fair value of plan assets	**₱3,544,253**	₱3,127,787

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2020	2019	2018
Discount rate	**2.75% - 7.83%**	4.36% - 8.31%	4.87% - 8.31%
Salary increase rate	**6% - 7%**	6% - 7%	6% - 7%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020 and 2019, assuming all other assumptions were held constant:

December 31, 2020

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	**100**	**(₱224,378)**
	(100)	**356,284**
Future salary increases	**100**	**362,092**
	(100)	**(233,336)**

December 31, 2019

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱148,971)
	(100)	383,926
Future salary increases	100	442,317
	(100)	(128,715)

The pension benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱249.1 million to the retirement benefit funds in 2021.

The average durations of the defined benefit obligation as of December 31, 2020 and 2019 are 4.0 - 24.0 years and 2.7 - 24.0 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Other Income (Expense) - Net

	2020	2019	2018
Net foreign exchange gains (losses)	**₱1,185,689**	₱1,167,551	(₱1,252,608)
Surcharges	**447,703**	536,856	508,492
Net unrealized fair valuation gains on investment properties (see Note 15)	**401,410**	1,829,732	511,820

(Forward)

	2020	2019	2018
Increase in fair value of biological assets (see Note 8)	**₱305,711**	₱—	₱752,560
Non-utility operating income	**142,013**	170,640	142,363
Rental income (see Note 34)	**49,385**	87,497	70,967
Dividend income	**4,827**	10,651	19,060
Gain (loss) on sale/disposal of:			
Financial assets at FVTPL	**15,622**	3,965	(8,550)
Investment in a subsidiary	**—**	—	166,891
Property, plant and equipment	**(27,097)**	(301,228)	(292,194)
Write off of project costs and other assets	**(56,410)**	(71,802)	(179,225)
Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets (see Notes 13 and 14)	**—**	245,489	(847,620)
Others - net	**2,340,422**	1,838,452	1,818,870
	₱4,809,275	₱5,517,803	₱1,410,826

Reversals of (Impairment) losses on property, plant and equipment, goodwill and other assets consisted of:

(a) Income from the recovery of write-off on Aseagas assets relating to recoverable VAT of ₱245.5 million in 2019.

(b) The ₱486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of ₱282.3 million from recognizing the recoverable amount of transmission assets which were classified as property held for sale.

“Others - net” include insurance claims from plant outages of TSI of ₱1.8 billion and liquidating damages from contractor due to the delay of the completion of TVI's power plant of ₱611.0 million in 2020, reversal of APRI and TLI’s liability to PSALM pertaining to GRAM/ICERA of ₱924.0 million in 2019 and income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC’s power plant amounting to ₱340.7 million in 2018. “Others - net” also included non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

32. **Income Taxes**

The provision for (benefit from) income tax consists of:

	2020	2019	2018
Current			
Corporate income tax	**₱6,111,431**	₱4,257,044	₱4,312,349
Final tax	**218,334**	154,135	237,483
	6,329,765	4,411,179	4,549,832
Deferred	**1,253,493**	347,225	(650,634)
	₱7,583,258	₱4,758,404	₱3,899,198

A reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2020	2019	2018
Statutory income tax rate	**30.00 %**	30.00 %	30.00 %
Tax effects of:			
Changes on unrecognized deferred income tax assets	**11.93**	3.92	2.72
Non-deductible interest expense	**8.50**	4.85	4.77
Non-deductible depreciation expense	**2.30**	0.97	0.95
Non-deductible impairment provisions	**0.12**	0.07	0.03
Deductible lease payments	**(17.54)**	(7.93)	(7.72)
Nontaxable share in net earnings of associates and joint ventures	**(9.53)**	(10.09)	(6.60)
Income under ITH	**(1.13)**	(10.31)	(10.04)
Interest income subjected to final tax at lower rates - net	**(0.57)**	(0.84)	(0.91)
Others	**2.63**	3.27	(2.11)
	26.71 %	13.91 %	11.09 %

Net deferred income tax assets at December 31 relate to the following:

	2020	2019
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱107,300**	₱43,902
Allowances for impairment and probable losses	**556,397**	509,671
NOLCO	**427,094**	1,361,488
Accrued retirement benefits	**195,987**	71,932
Unamortized contributions for past service	**98,671**	63,035
MCIT	**16,526**	9,675
Unrealized foreign exchange losses	**—**	374,169
Others	**1,205,469**	713,469
	2,607,444	3,147,341
Deferred income tax liabilities:		
Unrealized foreign exchange gain	**484,162**	—
Pension asset	**75,220**	20,269
Others	**6,565**	—
	565,947	20,269
	₱2,041,497	₱3,127,072

Net deferred income tax liabilities at December 31 relate to the following:

	2020	2019
Deferred income tax liabilities:		
Tax effects of items in other comprehensive income	**₱—**	₱146,689
Unrealized gain on investment property	**1,460,920**	1,406,478
Unamortized franchise	**744,193**	771,532
Percentage-of-completion recognition of real estate sales and related costs	**152,329**	152,329
Unamortized customs duties and taxes capitalized	**5,348**	5,618
Unrealized foreign exchange gains	**24,739**	18,821
Others	**277,911**	326,798
	2,665,440	2,828,265

(Forward)

	2020	2019
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱106,851**	₱—
NOLCO	**5,782**	10,179
Allowances for:		
Inventory obsolescence	**31,364**	19,468
Impairment and probable losses	**71,006**	22,934
Unrealized foreign exchange losses	**9,389**	9,389
Unamortized past service cost	**10,480**	6,774
Pension asset	**31,039**	37,325
Others	**—**	140,685
	265,911	246,754
	₱2,399,529	₱2,581,511

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Group has unrecognized deferred income tax assets on NOLCO amounting to ₱26.1 billion and ₱13.0 billion as of December 31, 2020 and 2019, respectively, and on MCIT amounting to ₱134.3 million and ₱165.1 million as of December 31, 2020 and 2019, respectively. Management expects that no sufficient taxable income and income tax payable will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

The Group did not recognize deferred income tax liability on its undistributed retained earnings of its subsidiaries on the basis that there are no income tax consequences to the Group attaching to the payment of dividends to its shareholders or that the reversal of the temporary differences are not expected to reverse in the foreseeable future (see Note 24).

33. **Earnings per Common Share**

Earnings per common share amounts were computed as follows:

	2020	2019	2018
a. Net income attributable to equity holders of the parent	**₱15,433,613**	₱22,036,129	₱22,232,977
b. Weighted average number of common shares issued and outstanding	**5,630,225**	5,633,543	5,633,543
c. Earnings per common share (a/b)	**₱2.74**	₱3.91	₱3.95

There are no dilutive potential common shares as of December 31, 2020, 2019 and 2018.

34. **Operating Segment Information**

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

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

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

In addition, The Group presents geographical segments based on two categories, as follows:
- Philippines, which represents the Group's local operations; and
- Rest of Asia, which represents the foreign operations of the Group across several countries in Asia.

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

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

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company (MERALCO) accounted for 10%, 22% and 22% of the power generation revenues of the Group in 2020, 2019, and 2018, respectively.

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

	2020							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱110,144,339	₱—	₱72,597,093	₱3,541,272	₱93,253	₱349,871	₱—	₱186,725,828
Inter-segment	232,310	—	—	77,096	2,590	1,099,846	(1,411,842)	—
Total revenue	₱110,376,649	₱—	72,597,093	₱3,618,368	₱95,843	₱1,449,717	(₱1,411,842)	₱186,725,828
RESULTS								
Segment results	₱26,879,887	₱—	₱4,481,626	₱507,768	(₱189,192)	(₱283,067)	₱76,768	₱31,473,790
Unallocated corporate income (expenses) - net	4,928,563	—	(13,136)	62,941	10,679	(103,005)	(76,767)	4,809,275
INCOME FROM OPERATIONS								36,283,065
Interest expense	(14,253,528)	—	(941,119)	(83,610)	—	(2,706,411)	67,581	(17,917,087)
Interest income	653,076	—	93,047	9,138	16,394	303,162	(67,581)	1,007,236
Share in net earnings of associates and joint ventures	2,675,136	5,855,311	19,781	(33,456)	525,013	11,766,479	(11,789,231)	9,019,033
Provision for income tax	(6,061,912)	—	(1,289,752)	(52,324)	(11,248)	(168,022)	—	(7,583,258)
NET INCOME	₱14,821,222	₱5,855,311	₱2,350,447	₱410,457	₱351,646	₱8,809,136	(₱11,789,230)	₱20,808,989
OTHER INFORMATION								
Segment assets	₱77,504,703	₱—	₱27,288,310	₱19,182,052	₱3,385,735	₱21,443,628	(₱1,423,195)	₱147,381,233
Investments and advances	61,828,801	55,369,791	71,020	2,069,756	26,025,132	126,890,485	(126,838,341)	145,416,644
Unallocated corporate assets	258,591,615	—	41,561,960	8,300,160	8,023,658	454,533	(573,876)	316,358,050
Consolidated total assets								₱609,155,927
Segment liabilities	₱261,578,030	₱—	₱28,397,739	₱12,256,824	₱9,824,430	₱71,843,403	(₱1,971,504)	₱381,928,922
Unallocated corporate liabilities	1,762,015	—	31,000,041	581,967	17,009	(29,734,026)	—	3,627,006
Consolidated total liabilities								₱385,555,928
Capital expenditures	₱5,428,730	₱—	₱1,605,410	₱352,711	₱207,335	₱54,732	₱—	₱7,648,918
Depreciation and amortization	₱10,973,364	₱—	₱1,395,118	118,989	₱22,146	₱187,206	₱—	₱12,696,823

	2019							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱125,419,377	₱—	₱71,155,177	₱4,116,175	₱95,769	₱370,970	₱—	₱201,157,468
Inter-segment	215,780	—	—	79,681	—	1,179,475	(1,474,936)	—
Total revenue	₱125,635,157	₱—	₱71,155,177	₱4,195,856	₱95,769	₱1,550,445	(₱1,474,936)	₱201,157,468

	2019							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
RESULTS								
Segment results	₱28,855,872	₱—	₱3,646,190	₱549,245	(₱174,141)	(₱441,004)	₱218,728	₱32,654,890
Unallocated corporate income (expenses) - net	3,483,389	—	243,718	1,211,636	186	797,602	(218,728)	5,517,803
INCOME FROM OPERATIONS								38,172,693
Interest expense	(14,047,646)	—	(1,261,093)	(63,772)	(19)	(1,731,329)	55,500	(17,048,359)
Interest income	1,291,703	—	68,976	18,129	10,745	242,412	(57,697)	1,574,268
Share in net earnings of associates and joint ventures	3,813,962	7,150,500	13,487	(20,912)	545,936	16,252,690	(16,253,573)	11,502,090
Provision for income tax	(3,215,498)	—	(886,741)	(429,267)	(15,438)	(211,460)	–	(4,758,404)
NET INCOME	₱20,181,782	₱7,150,500	₱1,824,537	₱1,265,059	₱367,269	₱14,908,911	(₱16,255,770)	₱29,442,288
OTHER INFORMATION								
Segment assets	₱76,896,786	₱—	₱22,134,273	₱16,011,885	₱2,476,896	₱7,204,501	(₱299,049)	₱124,425,292
Investments and advances	60,878,541	51,837,773	60,374	1,673,212	25,833,195	130,091,898	(130,023,245)	140,351,748
Unallocated corporate assets	272,694,030	—	30,353,984	8,755,063	5,470,776	6,925,209	(590,001)	323,609,061
Consolidated total assets								₱588,386,101
Segment liabilities	₱275,041,691	₱—	₱25,289,176	₱9,753,786	₱6,590,858	₱51,382,673	(₱864,426)	₱367,193,758
Unallocated corporate liabilities	1,784,655	—	735,764	990,195	16,895	469,754	—	3,997,263
Consolidated total liabilities								₱371,191,021
Capital expenditures	₱9,675,816	₱—	₱1,895,149	₱896,460	₱26,765	₱81,444	₱—	₱12,575,634
Depreciation and amortization	₱9,895,695	₱—	₱1,317,211	₱112,373	₱15,424	₱196,134	₱—	₱11,536,837

	2018							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱131,354,643	₱644,566	₱50,252,875	₱3,925,308	₱96,021	₱669,407	₱—	₱186,942,820
Inter-segment	217,441	—	—	76,047	—	1,149,283	(1,442,771)	—
Total revenue	₱131,572,084	₱644,566	₱50,252,875	₱4,001,355	₱96,021	₱1,818,690	(₱1,442,771)	₱186,942,820
RESULTS								
Segment results	₱36,496,682	(₱38,554)	₱1,568,078	₱958,534	(₱60,669)	(₱42,613)	₱280,485	₱39,161,943
Unallocated corporate income (expenses) - net	(1,292,311)	5,973	1,545,976	(56,446)	(2,673)	1,490,792	(280,485)	1,410,826
INCOME FROM OPERATIONS								40,572,769
Interest expense	(12,082,158)	(8,135)	(974,879)	(76,019)	—	(1,553,542)	56,145	(14,638,588)
Interest income	880,085	1,588	173,102	13,703	3,312	466,420	(62,059)	1,476,151
Share in net earnings of associates and joint ventures	4,356,825	3,599,941	2,850	(11,928)	(218,399)	19,313,421	(19,315,048)	7,727,663
Provision for income tax	(2,925,623)	6,531	(532,076)	(123,380)	(4,096)	(320,554)	–	(3,899,198)
NET INCOME	₱25,433,500	₱3,567,344	₱1,783,052	₱704,463	(₱282,525)	₱19,353,925	(₱19,320,962)	₱31,238,796

	2018							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
OTHER INFORMATION								
Segment assets	₱91,891,697	₱—	₱24,346,718	₱12,535,860	₱1,657,628	₱8,978,434	(₱218,893)	₱139,191,444
Investments and advances	34,334,126	46,025,202	55,807	1,464,124	25,238,659	125,271,699	(125,430,060)	106,959,557
Unallocated corporate assets	263,436,354	—	31,453,948	6,066,913	1,901,742	6,178,277	(600,001)	308,437,233
Consolidated total assets								₱554,588,234
Segment liabilities	₱251,543,579	₱—	₱39,768,325	₱7,673,226	₱3,031,839	₱32,684,202	(₱793,134)	₱333,908,037
Unallocated corporate liabilities	1,541,930	—	855,594	655,099	745	363,298	—	3,416,666
Consolidated total liabilities								₱337,324,703
Capital expenditures	₱8,607,781	₱—	₱1,216,702	₱647,354	₱68,234	₱147,608	₱—	₱10,687,679
Depreciation and amortization	₱8,681,403	₱—	₱896,710	₱82,313	₱13,917	₱144,089	₱—	₱9,818,432

Revenues and noncurrent operating assets by geographical locations are summarized below:

	Revenue			**Property, Plant and Equipment**		**Intangible Assets**	
	2020	**2019**	**2018**	**2020**	**2019**	**2020**	**2019**
Philippines	**₱142,541,418**	₱158,786,154	₱165,426,329	**₱178,347,621**	₱182,919,019	**₱12,503,579**	₱10,305,766
Rest of Asia	**56,659,866**	47,156,740	22,959,262	**4,790,720**	5,055,868	**102,899**	172,597
	₱199,201,284	₱205,942,894	₱188,385,591	**₱183,138,341**	₱187,974,887	**₱12,606,478**	₱10,478,363

The revenue information above is based on the locations of customers. Noncurrent operating assets consist of property, plant and equipment and intangible assets.

35. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.
In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱399.9 million, ₱393.3 million and ₱745.2 million in 2020, 2019 and 2018, respectively.

b. Cash deposits and placements with UBP earn interest at prevailing market rates (see Note 4).

c. Aviation services are rendered by AEV Aviation to ACO and certain associates.

d. Lease of commercial office units by ACO and certain associates from CPDC.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱64.8 million and ₱14.2 million, respectively, as of December 31, 2020, and ₱59.8 million and ₱79.0 million, respectively, as of December 31, 2019 (see Note 19).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Notes 26 and 27).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2020 and 2019 are as follows:

a. Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2020	2019	2018	**2020**	2019	Terms	Conditions
Ultimate Parent							
ACO	**₱11,823**	₱—	₱19,913	**₱245,000**	₱251,026	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
RCBM (see Note 10)	**82,065**	88,773	339,201	**—**	58,852	30-day; interest-free	Unsecured; no impairment
SFELAPCO	**108,838**	106,760	132,623	**—**	57,440	30-day; interest-free	Unsecured; no impairment
CEDC	**88,445**	74,074	71,880	**5,861**	24,615	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**21,594**	18,600	75,312	**—**	11,377	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**6,055**	12,106	49,019	**—**	7,405	30-day; interest-free	Unsecured; no impairment
AEV CRH Holdings, Inc.	**—**	—	—	**3**	3	30-day; interest-free	Unsecured; no impairment
GNPD	**39,884**	41,768	42,360	**3,112**	3,441	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**13,814**	5,910	5,137	**—**	961	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**13,591**	5,986	5,414	**—**	737	30-day; interest-free	Unsecured; no impairment

(Forward)

	Revenue			Accounts Receivable			
	2020	2019	2018	**2020**	2019	Terms	Conditions
SNAP-RES	**₱5**	₱—	₱—	**₱—**	₱—	30-day; interest-free	Unsecured; no impairment
MORE	**1,358**	4,522	2,527	**—**	375	30-day; interest-free	Unsecured; no impairment
UBP	**8,756**	11,165	1,493	**—**	3,227	30-day; interest-free	Unsecured; no impairment
CSB	**881**	—	—	**1,074**	—	30-day; interest-free	Clean; no impairment
SNAP-Generation	**371**	23,678	278	**—**	4	30-day; interest-free	Unsecured; no impairment
RCSI	**2,413**	—	—	**—**	82	30-day; interest-free	Unsecured; no impairment
Total	**₱399,893**	₱393,342	₱745,157	**₱255,050**	₱419,545		

b. Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2020	2019	2018	**2020**	2019	Terms	Condition
AP	**₱159,058**	₱277,850	₱442,344	**₱14,562,293**	₱10,140,102	90 days or less; interest-bearing	No impairment
AEV	**42,189**	48,250	146,938	**7,791,270**	245,933	90 days or less; interest-bearing	No impairment
PILMICO	**9,968**	6,199	42,687	**545,064**	66,659	90 days or less; interest-bearing	No impairment
AboitizLand	**1,110**	1,152	2,099	**621,639**	375,997	90 days or less; interest-bearing	No impairment
Aboitiz Infracapital	**10,108**	7,478	1,628	**865,933**	829,984	90 days or less; interest-bearing	No impairment
CPDC	**978**	1,637	648	**48,116**	55,025	90 days or less; interest-bearing	No impairment
AEV AVIATION	**89**	198	189	**68,462**	31,052	90 days or less; interest-bearing	No impairment
AIPL	**—**	9	12	**10,898**	11,500	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	**5**	2	3	**16**	4,087	90 days or less; interest-bearing	No impairment
	₱223,505	₱342,775	₱636,548	**₱24,513,691**	₱11,760,339		

c. Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2020	2019	2018	**2020**	2019	Terms	Conditions
Ultimate Parent							
ACO	**₱—**	₱520	₱—	**₱—**	₱572	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
SNAP-Magat	**7,179**	7,353	14,280	**—**	462	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**1,734**	1,969	2,356	**—**	140	30-day; interest-free	Unsecured; no impairment
UBP	**1,500**	1,500	1,500	413	413	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**126**	726	285	**—**	407	30-day; interest-free	Unsecured; no impairment
Tsuneishi Holdings (Cebu), Inc.	**456**	—	—	**251**	—	30-day; interest-free	Unsecured; no impairment
	₱10,995	₱12,068	₱18,421	**₱664**	₱1,994		

d. Revenue - Rental

	Revenue			Accounts Receivable			
	2020	2019	2018	**2020**	2019	Terms	Conditions
Ultimate Parent							
ACO	**₱6,590**	₱4,269	₱4,218	**₱—**	₱—	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**5,038**	5,268	4,330	**—**	—	30-day; interest-free	Unsecured; no impairment
RCSI	**—**	—	—	**—**	14,951	30-day; interest-free	Unsecured; no impairment
	₱11,628	₱9,537	₱8,548	**₱—**	₱14,951		

e. Land Acquisition

	Purchase			Payable			
	2020	2019	2018	**2020**	2019	Terms	Condition
Ultimate Parent							
ACO	**₱—**	₱—	₱—	**₱78,988**	₱138,864	Quarterly installment	Unsecured

f. Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2020	2019	2018	**2020**	2019	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,351,358**	₱2,655,153	₱2,290,390	**₱171,663**	₱227,478	30-day; interest-free	Unsecured; no impairment
RCBM	**1,509,512**	1,295,957	1,341,456	**33,028**	52,320	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**7,355**	22,802	9,193	—	—	30-day; interest-free	Unsecured; no impairment
SNAP-RES	—	28,983	19,442	—	1	30-day; interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc.	**30,662**	165,254	351,946	—	2	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	—	—	11,218	—	—	30-day; interest-free	Unsecured; no impairment
	₱3,898,887	₱4,168,149	₱4,023,645	**₱204,691**	₱279,801		

g. Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2020	2019	2018	**2020**	2019	Terms	Condition
Associates and Joint Ventures							
CEDC	**₱3,955,490**	₱3,619,999	₱4,196,052	**₱330,478**	₱339,494	30-day; interest-free	Unsecured
SNAP-Magat	**94,730**	109,142	110,432	**7,745**	8,012	30-day; interest-free	Unsecured
SFELAPCO	**30,002**	—	14,287	—	—	30-day; interest-free	Unsecured
	₱4,080,222	₱3,729,141	₱4,320,771	**₱338,223**	₱347,506		

h. Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2020	2019	2018	**2020**	2019	Terms	Condition
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱271,383**	₱458,564	₱399,105	**₱2,137**	₱212,358	30-day; interest-free	Unsecured

i. Advances to Suppliers (Contractors)

	Purchases			Payable			
	2020	2019	2018	**2020**	2019	Terms	Condition
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱—**	₱—	₱—	**₱151,698**	₱154,003	30-day; interest-free	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱517.3 million and ₱491.9 million as of December 31, 2020 and 2019, respectively. The assets and investments of the Fund are as follows:

	2020	2019
Equity investments at FVTPL	**₱137,726**	₱382,350
Financial assets at amortized cost	**363,375**	93,029
Debt investments at FVOCI	**16,166**	16,488
	₱517,267	₱491,867

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2020 and 2019 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2020		2019	
	Carrying Value	**Losses**	Carrying Value	Gains
AEV common shares	**₱346,353**	**(₱3,405)**	₱295,023	₱19,286
AP common shares	**296,523**	**(70,872)**	411,559	3,203

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2020	2019	2018
Short-term benefits	**₱219,528**	₱309,496	₱332,370
Post-employment benefits	**10,145**	20,145	17,658
	₱229,673	₱329,641	₱350,028

36. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise of cash and cash equivalents, investments in FVTPL and FVOCI, bank loans, long-term debts and lease liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

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

Risk Management Structure

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

Financial risk committee

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

Treasury service group

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

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, investments in financial assets at FVOCI and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

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

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund-raising activities. As of December 31, 2020, 15.53% of the Group's long-term debt had annual floating interest rates ranging from 1.62% to 4.9%, and 84.47% are with fixed rates ranging from 2.0% to 8.1%. As of December 31, 2019, 17.8% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 6.0%, and 82.2% are with fixed rates ranging from 4.1% to 9.0%.

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

December 31, 2020

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱2,448,799**	**₱30,086,294**	**₱8,007,950**	**₱40,543,043**

December 31, 2019

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱1,923,488	₱36,617,665	₱4,183,912	₱42,725,065

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

The interest expense recognized during the years ended December 31 is as follows:

	2020	2019	2018
Long-term debts (see Note 19)	**₱13,208,979**	₱11,116,862	₱8,998,958
Lease liabilities (see Note 22)	**3,287,801**	4,381,935	4,797,898
Bank loans (see Note 18)	**1,210,646**	1,215,563	765,276
Long-term obligation on PDS and others	**205,634**	329,647	74,313
Customers' deposits (see Note 20)	**4,027**	4,352	2,143
	₱17,917,087	₱17,048,359	₱14,638,588

The interest income recognized during the years ended December 31 is as follows:

	2020	2019	2018
Cash and cash equivalents (see Note 4)	**₱921,440**	₱1,503,698	₱1,451,344
Others	**85,796**	70,570	24,807
	₱1,007,236	₱1,574,268	₱1,476,151

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2020, 2019 and 2018:

	Increase (decrease) in basis points	Effect on income before tax
2020	**200**	**(₱813,082)**
	(100)	**406,541**
2019	200	(₱854,501)
	(100)	427,251
2018	200	(₱596,361)
	(100)	298,180

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2020, 2019 and 2018 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2020 and 2019, foreign currency denominated borrowings account for 31.15% and 34.06%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	2020		2019	
	US dollar	**Philippine peso Equivalent**[1]	US dollar	Philippine peso Equivalent[2]
Financial assets:				
Cash and cash equivalents	**\$618,093**	**₱29,682,701**	\$123,735	₱6,265,343
Short-term deposits	**20,000**	**960,460**	—	—
Trade and other receivables	**111,091**	**5,334,947**	122,557	6,205,685
Investments in FVTPL and FVOCI	**21,789**	**1,046,395**	19,153	969,791
Total financial assets	**770,973**	**37,024,503**	265,445	13,440,819
Financial liabilities:				
Bank loans	**78,054**	**3,748,384**	53,134	2,690,437
Trade and other payables	**240,418**	**11,545,608**	188,601	9,549,827
Long-term debts	**963,243**	**46,257,829**	566,938	28,706,917
Lease liabilities	**400,786**	**19,246,931**	731,598	37,044,441
Total financial liabilities	**1,682,501**	**80,798,752**	1,540,271	77,991,622
Net foreign currency denominated liabilities	**(\$911,528)**	**(₱43,774,249)**	(\$1,274,826)	(₱64,550,803)

[1]\$1= ₱48.02
[2]\$1= ₱50.64

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2020 and 2019.

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2020	**US dollar strengthens by 5%**	**(₱2,188,712)**
	US dollar weakens by 5%	**2,188,712**
2019	US dollar strengthens by 5%	(₱3,227,540)
	US dollar weakens by 5%	3,227,540

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

The following table presents LHC's and GMEC's foreign currency denominated assets and liabilities:

	2020		2019	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[2]
Financial assets:				
Cash and cash equivalents	**₱1,160,417**	**$24,164**	₱718,508	$14,190
Trade and other receivables	**773,437**	**16,106**	461,052	9,105
	1,933,854	**40,270**	1,179,560	23,295
Financial liabilities:				
Trade and other payables	**824,791**	**17,175**	842,075	16,630
Net foreign currency denominated assets	**₱1,109,063**	**$23,095**	₱337,485	$6,665

[1]$1= ₱48.02
[2]$1= ₱50.64

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2020	
US dollar appreciates against Philippine peso by 5.0%	($1,155)
US dollar depreciates against Philippine peso by 5.0%	1,155
2019	
US dollar appreciates against Philippine peso by 5.0%	($333)
US dollar depreciates against Philippine peso by 5.0%	333

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

Equity price risk
Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of December 31, 2020 and 2019, the Group's exposure to equity price risk is minimal.

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

Concentration risk

Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2020 and 2019 is summarized in the following table:

	2020	2019
Power distribution:		
Industrial	**₱4,005,713**	₱5,554,969
Residential	**1,922,998**	1,825,217
Commercial	**1,144,382**	437,994
City street lighting	**764,702**	111,570
Power generation:		
Power supply contracts	**8,066,769**	8,982,962
Spot market	**1,821,815**	1,481,760
	₱17,726,379	₱18,394,472

The above receivables were provided with allowance for ECL amounting to ₱2.3 billion and ₱2.0 billion as of December 31, 2020 and 2019, respectively (see Note 5).

Credit quality

The maximum exposure to credit risk on the Group's financial assets, including their related credit quality per class, is as follows:

December 31, 2020

	Neither past due nor impaired				
	High grade	**Standard grade**	**Sub-standard grade**	**Past due or individually impaired**	**Total**
Cash and cash equivalents	**₱65,966,411**	**₱—**	**₱—**	**₱—**	**₱65,966,411**
Restricted cash	**5,324,213**	**—**	**—**	**—**	**5,324,213**
Short-term deposits	**960,460**	**—**	**—**	**—**	**960,460**
Trade and other receivables					
Trade receivables					
Power	**11,119,896**	**—**	**—**	**6,606,484**	**17,726,380**
Food manufacturing	**3,597,902**	**738,904**	**1,620,830**	**1,944,301**	**7,901,937**
Real estate	**4,927,642**	**301,426**	**2,203,467**	**160,672**	**7,593,207**
Holding and others	**1,083,576**	**3,830**	**9,226**	**—**	**1,096,632**
Other receivables	**8,434,439**	**—**	**76,043**	**20,098**	**8,530,580**
Debt investments at amortized cost	**101,161**	**—**	**—**	**—**	**101,161**
Financial assets at FVTPL					
Quoted shares of stock	**997,484**	**—**	**—**	**—**	**997,484**
Unquoted shares of stock	**12,070**	**—**	**—**	**—**	**12,070**
Financial assets at FVOCI	**2,215,044**	**—**	**—**	**—**	**2,215,044**
	₱104,740,298	**₱1,044,160**	**₱3,909,566**	**₱8,731,555**	**₱118,425,579**

December 31, 2019

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱46,424,663	₱—	₱—	₱—	₱46,424,663
Restricted cash	9,121,747	—	—	—	9,121,747
Trade and other receivables					
Trade receivables					
Power	13,417,297	—	—	4,977,175	18,394,472
Food manufacturing	3,701,732	835,182	1,272,816	1,683,131	7,492,861
Real estate	2,404,783	469,580	2,219,133	102,835	5,196,331
Holding and others	1,073,336	19,949	128,741	–	1,222,026
Other receivables	7,853,602	14,844	90,331	132,392	8,091,169
Debt investments at amortized cost	234,968	–	–	–	234,968
Financial assets at FVTPL					
Quoted shares of stock	719,727	—	—	—	719,727
Unquoted shares of stock	12,070	—	—	—	12,070
Financial assets at FVOCI	176,479	—	—	—	176,479
Derivative asset	133,387	—	—	—	133,387
	₱85,273,791	₱1,339,555	₱3,711,021	₱6,895,533	₱97,219,900

	2020			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
High grade	**₱89,909,170**	**₱14,831,128**	**₱—**	**₱104,740,298**
Standard grade	**113,438**	**930,722**	**—**	**1,044,160**
Substandard grade	**—**	**3,909,566**	**—**	**3,909,566**
Default	**—**	**6,304,532**	**2,427,023**	**8,731,555**
Gross carrying amount	**90,022,608**	**25,975,948**	**2,427,023**	**118,425,579**
Loss allowance	**—**	**996,668**	**2,427,023**	**3,423,691**
Carrying amount	**₱90,022,608**	**₱24,979,280**	**₱—**	**₱115,001,888**

	2019			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱72,121,361	₱13,152,429	₱—	₱85,273,790
Standard grade	—	1,339,555	—	1,339,555
Substandard grade	—	3,711,021	—	3,711,021
Default	—	4,886,173	2,009,360	6,895,533
Gross carrying amount	72,121,361	23,089,178	2,009,360	97,219,899
Loss allowance	—	768,866	2,009,360	2,778,226
Carrying amount	₱72,121,361	₱22,320,312	₱—	₱94,441,673

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents, restricted cash and short-term cash deposits as high-quality financial assets since these are placed in financial institutions of high credit standing.

With respect to other receivables, debt investments at amortized cost, FVOCI and FVTPL investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2020

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Cash and cash equivalents	**₱65,966,411**	**₱65,966,411**	**₱—**	**₱—**	**₱—**	**₱—**	**₱—**
Restricted cash	**5,324,213**	**5,324,213**	—	—	—	—	—
Short-term deposits	**960,460**	**960,460**	—	—	—	—	—
Trade and other receivables							
Trade receivables							
Power	**17,726,380**	**11,119,896**	**1,637,745**	**2,692,366**	—	—	**2,276,373**
Food manufacturing	**7,901,937**	**5,957,636**	**643,234**	**314,421**	—	—	**986,646**
Real estate	**7,593,207**	**7,432,535**	—	—	—	—	**160,672**
Holding and others	**1,096,632**	**1,096,632**	—	—	—	—	—
Other receivables	**8,530,580**	**8,510,482**	**5,306**	**14,792**	—	—	—
Debt investments at amortized cost	**101,161**	**101,161**	—	—	—	—	—
Financial assets at FVTPL:							
Quoted shares of stock	**997,484**	**997,484**	—	—	—	—	—
Unquoted shares of stock	**12,070**	**12,070**	—	—	—	—	—
Financial assets at FVOCI	**2,215,044**	**2,215,044**	—	—	—	—	—
	₱118,425,579	**₱109,694,024**	**₱2,286,285**	**₱3,021,579**	**₱—**	**₱—**	**₱3,423,691**

December 31, 2019

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Cash and cash equivalents	₱46,424,663	₱46,424,663	₱—	₱—	₱—	₱—	₱—
Restricted cash	9,121,747	9,121,747	—	—	—	—	—
Trade and other receivables							
Trade receivables							
Power	18,394,472	13,417,297	509,816	2,493,839	—	—	1,973,520
Food manufacturing	7,492,861	5,809,730	649,840	331,420	–	–	701,871
Real estate	5,196,331	5,093,496	—	—	—	—	102,835
Holding and others	1,222,026	1,222,026	—	—	—	—	—
Other receivables	8,091,168	7,958,776	—	132,392	—	—	—
Debt investments at amortized cost	234,968	234,968	—	—	—	—	—
Financial assets at FVTPL:							
Quoted shares of stock	719,727	719,727	—	—	—	—	—
Unquoted shares of stock	12,070	12,070	—	—	—	—	—
Financial assets at FVOCI	176,479	176,479	—	—	—	—	—
Derivative asset	133,387	133,387	—	—	—	—	—
	₱97,219,899	₱90,324,366	₱1,159,656	₱2,957,651	₱—	₱—	₱2,778,226

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of December 31, 2020 and 2019, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 8.02% and 11.24%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱66.0 billion and ₱38.0 billion as of December 31, 2020, respectively and of ₱46.4 billion and ₱35.2 billion as of December 31, 2019, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

December 31, 2020

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	**₱33,230,980**	**₱33,230,980**	**₱1,662,192**	**₱30,441,702**	**₱1,127,086**	**₱—**
Customers' deposits	**6,990,008**	**6,990,008**	**—**	**171**	**417,072**	**6,572,765**
Financing						
Bank loans	**29,330,883**	**29,364,275**	**—**	**29,364,275**	**—**	**—**
Long-term debts	**261,041,080**	**311,532,857**	**—**	**26,045,719**	**170,055,071**	**115,432,067**
Lease liabilities	**39,768,846**	**53,764,786**	**—**	**10,723,920**	**37,744,854**	**5,296,012**
Long-term obligation on PDS	**183,436**	**320,000**	**—**	**40,000**	**200,000**	**80,000**
Others						
Derivative liabilities	**1,983,877**	**1,983,877**	**—**	**982,348**	**1,001,529**	**—**
	₱372,529,110	**₱437,186,783**	**₱1,662,192**	**₱97,598,135**	**₱210,545,612**	**₱127,380,844**

**Excludes statutory liabilities*

December 31, 2019

	Total carrying value	Contractual undiscounted payments: Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱39,277,702	₱39,277,702	₱2,769,960	₱29,610,014	₱6,897,728	₱—
Customers' deposits	6,721,156	6,721,156	—	25,199	206,094	6,489,863
Financing						
Bank loans	25,717,137	25,929,484	—	25,929,484	—	—
Long-term debts	239,579,538	312,311,678	—	36,114,860	163,097,999	113,098,819
Lease liabilities	45,293,762	63,608,050	—	9,290,529	45,237,715	9,079,806
Long-term obligation on PDS	199,350	360,000	—	40,000	200,000	120,000
Others						
Derivative liabilities	2,468,324	2,468,324	—	2,255,736	212,588	—
	₱359,256,969	₱450,676,394	₱2,769,960	₱103,265,822	₱215,852,124	₱128,788,488

**Excludes statutory liabilities*

Capital Management

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

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

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2020 and 2019, these entities have complied with this requirement as applicable (see Note 39).

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

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

	2020	2019
Bank loans	**₱29,330,883**	₱25,717,137
Long-term obligations	**300,809,926**	284,873,300
Cash and cash equivalents (including restricted cash and short-term cash deposits)	**(72,251,084)**	(55,546,410)
Net debt (a)	**257,889,725**	255,044,027
Equity	**223,599,999**	217,195,080
Equity and net debt (b)	**₱481,489,724**	₱472,239,107
Gearing ratio (a/b)	**53.56 %**	54.01 %

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2020 and 2019 (see Note 19).

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2020 and 2019, these entities have complied with this requirement as applicable (see Note 39).

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

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

37. Financial Instruments

Fair Value of Financial Instruments

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

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

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

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱2,140,226**	**₱1,939,398**	₱3,183,080	₱2,846,279
Financial liabilities				
Lease liabilities	**₱39,768,846**	**₱38,413,752**	₱45,293,761	₱39,046,242
Long-term debt - fixed rate	**220,498,037**	**245,613,118**	196,854,474	203,058,442
PSALM deferred adjustment	**2,140,226**	**1,939,398**	3,183,080	2,846,279
Long-term obligation on PDS	**183,436**	**162,164**	199,350	320,194
	₱262,590,545	**₱286,128,432**	₱245,530,665	₱245,271,157

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

Cash and cash equivalents, short-term cash deposits, trade and other receivables, short-term loans and trade and other payables

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

Lease liabilities

The fair value of the lease liabilities was calculated by discounting future cash flows using discount rates of 1.38% to 2.44% for dollar payments and 1.38% to 3.56% for peso payments in 2020; and 3.10% to 4.13% for dollar payments and 4.16% to 7.04% for peso payments in 2019.

Fixed-rate borrowings

The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 2.58% to 6.22% in 2020 and 3.47% to 9.00% in 2019. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings

Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS and PSALM deferred adjustment

The fair values of the long-term obligations on PDS and PSALM deferred adjustment are calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 3.15% to 4.45% in 2020 and 3.11% to 5.09% in 2019.

Customers' deposits

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

Financial assets at FVTPL and FVOCI

These securities are carried at fair value.

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

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

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

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

IRS
In August 2012, LHC entered into an IRS agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the IRS agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2020, the outstanding notional amount and derivative liability as a result of the swap amounted to US$5.7 million and ₱2.8 million respectively. As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US$11.2 million and ₱2.2 million, respectively.

On September 29, 2017, GMEC entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 19), which bears interest based on six-month US LIBOR. Under the swap agreement, GMEC pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The IRS settlement dates coincide with the semi-annual interest payment dates of the NFA. GMEC designated the swap as a cash flow hedge.

As of December 31, 2020, the outstanding notional amount and derivative asset as a result of the swap amounted to US$267.5 million and ₱252.3 million, respectively. As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US$288.5 million and ₱272.2 million, respectively.

In August and September 2019, AEV International entered into IRS agreements (IRS 1 and 2) to fully hedge its floating rate exposure on its US dollar-denominated loan. Under the IRS agreements, AEV International, on a quarterly basis, pays an annual fixed rate (IRS 1 = 1.464%; IRS 2 = 1.435%) and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity of the hedged loan. AEV International designated the swaps as cash flow hedges.

As of December 31, 2020, the outstanding notional amount and derivative liability as a result of the swaps amounted to US$114.0 million and ₱195.1 million, respectively. As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swaps amounted to US$114.0 million and ₱51.1 million, respectively.

In September 2019, AP entered into an IRS agreement effective September 30, 2019 to hedge US$150.0 million of its floating rate exposure on its loan (see Note 18). Under the agreement, AP, on a quarterly basis, pays a fixed rate of 1.4493% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to April 30, 2024. AP designated the swap as a cash flow hedge.

As of December 31, 2020, the outstanding notional amount and fair value of the swap amounted to ₱9.6 billion and ₱0.4 billion, respectively. As of December 31, 2020, the outstanding notional amount and fair value of the swap amounted to ₱7.6 billion and ₱0.1 billion, respectively.

Foreign currency forward contracts
In 2020, AP entered into foreign currency forward contracts, namely Principal-only Swap (POS) and Call Spread (CS), with counterparty banks to manage foreign currency risks associated with its US dollar denominated loan. The notional amount of the forward contract is $25.0 million (₱1.2 billion) and $10.0 million (₱480 million) for POS and CS, respectively. AP designated both the forward contracts as a cash flow hedge.

TLI entered into forward contracts to hedge the foreign currency risk arising from forecasted US dollar denominated coal purchases. These forecasted transactions are highly probable, and they comprise about 20% of the TLI's total expected coal purchases. The forward contracts were designated as cash flow hedges.

On January 1, 2020, TLI re-designated its foreign currency forwards with notional amount of $22.5 million and average forward rate of ₱48.00 as cash flow hedges of the monthly fees due to PSALM under its IPP Administration Agreement, the settlement of which is in USD. The cash flow hedges of PSALM fees were all matured as of December 31, 2020.

As of December 31, 2020 and 2019, the aggregate notional amount of the forward contracts is ₱5.3 billion and ₱13.1 billion, respectively.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2019, the aggregate notional amount of the par forward contracts is US$16.8 million (₱0.9 billion). The contracts were fully settled in 2020.

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

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:
- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments

- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments
- Non-zero fair value hedging instruments

The Company is holding the following hedging instruments designated as cash flow hedges:

December 31, 2020

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
IRS - Derivative Assets						
Notional amount (in PHP)	—	—	—	—	9,604,600	9,604,600
Average fixed interest rate (%)	—	—	—	—	1.45%-1.51%	
IRS - Derivative Liability						
Notional amount (in PHP)	517,352	105,651	579,349	1,084,455	16,322,788	18,609,585
Average fixed interest rate (%)	2.18%	2.18%	2.18%	2.18%	1.44%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	48,106	54,559	49,247	—	—	151,912
Average forward rate (in PHP)	48	48	49	—	—	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	1,187,189	1,016,015	1,825,623	1,343,132	34,057,273	5,406,016
Average forward rate (in PHP)	54	53	53	53	51	
Principal only swap currency forward						
Notional amount (in PHP)	—	—	—	—	1,214,775	1,214,775
Call Spread Foreign Currency						
Notional amount (in PHP)	—	—	—	—	480,360	480,360
Commodity swaps - Derivative Asset						
Notional amount (in metric)	105,000	72,000	140,000	52,000	—	369,000
Notional amount (in PHP)	363,966	243,215	477,051	177,783	—	1,262,004
Average hedged rate (in PHP per metric tonne)	3,466	3,466	3,408	3,419	—	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	177,000	174,000	291,000	260,000	8,000	910,000
Notional amount (in PHP)	748,246	725,808	1,211,904	1,040,778	31,781,621	3,758,518
Average hedged rate (in PHP per metric tonne)	4,227	4,171	4,165	4,411	3,973	

December 31, 2019

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
IRS - Derivative Assets						
Notional amount (in PHP)	—	111,397	167,096	278,493	7,602,845	8,159,831
Average fixed interest rate (%)	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	
IRS - Derivative Liabilities						
Notional amount (in PHP)	505,084	—	319,001	744,335	17,448,534	19,016,954
Average fixed interest rate (%)	2.18%	—	2.18%	2.18%	1.44%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	35,448	—	—	—	—	35,448
Average forward rate (in PHP)	51	—	—	—	—	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	2,549,299	2,459,085	4,447,858	2,809,170	861,922	13,127,334
Average forward rate (in PHP)	53	53	53	55	54	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	361,500	328,500	447,500	651,500	269,000	2,058,000
Notional amount (in PHP)	1,659,132	1,494,677	2,008,052	2,873,693	1,147,704	9,183,258
Average hedged rate (in PHP per metric tonne)	4,590	4,550	4,487	4,411	4,267	

The impact of the hedged items and hedging instruments in the consolidated balance sheets, and consolidated statements of income and comprehensive income is as follows:

	December 31, 2020			
	Carrying amount	**Change in fair value used for measuring ineffectiveness**	**Total hedging gain (loss) recognized in OCI**	**Ineffectiveness recognized in other comprehensive income (charges)**
IRS				
Derivative asset	**₱—**	**₱—**	**₱—**	**₱—**
Derivative liability	**(1,388,776)**	**(572,764)**	**(1,199,949)**	**—**
Forward exchange currency forwards				
Derivative asset	**735**	**735**	**735**	**—**
Derivative liability	**(461,531)**	**(461,531)**	**(461,531)**	**—**
Principal only swap foreign currency forwards				
Derivative liability	**(39,350)**	**(39,350)**	**(39,350)**	**—**
Call spread currency foreign currency forwards				
Derivative liability	**(771)**	**(771)**	**(771)**	**—**
Commodity swaps				
Derivative asset	**164,361**	**161,703**	**161,703**	**2,658**
Derivative liability	**(258,545)**	**(251,251)**	**(251,251)**	**(7,294)**

	December 31, 2019			
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱133,388	₱80,134	₱114,489	₱—
Derivative liability	(256,858)	—	(515,811)	—
Forward exchange currency forwards				
Derivative asset	13	13	13	—
Derivative liability	(521,528)	(521,528)	(405,516)	—
Commodity swaps				
Derivative asset	—	—	(195,428)	—
Derivative liability	(1,689,952)	(1,689,952)	(1,461,259)	(8,430)

The movements in fair value changes of all derivative instruments for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
At beginning of year	**(₱2,334,937)**	₱131,263
Net changes in fair value of derivatives designated as cash flow hedges	**877,257**	(2,464,672)
Net changes in fair value of derivatives not designated as accounting hedges	**(4,848)**	(3,889)
Fair value of settled instruments	**(521,349)**	2,361
At end of year	**(₱1,983,877)**	(₱2,334,937)

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as “Net foreign exchange gain (losses)” under “Other income (expense) - net”. The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under “Cumulative translation adjustments.”

The implementation of community quarantine by the Philippine government and the decline in prices of coal amid COVID-19 pandemic led to reduction in the coal requirements of the TLI in 2020. Due to this, TLI discontinued its cash flow hedge accounting on some derivatives where it assessed that the hedged items were no longer expected to occur and reclassified ₱103.1 million and ₱615.0 million of foreign currency forward and commodity swap contracts, respectively, from equity into the consolidated statement of income.

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2020	2019
Balance at beginning of year (net of tax)	**₱2,257,289**	₱139,879
Changes in fair value recorded in equity	**1,694,143**	203,751
	3,951,432	343.630
Changes in fair value transferred to profit or loss	**(2,229,012)**	(8,218)
Balance at end of year before deferred tax effect	**1,722,420**	2,190,926
Deferred tax effect	**2,166**	15,303
Balance at end of year (net of tax)	**₱1,720,254**	₱2,206,229

The Group has not bifurcated any embedded derivatives as of December 31, 2020 and 2019.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly
Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

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

December 31, 2020

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱1,009,554**	**₱1,009,554**	**₱—**	**₱—**
At FVOCI	**2,215,044**	**2,215,044**	**—**	**—**
Derivative liability	**1,983,877**	**—**	**1,983,877**	**—**
Disclosed at fair value:				
Lease liabilities	**38,413,752**	**—**	**—**	**38,413,752**
Long-term debt - fixed rate	**245,613,118**	**—**	**—**	**245,613,118**
PSALM deferred adjustment	**1,939,398**	**—**	**—**	**1,939,398**
Long-term obligation on PDS	**162,164**	**—**	**—**	**162,164**

December 31, 2019

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	₱731,797	₱731,797	₱—	₱—
At FVOCI	176,479	176,479	—	—
Derivative asset	133,387	—	133,387	—
Derivative liability	2,468,324	—	2,468,324	—
Disclosed at fair value:				
Lease liabilities	39,046,242	—	—	39,046,242
Long-term debt - fixed rate	203,058,442	—	—	203,058,442
PSALM deferred adjustment	2,846,279	—	—	2,846,279
Long-term obligation on PDS	320,194	—	—	320,194

During the years ended December 31, 2020 and 2019, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

38. Notes to Consolidated Statements of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2020 and 2019:

			Non-cash Changes					
	January 1, 2020	Net cash flows	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2020
Current interest-bearing loans and borrowings, excluding lease liabilities	₱52,884,055	(₱33,060,327)	(₱31)	(₱1,851)	₱—	₱—	₱26,966,511	₱46,788,357
Current lease liabilities	5,656,225	(7,862,233)	—	2,900	—	14,879	9,471,412	7,283,183
Non-current interest-bearing loans and borrowings, excluding lease liabilities	212,611,970	62,231,716	434,797	(3,810,968)	—	—	(27,700,473)	243,767,042
Non-current lease liabilities	39,637,536	—	—	(1,050,787)	—	3,272,922	(9,374,008)	32,485,663
Derivatives	2,468,324	—	—	—	(484,447)	—	—	1,983,877
Total liabilities from financing activities	₱313,258,110	₱21,309,156	₱434,766	(₱4,860,706)	(₱484,447)	₱3,287,801	(₱636,558)	₱332,308,122

	January 1, 2019	Net cash flows	Amortized deferred financing costs	Non-cash Changes Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2019
Current interest-bearing loans and borrowings, excluding lease liabilities	₱37,721,561	(₱16,756,167)	₱1,315	₱—	₱—	₱—	₱31,917,346	₱52,884,055
Current lease liabilities	4,131,059	(7,638,946)	—	—	—	7,210	9,156,902	5,656,225
Non-current interest-bearing loans and borrowings, excluding lease liabilities	200,902,889	44,962,947	258,898	(1,506,799)	—	—	(32,005,965)	212,611,970
Non-current lease liabilities	42,763,296	—	9,995	(2,018,791)	—	4,350,043	(5,467,007)	39,637,536
Derivatives	161,565	—	—	—	2,306,759	—	—	2,468,324
Total liabilities from financing activities	₱285,680,370	₱20,567,834	₱270,208	(₱3,525,590)	₱2,306,759	₱4,357,253	₱3,601,276	₱313,258,110

39. **Registrations with the Board of Investments (BOI)**

a. Power Segment
Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. The ITH shall be limited only to sales/revenue generated from sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2020 and 2019 these companies have complied with the requirements.

b. Food Manufacturing Segment
PILMICO
On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Among others, said registration entitles PILMICO to three-year ITH from January 2016 or actual start of commercial operations, whichever is earlier, and importation of capital equipment at zero duty for a period of five years.

PANC

PANC has been registered with the BOI and granted the following incentives:

◦ ITH for a period of three to four years;

Type of Registration	BOI Approval Date	Start of ITH Period	ITH Period
Expanding Producer of Animal Feeds	June 24, 2016	July 2016 [1]	3 years
New Producer of Table Eggs and By- Products	April 7, 2015	October 2015 [1]	4 years
New Producer of Hogs and Pork Meat	July 16, 2017	July 2017 [1]	3 years

[1] *Or actual start of commercial operations, whichever is earlier, but not earlier than registration date,*

◦ Importation of capital equipment at zero duty for a period of five years from date of registration;

◦ Other tax and duty exemptions on purchase of certain inventories.

There is no income tax incentive availed in 2020 and 2019 since PANC has incurred losses and did not exceed the base figure in the registered project's operation. As of December 31, 2020, PANC has complied with the terms and conditions indicated in the above BOI registrations.

c. Infrastructure Segment

On January 24, 2018, the BOI approved Apo Agua's application for registration as new operator of Bulk Water Supply (Davao City Bulk Water Project) under the 2017 IPP on a non-pioneer status under Omnibus Investments Code of 1987. The BOI issued the Certificate of Registration on April 12, 2018 which entitles Apo Agua to an ITH of four years from February 2022 or actual start of commercial operations, whichever is earlier but availment shall in no case be earlier than the date of registration.

40. **Rate Regulation, Power Supply and Other Agreements**

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. Steam Supply Agreement

On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018 and shall continue in effect until October 22, 2034, unless earlier terminated or extended by mutual agreement of the Parties.

Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱3.0 billion in 2020, ₱5.0 billion in 2019 and ₱5.2 billion in 2018.

c. <u>Coal Supply Agreements (CSA)</u>
TLI enters into short-term CSA. Outstanding CSA as of December 31, 2020 have aggregate supply amounts of 1,840,000 MT (equivalent dollar value is estimated to be at $131 million), which are due for delivery from January 2021 to December 2022. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMEC has a current Coal Supply Agreement (CSA) with Avra Commodities Pte. Ltd. (Avra) and Arutmin dated December 20, 2019 and December 23, 2019, respectively, for coal deliveries commencing on January 1, 2020. Avra shall annually deliver between a minimum of 500,000 metric tonnes to a maximum of 1,200,000 metric tonnes of coal until CSA expires on December 31, 2024, while Arutmin shall annually deliver 1,650,000 metric tonnes of coal with an additional quantity of 160,000 metric tonnes at GMEC's option until the CSA expires on December 31, 2029.

In addition, GMEC entered into a CSA with PT. Bayan Resources TBK (Bayan) on April 8, 2020. Bayan shall annually deliver between a minimum of 500,000 metric tonnes to a maximum of 1,000,000 metric tonnes until the CSA expires on April 30, 2030.

d. <u>Joint Venture Agreement</u>
On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.

Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.

41. Contingencies

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱900.0 million in 2020, ₱958.3 million in 2019, and ₱1.0 billion in 2018 (see Note 35).

42. Other Matters

a. <u>Renewable Energy Act of 2008</u>
On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of

renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for

Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2020, the SC has not lifted the TRO.

d. <u>Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)</u>

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and

December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

On February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings. PEMC filed a Motion for Reconsideration, and in compliance with Resolution of the CA, has filed a comment on the said motion.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA's Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2020, the petition is still pending resolution with the SC.

e. <u>Therma Marine Case</u>

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month. On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2020, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC
On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2020, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)
In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement (“NPPC-APA”), Land Lease Agreement (“NPPC-LLA”) and other documents to implement TPVI’s acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI’s Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC’s second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its “fallo” that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC’s right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI’s Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC’s October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC’s and PSALM’s motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

In 2018, TPVI paid a total amount of ₱1.0 billion for the NPPC-APA and NPPC-LLA and ₱496.0 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2020.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2020.

j. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;

2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)
The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)
On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on December 19, 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

l. <u>COVID-19</u>

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. This community quarantine has been extended on a more relaxed form after the May 15, 2020 extension. As of March 5, 2021, general community quarantine is in effect in selected areas including the National Capital Region until March 31, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The economic slowdown during the ECQ has been caused by reduced consumer spending in most sectors and therefore, affects the Group's operations.

In its power segment, energy is being dispatched at a lower level, and because of the reduced energy demand, market prices are down, ultimately affecting the Group's energy trading business. Further, collections were impacted as consumer payments on energy bills were not made on original due dates because of the staggered payment scheme directed by the ERC.

In its financial services segment, potential impact is on the expected higher rate of defaults on its loans and receivables.

COVID-19 did not have an immediate impact on the Group's food manufacturing segment. The food manufacturing sector has been generally unaffected negatively.

In its real estate segment, COVID-19 negatively impact the Group because of decreased construction progress upon implementation of the ECQ, effectively delaying roll-outs of new projects. In addition, a decrease in the number of real estate buyers during this period resulted to a lower sales volume.

In its infrastructure segment, the decline in construction activity resulted to lower demand for cement and construction materials.

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

m. Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee's version of the proposed CREATE bill. Among others, CREATE bill contains provisions that affect the taxability of an entity:

- Reduction of corporate income tax rate from 30% to 25% or 20% as the case maybe, depending on the classification of an entity, effective July 1, 2020;
- Reduction of MCIT rate from 2% to 1% of gross income, effective from July 1, 2020 to June 30, 2023;
- Repeal of the imposition of 10% improperly accumulated earnings tax; and
- VAT exemption on certain sale of real properties.

43. Events after the Reporting Period

To comply with the requirements of Section 43 of the Corporation Code, on March 5, 2021, the BOD approved the declaration of a regular cash dividend of ₱0.91 per share (₱5.1 billion) to all stockholders of record as of March 19, 2021. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2020, and will be paid on March 31, 2021. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

SGV
Building a better working world

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

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ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-071-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534345, January 4, 2021, Makati City

March 5, 2021

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2021
PQA SECTION INITIAL

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

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022
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March 5, 2021

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2021
DPQA SECTION INITIAL

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2020

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2020

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2020
(Amounts in Thousands)

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received and Accrued
CASH ON HAND AND IN BANKS, INCLUDING RESTRICTED CASH				
Agribank, Dong Thap	Not applicable	P -	Not applicable	P 2
Agriculutre Bank of China	Not applicable	112,195	Not applicable	157
AmBank Malaysia Berhad	Not applicable	16	Not applicable	-
ANZ	Not applicable	103,998	Not applicable	8,222
Asian United Bank	Not applicable	29,991	Not applicable	7
Banco de Oro	Not applicable	9,326,786	Not applicable	111,295
Bangkok Bank Public Company Limited	Not applicable	5,256	Not applicable	7
Bank Central Asia	Not applicable	31,765	Not applicable	122
Bank Mandiri	Not applicable	6,155	Not applicable	69
Bank Muamalat	Not applicable	2,128	Not applicable	65
Bank of China	Not applicable	67,712	Not applicable	439
Bank of Commerce	Not applicable	2,009	Not applicable	1
Bank of Dongguan Co.,Ltd.	Not applicable	162	Not applicable	21
Bank of the Philippine Islands	Not applicable	498,777	Not applicable	1,516
BDO Unibank, Inc.	Not applicable	16,541	Not applicable	35
China Merchants Bank	Not applicable	7,461	Not applicable	-
Citibank	Not applicable	290,407	Not applicable	980
City Savings Bank	Not applicable	108	Not applicable	1
Commerce International Merchant Bankers Berhad (CIMB)	Not applicable	54,063	Not applicable	17
Development Bank of Singapore	Not applicable	378	Not applicable	-
Development Bank of the Philippines	Not applicable	12,866	Not applicable	20
Fudian Bank Co., Ltd.	Not applicable	104	Not applicable	1
Hongkong Shanghai Banking Corporation	Not applicable	3,856,762	Not applicable	843
ING Bank N.V.	Not applicable	3,491	Not applicable	-
JP Morgan	Not applicable	9,290	Not applicable	-
Kasikorn bank	Not applicable	3,145	Not applicable	-
Landbank of the Philippines	Not applicable	18,244	Not applicable	15
Malayan Banking Berhad	Not applicable	13,842	Not applicable	-
Meezan Bank Limited	Not applicable	4,934	Not applicable	-
Metropolitan Bank and Trust Company	Not applicable	1,305,214	Not applicable	1,379
Mizuho Corporatet Bank, Ltd.	Not applicable	15,205	Not applicable	19
MUFG Bank, Ltd.	Not applicable	7,442	Not applicable	57,812
Myanma Foreign Trade Bank (MFTB Bank)	Not applicable	8	Not applicable	-
OCBC	Not applicable	121	Not applicable	-
PB Com	Not applicable	113	Not applicable	2
Philippine National Bank	Not applicable	211,893	Not applicable	2,005
Philippine Veterans Bank	Not applicable	455	Not applicable	-
PT Bank Permata	Not applicable	42	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	57,371	Not applicable	76
Rural Bank of Davao	Not applicable	8,542	Not applicable	-
Rural Credit Cooperatives Association	Not applicable	128	Not applicable	1
Sacombank	Not applicable	149,449	Not applicable	2,095
Security Bank Corporation	Not applicable	177,617	Not applicable	212
Standard Chartered Bank	Not applicable	488,454	Not applicable	1,671
The Bank of China Construction	Not applicable	18,613	Not applicable	-
The Siam Commercial Bank Public Company Limited	Not applicable	1,225	Not applicable	1
Union Bank of the Philippines	Not applicable	10,230,170	Not applicable	94,624
Vietcom Bank	Not applicable	110,735	Not applicable	151
Vietinbank	Not applicable	957	Not applicable	3,113
Cash on Hand, Cash in Vault and Revolving Fund	Not applicable	286,636	Not applicable	-
T O T A L		P 27,548,976		P 286,997
Money Market Placements, Including Short-term Deposits				
Banco de Oro	Not applicable	P 1,756,962	Not applicable	P 22,431
Bank Muamalat	Not applicable	34,400	Not applicable	2,993
Bank of the Philippine Islands	Not applicable	2,661,444	Not applicable	25,436
BDO Private Bank, Inc.	Not applicable	985,433	Not applicable	882
China Trust Banking Corporation	Not applicable	-	Not applicable	9,064
City Savings Bank	Not applicable	14,550,955	Not applicable	322,249
First Metro Investment Corporation	Not applicable	-	Not applicable	1,625
Hongkong & Shanghai Banking Corporation	Not applicable	1,572,479	Not applicable	1,342
JP Morgan	Not applicable	143,962	Not applicable	430
Metropolitan Bank and Trust Company	Not applicable	-	Not applicable	6,285
Mizuho Corporate Bank, Ltd.	Not applicable	P -	Not applicable	P 2,286
(Forward)				

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2020
(Amounts in Thousands)

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received and Accrued
MUFG Bank, Ltd.	Not applicable	P 8,737,492	Not applicable	P 78,813
Philippine National Bank	Not applicable	6,929	Not applicable	81
Rizal Commercial Banking Corporation	Not applicable	9,611	Not applicable	188
Sacombank - VND	Not applicable	891,472	Not applicable	19,842
Security Bank Corporation	Not applicable	1,098,206	Not applicable	8,317
Union Bank of the Philippines	Not applicable	12,097,234	Not applicable	125,194
Vietcombank	Not applicable	155,529	Not applicable	3,465
TOTAL		P 44,702,108		P 630,923
Trade Receivables				
Power	Not applicable	P 17,726,379	Not applicable	Not applicable
Food manufacturing	Not applicable	7,901,937	Not applicable	Not applicable
Real estate	Not applicable	7,593,207	Not applicable	Not applicable
Holding and others	Not applicable	1,096,632	Not applicable	Not applicable
TOTAL		P 34,318,155		
Other Receivables				
Nontrade receivables	Not applicable	P 6,521,500	Not applicable	Not applicable
Dividends receivable	Not applicable	1,498,000	Not applicable	Not applicable
Advances to contractors	Not applicable	234,799	Not applicable	Not applicable
Others	Not applicable	276,282	Not applicable	Not applicable
TOTAL		P 8,530,581		
Financial assets at FVTPL				
Quoted Shares of Stock				
Alta Vista Golf and Country Club	2	P 3,245	P -	P -
Golf and Country Club of Iligan	1,000	1	-	-
Vistamar Country Club	90,000	90	-	-
Mimosa Leisure Park	1	150	-	-
Celebrity Sports Plaza	2	400	-	-
Aboitiz Equity Ventures, Inc.	157,297	7,432	-	-
Apo Golf and Country Club	1	2	-	-
CEBECO1-VECO Subtransmission Company, Inc.	375,000	375	-	-
Rizal Commercial Bank	1,382,672	26,105	-	769
Empire East Land, Inc.	4,377,063	1,379	1,379	-
Filinvest Development Corporation	160,316	1,514	1,514	-
Megaworld Properties, Inc.	1,842,750	7,519	7,519	-
Filinvest Land, Inc.	303,515	340	340	-
JP Morgan	-	948,932	-	3,823
		P 997,484	P 10,752	P 4,592
Unquoted Shares of Stock				
AEV Development Corporation	-	64	-	-
International Container Terminal Services, Inc.	100	2	-	-
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
PICOP	164	8	-	-
Philex Mining Corporation	2,618	5	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Equitable Banking Corporation	8,050	793	-	-
		P 12,070	P -	P -
Financial assets at FVOCI				
Union Bank of the Philippines	2,182,600	2,167,449	2,167,449	3,687
JP Morgan	-	47,595	-	-
		P 2,215,044	P 2,167,449	P 3,687
Debt Investments at Amortized Cost				
SMC Global Power Holdings	-	10,144	-	654
VLL International, Inc.	-	21,803	-	1,224
Royal Capital BV	-	19,347	-	488
JP Morgan	-	49,867	-	3,854
		P 101,161	P -	P 6,220
TOTAL		P 3,325,759	P 2,178,201	P 14,499

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2020
(Amounts in Thousands)

			Deductions				
Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	P 6,922	P -	P (6,922)	P -	P -	P -	P -
Pilmico Foods Corporation	44,397	-	(44,397)	-	-	-	-
PFC International -VHF	24,409	-	(24,409)	-	-	-	-
PFC International	3,459	-	(3,459)	-	-	-	-
AEV Aviation, Inc.	510	-	(510)	-	-	-	-
Cebu Praedia Development Corporation	510	-	(510)	-	-	-	-
Aboitiz Infracapital, Inc.	6,156	-	(6,156)	-	-	-	-
Apo Agua Infrastructura Inc.	283	-	(283)	-	-	-	-
Lima Water Corporation	5	-	(5)	-	-	-	-
Weather Solutions, Inc.	4,752	-	(4,752)	-	-	-	-
Aboitizland, Inc.	6,483	-	(8,303)	-	(1,820)	-	(1,820)
Cebu Industrial Park Developers, Inc.	(179)	-	(26)	-	(205)	-	(205)
Lima Land, Inc.	639	-	(639)	-	-	-	-
Propriedad del Norte, Inc.	2	-	(2)	-	-	-	-
Aboitiz Power Corporation	9,855	-	(9,855)	-	-	-	-
Aboitiz Energy Solutions, Inc.	4	-	(6)	-	(2)	-	(2)
Aboitiz Power Distributed Energy, Inc.	1,050	-	(1,050)	-	-	-	-
Aboitiz Power Distributed Renewables, Inc.	459	-	(459)	-	-	-	-
Aboitiz Renewables, Inc.	439	-	(439)	-	-	-	-
Abovant Holdings, Inc.	1	-	(1)	-	-	-	-
AP Renewables, Inc.	(15,914)	15,914	-	-	-	-	-
Aseagas Corporation	397	-	(397)	-	-	-	-
Balamban Enerzone Corp.	292	-	(292)	-	-	-	-
Cebu Private Power Corporation	1,601	-	(1,601)	-	-	-	-
Cotabato Ice Plant, Inc.	(743)	743	-	-	-	-	-
Cotabato Light and Power Company	2,189	-	(2,189)	-	-	-	-
Davao Light and Power Co., Inc.	19,363	-	(19,363)	-	-	-	-
East Asia Utilities Corp.	818	-	(818)	-	-	-	-
Hedcor Bukidnon, Inc.	1,622	-	(1,622)	-	-	-	-
Hedcor Sabangan, Inc.	1,110	-	(1,110)	-	-	-	-
Hedcor Sibulan, Inc.	1,734	-	(1,734)	-	-	-	-
Hedcor Tudaya, Inc.	379	-	(379)	-	-	-	-
Hedcor, Inc.	5,376	-	(5,376)	-	-	-	-
Lima Enerzone Corporation	1,001	-	(1,001)	-	-	-	-
Luzon Hydro Corporation	2,004	-	(2,033)	-	(29)	-	(29)
Mactan Enerzone Corporation	239	-	(239)	-	-	-	-
Malvar Enerzone Corporation	3	-	(3)	-	-	-	-
Prism Energy, Inc.	19	-	(19)	-	-	-	-
San Carlos Sun Power, Inc.	77	-	(77)	-	-	-	-
Subic Enerzone Corporation	749	-	(749)	-	-	-	-
Therma Luzon, Inc.	26,211	-	(27,232)	-	(1,021)	-	(1,021)
Therma Marine, Inc.	8,343	-	(8,343)	-	-	-	-
Therma Mobile, Inc.	891	-	(891)	-	-	-	-
Therma Power Visayas, Inc.	27	-	(27)	-	-	-	-
Therma Visayas, Inc.	18,477	-	(18,477)	-	-	-	-
Therma Power, Inc.	567	-	(567)	-	-	-	-
Therma South, Inc.	20,976	-	(20,976)	-	-	-	-
Visayan Electric Co., Inc.	76,899	-	(76,899)	-	-	-	-
NON-TRADE							
AEV Aviation, Inc.	2,932	-	(2,932)	-	-	-	-
Davao Light and Power Co., Inc.	-	1,000,000	(1,000,000)	-	-	-	-
Pilmico Foods Corporation	295,178	1,678	(21,303)	-	1,678	273,875	275,553
Adventenergy, Inc.	302,817	2,144	(2,817)	-	2,144	300,000	302,144
Therma Power, Inc.	609,208	-	(609,208)	-	-	-	-
Total	P 1,494,998	P 1,020,479	P (1,940,857)	P -	P 745	P 573,875	P 574,620

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2020
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	DEDUCTIONS Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 56,322,732	P -	P -	P -	P (1,152,721)	P -	P 55,170,011
Service concession right	6,535,276	2,568,430	(353,355)	-	(85,547)	-	8,664,804
Franchise	2,571,772	-	(76,961)	-	-	-	2,494,811
Project development costs	911,600	188,439	-	(56,410)	(14,208)	-	1,029,421
Customer contracts	14,879	-	(3,968)	-	-	-	10,911
Software and licenses	444,836	96,599	(113,922)	-	(20,982)	-	406,531
B. Other Noncurrent Assets							
Restricted cash	4,672,031	-	-	-	(4,672,031)	-	-
Input VAT and tax credit receivable	4,501,086	-	-	-	(1,425,059)	-	3,076,027
Financial assets at FVTPL	731,797	197,587	-	-	80,170	-	1,009,554
Financial assets at FVOCI	176,479	2,182,600	-	-	(144,035)	-	2,215,044
Debt investments at amortized cost	234,968	-	(133,807)	-	-	-	101,161
Prepaid rent and other deposits	442,713	402,873	-	-	-	-	845,586
Prepaid taxes	848,439	-	-	-	2,710,915	-	3,559,354
Advances to contractors and projects	1,452,272	578,380	-	-	-	-	2,030,652
Advances to NGCP - net of current portion	-	-	-	-	920,682	-	920,682
Biological assets	140,304	-	(6,864)	-	-	-	133,440
Others	934,552	-	(275,582)	-	-	-	658,970
Total	P80,935,736	P6,214,908	(P964,459)	(P56,410)	(P3,802,816)	P0	P82,326,959

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2020
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	1,798,325	-	1,798,325	
BPI Capital Corporation	13,511,868	-	13,511,868	
BDO Capital & Investment Corporation	4,948,278	-	4,948,278	
Metropolitan Bank and Trust Company	9,925,000	-	9,925,000	
BDO Unibank, Inc.	7,432,730	-	7,432,730	
Subsidiaries:				
Aboitiz Power Corporation	58,810,082	6,637,207	52,172,875	
AP Renewables, Inc.	6,782,624	1,220,677	5,561,947	
Hedcor, Inc.	1,620,438	128,838	1,491,600	
Hedcor Bukidnon, Inc.	9,247,559	591,247	8,656,312	
Hedcor Sibulan, Inc.	3,677,566	293,238	3,384,328	
Aboitiz Energy Solutions, Inc.	600,000	-	600,000	
Cotabato Light and Power Co., Inc.	86,850	28,950	57,900	
Davao Light & Power Co., Inc.	434,250	146,250	288,000	
Subic Enerzone Corporation	56,500	56,500	-	
Pagbilao Energy Corporation (Joint Operation)	12,067,466	1,074,354	10,993,112	
Luzon Hydro Corporation	271,080	263,880	7,200	
Therma South, Inc.	18,622,802	1,286,851	17,335,951	
Therma Visayas, Inc.	29,164,423	2,066,803	27,097,620	
Therma Power Visayas, Inc.	1,488,984	-	1,488,984	
GNPower Mariveles Energy Center Ltd. Co.	33,512,452	3,264,799	30,247,653	
Visayan Electric Company	578,256	194,621	383,635	
Pilmico Foods Corporation	2,863,080	6,870	2,856,210	
Pilmico Animal Nutrition Corp.	2,562,537	68,718	2,493,819	
AEV International and Subsidiaries	31,850,930	87,364	31,763,566	
TRIPLECROWN PROPERTIES	233,105	307	232,798	
Apo Agua Infrastructura Inc.	8,893,895	-	8,893,895	
Total	P261,041,080	P17,417,474	P243,623,606	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2020
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,630,225	-	2,737,173	228,425	2,664,627
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2020
(Amounts in Thousands)

	Balances			Volume				
Related Party	Trade	Non-trade	Total	Sales	Rental	Interest	Advances	Terms
TRADE								
Pilmico Animal Nutrition Corporation	P -	P -	P -	P 68,136	P -	P -	P -	30 days
Pilmico Foods Corporation	-	-	-	262,541	92	-	-	30 days
Cebu Praedia Development Corporation	-	-	-	921	-	-	-	30 days
AEV Aviation, Inc.	-	-	-	3,505	-	-	-	30 days
Aboitiz Infracapital, Inc.	-	-	-	26,653	323	-	-	30 days
Apo Agua Infrastructura Inc.	-	-	-	10,550	-	-	-	30 days
Aboitiz Airports Advisory Services Corporation	-	-	-	155	-	-	-	30 days
Lima Water Corporation	-	-	-	2,809	-	-	-	30 days
Aboitizland, Inc.	(1,820)	-	(1,820)	40,963	-	-	-	30 days
Misamis Oriental Land Dev. Corp.	-	-	-	229	-	-	-	30 days
Cebu Industrial Park Developers, Inc.	(205)	-	(205)	1,619	-	-	-	30 days
Cebu Industrial Park Services, Inc.	-	-	-	75	-	-	-	30 days
Lima Land, Inc.	-	-	-	4,885	-	-	-	30 days
Aboitiz Power Corporation	-	-	-	81,676	73	-	-	30 days
Aboitiz Energy Solutions, Inc.	(2)	-	(2)	1,062	-	-	-	30 days
Aboitiz Power Distributed Energy, Inc.	-	-	-	886	-	-	-	30 days
Aboitiz Power Distributed Renewables, Inc.	-	-	-	110	-	-	-	30 days
Aboitiz Renewables, Inc.	-	-	-	2,032	-	-	-	30 days
Abovant Holdings, Inc.	-	-	-	46	-	-	-	30 days
Advent Energy, Inc.	-	-	-	999	-	-	-	30 days
AP Renewables, Inc.	-	-	-	23,173	-	-	-	30 days
Balamban Enerzone Corp.	-	-	-	1,106	-	-	-	30 days
Cebu Private Power Corporation	-	-	-	19,508	-	-	-	30 days
Cotabato Light and Power Company	-	-	-	5,903	-	-	-	30 days
Davao Light and Power Co., Inc.	-	-	-	28,528	-	-	-	30 days
East Asia Utilities Corp.	-	-	-	1,780	-	-	-	30 days
Hedcor Bukidnon, Inc.	-	-	-	4,537	-	-	-	30 days
Hedcor Sabangan, Inc.	-	-	-	834	-	-	-	30 days
Hedcor Sibulan, Inc.	-	-	-	5,055	-	-	-	30 days
Hedcor Tudaya, Inc.	-	-	-	537	-	-	-	30 days
Hedcor, Inc.	-	-	-	19,676	2	-	-	30 days
Lima Enerzone Corporation	-	-	-	1,275	-	-	-	30 days
Luzon Hydro Corporation	(29)	-	(29)	2,188	-	-	-	30 days
Mactan Enerzone Corporation	-	-	-	1,409	-	-	-	30 days
Malvar Enerzone Corporation	-	-	-	599	-	-	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	-	-	-	1,333	25	-	-	30 days
Prism Energy, Inc.	-	-	-	513	-	-	-	30 days
Pagbilao Energy Corporation	-	-	-	10	-	-	-	30 days
San Carlos Sun Power, Inc.	-	-	-	1,510	-	-	-	30 days
Subic Enerzone Corporation	-	-	-	3,121	-	-	-	30 days
Therma Luzon, Inc.	(1,021)	-	(1,021)	26,679	336	-	-	30 days
Therma Marine, Inc.	-	-	-	16,750	3	-	-	30 days
Therma Mobile, Inc.	-	-	-	3,418	-	-	-	30 days
Therma Power Visayas, Inc.	-	-	-	776	-	-	-	30 days
Therma Visayas, Inc.	-	-	-	14,936	-	-	-	30 days
Therma Power, Inc.	-	-	-	1,567	-	-	-	30 days
Therma South, Inc.	-	-	-	15,269	-	-	-	30 days
Visayan Electric Co., Inc.	-	-	-	256,889	-	-	-	30 days
NON-TRADE								
Davao Light and Power Co., Inc.	-	-	-	-	-	8,847	-	short term
Pilmico Foods Corporation	-	275,553	275,553	-	-	34,488	273,875	long term
Adventenergy, Inc.	-	302,144	302,144	-	-	13,375	300,000	long term
Therma Power, Inc.	-	-	-	-	-	10,871	-	on demand
Total	P (3,077)	P 577,697	P 574,620	P 968,731	P 854	P 67,581	P 573,875	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2020
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Properties, Inc.	-	-	-	-	-	25,660	on demand
Total	P -	P -	P -	P -	P -	P 25,660	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2020
(Amounts in Philippine Currency and in Thousands)

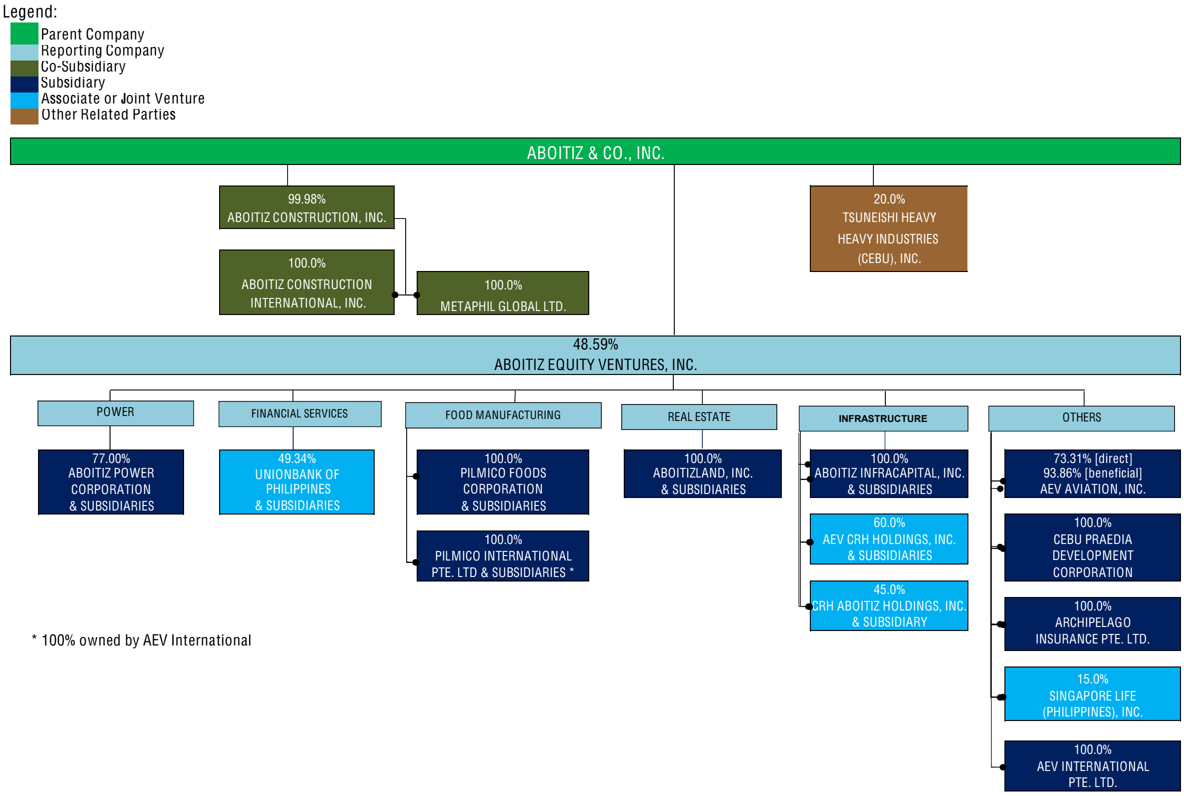
Unappropriated Retained Earnings, beginning	27,627,456
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Effects of adoption of new accounting standard	-
Adjustments directly made to retained earnings:	
Treasury Shares	565,246
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	27,062,210
Net Income based on the face of audited financial statements	6,864,761
Less: Unrealized income, net of tax	
Cash and Cash Equivalents)	-
Net Income Realized	6,864,761
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,321,269
Appropriation of Retained Earnings during the period	5,000,000
Treasury Shares purchased	82,426
Retained Earnings available for Dividend, as of year-end	21,523,276

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

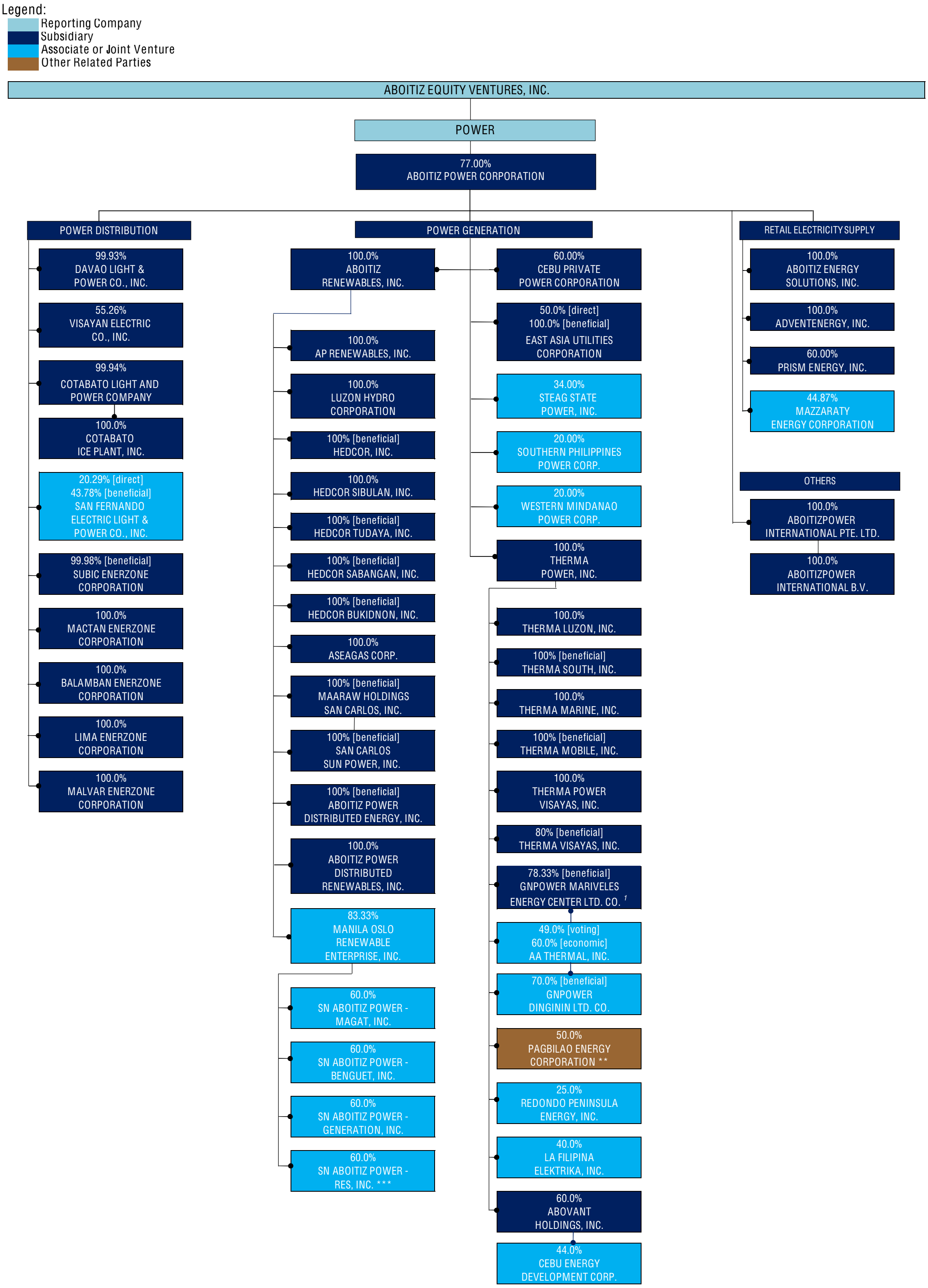
	FORMULA	DEC 2019	DEC 2020
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	1.3	1.6
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	0.9	1.2
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.7	1.7
Asset to equity ratio	Total assets / Total equity	2.7	2.7
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	1.2	1.2
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	54.0%	53.6%
Interest coverage ratio	EBIT / Net interest expense	3.1	2.7
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	16.2%	16.9%
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	13.0%	9.0%

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2020



* 100% owned by AEV International

ABOITIZ EQUITY VENTURES, INC. - POWER
CONGLOMERATE MAPPING
As of December 31, 2020



** Joint Operations
*** Engages in retail electricity supply business
1 Formerly, GNPower Mariveles Coal Plant Ltd. Co.

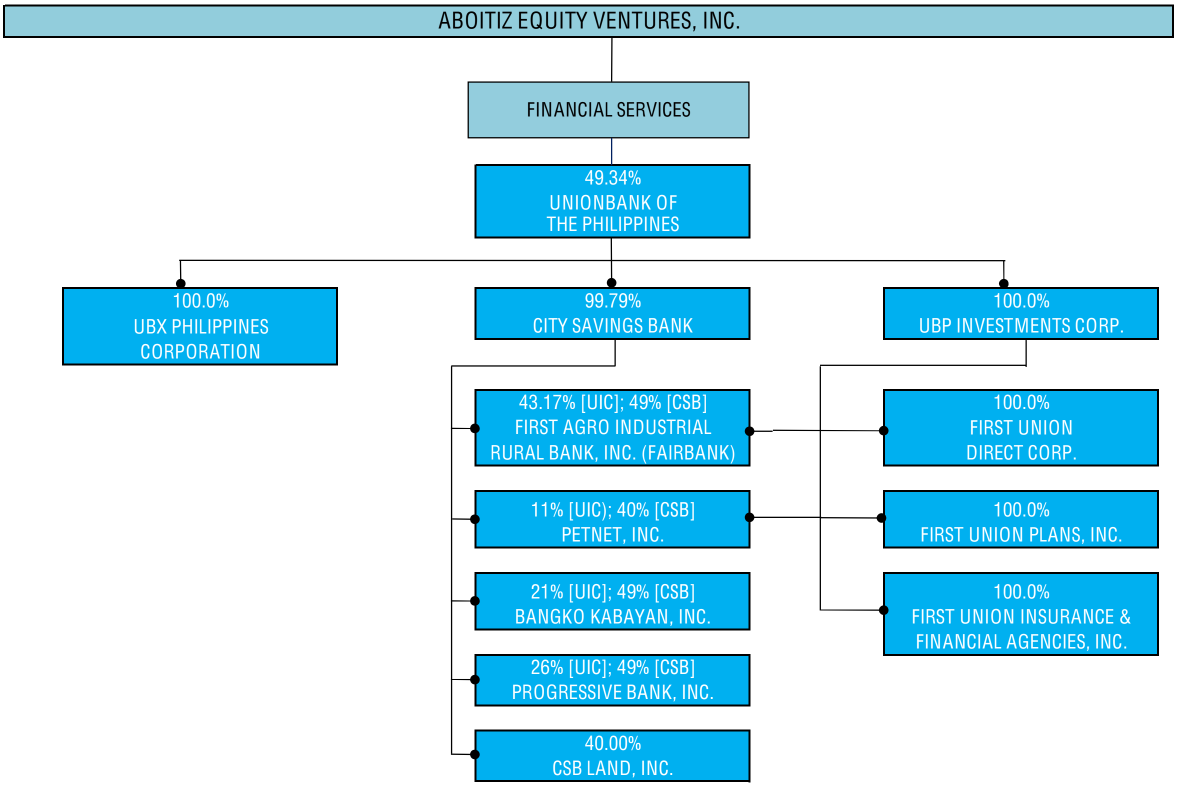
ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES

CONGLOMERATE MAPPING

As of December 31, 2020

Legend:

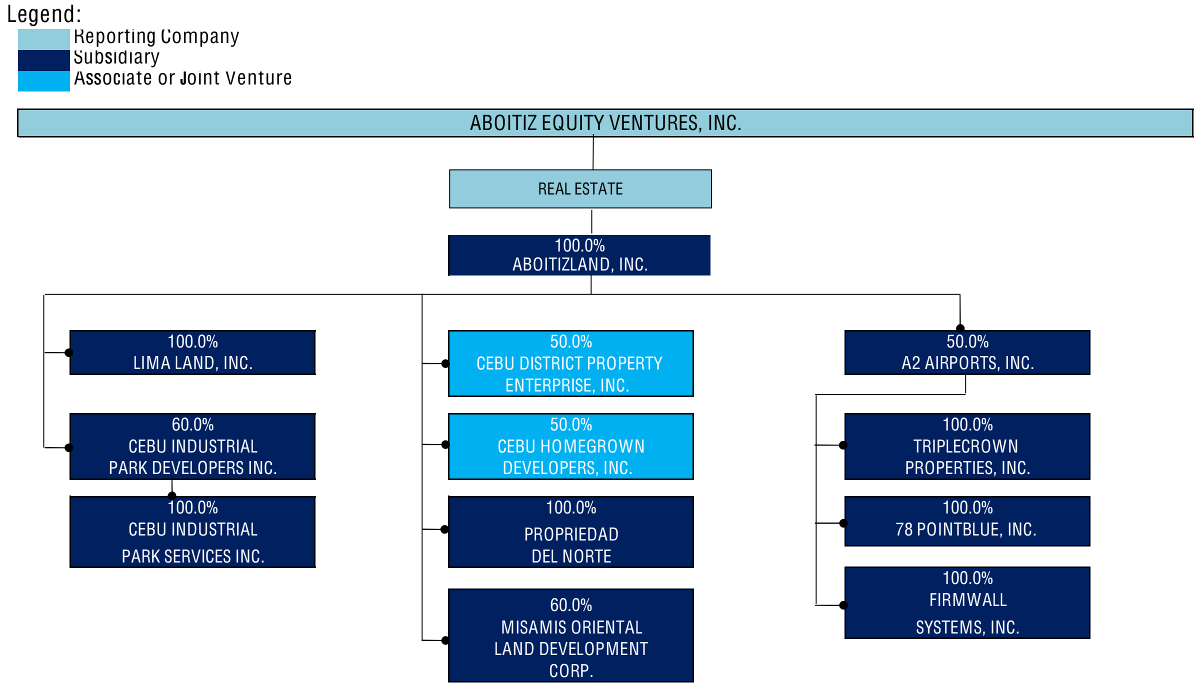
Reporting Company
Subsidiary
Associate or Joint Venture



ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING
CONGLOMERATE MAPPING
As of December 31, 2020

Legend:
Reporting Company
Subsidiary
Associate or Joint Venture

ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING
As of December 31, 2020



ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE
CONGLOMERATE MAPPING
As of December 31, 2020

Legend:
Reporting Company
Subsidiary
Associate or Joint Venture