THESE SECURITIES MAY NOT BE SOLD OR OFFERS TO BUY THE SAME BE ACCEPTED UNTIL A PERMIT TO OFFER TO SELL SECURITIES HAS BEEN ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION. THIS PRELIMINARY OFFER SUPPLEMENT IS SUBJECT TO CHANGE/COMPLETION AND SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

aboitiz Equity Ventures

32nd Street, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines
Telephone number (632) 8886-2800.

PRELIMINARY OFFER SUPPLEMENT

Up to ₱5.0 Billion Fixed-rate Bonds
With an oversubscription option of up to ₱5.0 Billion
Third Tranche Offered under its ₱30.0 Billion Registered Debt Securities Program

Series E: [●]% 4-Year Bonds Due 2025
Series F: [●]% 7-Year Bonds Due 2028
Offer Price: 100% of Face Value

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

Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

BDO Capital & Investment Corporation
BPI Capital Corporation
Chinabank Capital
First Metro Investment Corporation, Metrobank Group
SB Capital, A Subsidiary of Security Bank

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") AND WAS RENDERED EFFECTIVE ON JUNE 3, 2019 COVERING ₱30.0 BILLION OF SECURITIES. OF SUCH AMOUNT, ₱5.0 BILLION OF SECURITIES WERE ISSUED ON JUNE 18, 2019 AND ₱7.55 BILLION OF SECURITIES WERE ISSUED ON NOVEMBER 16, 2020.

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

The date of this Preliminary Offer Supplement is 28 May 2021.

(A corporation duly organized and existing under Philippine laws)

This Offer Supplement (this "**Offer Supplement**") relates to the public offer, distribution, sale and issuance by Aboitiz Equity Ventures Inc. ("**AEV**", the "**Issuer**", or the "**Company**") of Peso-denominated fixed-rate Series E and Series F bonds (the "**Bonds**") comprising the third tranche of the Company's ₱30,000,000,000.00 Debt Securities Program (the "**Debt Securities Program**"). The Debt Securities Program was authorized by a resolution of the Board of Directors of the Company dated January 29, 2019. A registration statement covering the Debt Securities Program was filed by the Company on March 29, 2019 and was rendered effective by the Securities and Exchange Commission ("**SEC**") under SEC order no. 23, Series of 2019, dated June 3, 2019 (the "**Shelf Registration**"). The first tranche under the Debt Securities Program in the aggregate principal amount ₱5,000,000,000 was issued by AEV on June 18, 2019, covered by a prospectus dated May 31, 2019 and a permit to sell issued by the SEC on June 3, 2019. The second tranche under the Debt Securities Program was issued on November 16, 2020, in the aggregate principal amount of ₱7,550,000,000, covered by a prospectus dated October 27, 2020 and a permit to sell issued by the SEC on October 29, 2020. The Prospectus dated May 31, 2019 and October 27, 2020 are collectively referred to in this Offering Supplement as the "**Prospectus**".

The Company will offer the Bonds of a principal amount of up to **₱5,000,000,000.00** and an oversubscription option of up to **₱5,000,000,000.00** (the "**Oversubscription Option**") or an aggregate of up to **₱10,000,000,000.00** (the **"Offer"**). In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period (as defined below), the Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under Shelf Registration and may be issued in tranches within three years from the date of the effectivity of the registration statement (the "**Shelf Period**"), subject to any extension as may be granted by the SEC. The Offer of the Bonds constitute the Third Tranche under AEV's Debt Securities Program.

The Bonds are expected to be issued on [August 9,] 2021 (the "**Issue Date**") and when issued will comprise the Company's Series E and/or Series F Bonds. The Series E Bonds shall have a term ending four (4) years from Issue Date, or on [August 9, 2025], with a fixed interest rate of [●]% per annum ("Series E Bonds"). Series F Bonds, if any, shall have a term ending seven (7) years from the Issue Date or on [August 9, 2028], with a fixed interest rate of [●]% per annum ("**Series F Bonds**"). Series E Bonds shall have optional redemption on the second (2nd) year from Issue Date and every Interest Payment Date thereafter until before the 3rd anniversary from Issue Date, on the third (3rd) year from the Issue Date and every Interest Payment Date thereafter until before the Maturity Date, and if such date is not a Banking Day, on the immediately succeeding Banking Day, without any adjustment on the amount of principal or interest accruing. Series F Bonds shall have optional redemption dates on the fourth (4^{th}) year from the Issue Date and every Interest Payment Date thereafter until before the fifth (5^{th}) anniversary, on the fifth (5^{th}) year from the Issue Date and every Interest Payment Date thereafter until before the sixth (6^{th}) anniversary, and the sixth (6^{th}) year from Issue Date and every Interest Payment Date thereafter until before the Maturity Date, and if such date is not a Banking Day, on the immediately succeeding Banking Day without any adjustment on the amount of principal or interest accruing. Interest on the Bonds shall be payable quarterly in arrear on [●], [●], [●], and [●] of each year while the Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the Bonds are outstanding (see "Description of the Offer" – *"Interest"* of this Offer Supplement).

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

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

The Bonds have been rated PRS Aaa by Philratings on May 28, 2021. Obligations rated PRS Aaa are of the highest quality with minimal credit risk.

PhilRatings also maintained the Issue Credit Rating of PRS Aaa, with a Stable Outlook, for AEV's total outstanding bonds worth ₱27.89B as of March 31, 2021.

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

The Bonds are offered to the public at par or face value through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners named in this Offer Supplement (collectively, the "**Joint Lead Underwriters**") with the Philippine Depository & Trust Corp. ("**PDTC**") as the Registrar of the Bonds. The Bonds shall be issued in minimum denominations of ₱50,000 each, and in integral multiples of ₱10,000 thereafter. The Bonds shall be traded in denominations of ₱10,000 in the secondary market.

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

AEV expects to raise gross proceeds of up to ₱5,000,000,000.00 or, if the Oversubscription Option is fully exercised, up to ₱10,000,000,000.00. The net proceeds from the issue is estimated to be ₱ [4,930,216,412.50] for a ₱5,000,000,000.00 issue size, or ₱ [9,870,659,225.00] in case the entire Oversubscription Option is exercised, after deducting fees, commissions, and expenses. Proceeds of the Offer shall be used to refinance facilities drawn to fund the early redemption of the Issuer's existing seven-year Series B bonds issued by AEV on August 6, 2015 ("**2015 Series B Bonds**") prior to their stated maturity in August 2022 in the amount of ₱8,467,030,000.00, to finance future funding requirements of Aboitiz Infracapital in 2021 and 2022 for its towers project, and other general corporate purposes, as described further in the section entitled *"Use of Proceeds"* of this Offer Supplement. The Joint Lead Underwriters shall receive an aggregate fee of up to [39] basis points inclusive of GRT on the final aggregate nominal principal amount of the Bonds, which is inclusive of the underwriting fees and selling commissions.

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

All disclosures, reports, and filings of the Company and submitted to the SEC, PSE, and the PDEx pursuant to the Revised Corporation Code, the Securities Regulation Code, and the Revised Disclosure Rules of the PSE and the Disclosure Rules of the PDEx ("Company Disclosures"), and information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement. Copies of the Company Disclosures may be viewed at the website of the Company at: https://aboitiz.com/. Investors should review all information contained in the Prospectus, this Offer Supplement, and the Company Disclosures.

This Offer Supplement contains the terms of the Bonds and must be read in conjunction with the Prospectus. Unless defined in this Offer Supplement, terms used herein shall be deemed to be defined as set forth in the Prospectus. Full information on the Company and this Offer are only available on the basis of the combination of this Offer Supplement, the Prospectus, and the Bond Agreements.

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

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

In deciding whether to invest in the Bonds, a prospective purchaser of the Bonds ("**Prospective Bondholder**") should, therefore, carefully consider all the information contained in and the Prospectus and this Offer Supplement, including but not limited to, several factors inherent to the Company, which includes regulatory risk, information security risk, and other risk factors detailed in *"Risk Factors and Other Considerations"* section on page [28] of this Offer Supplement, as well as those risks relevant to the Philippines vis-à-vis risks inherent to the Bonds.

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

The contents of the Prospectus and this Offer Supplement are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of the Prospectus and this Offer Supplement acknowledges that he has not relied on the Joint Lead Underwriters, or any person affiliated with the Joint Lead Underwriters, in his investigation of the accuracy of any information found in the Prospectus and this Offer Supplement or in his investment decision. Prospective Bondholders should consult their own counsel, accountants, or other advisors as to legal, tax, business, financial, and related aspects of the purchase of the Bonds, among others. It bears emphasis that investing in the Bonds involves certain risks. It is best to refer again to the section on *"Risk Factors and Other Considerations"* on page [28] of this Offer Supplement for a discussion of certain considerations with respect to an investment in the Bonds.

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

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

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

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

ABOITIZ EQUITY VENTURES INC.
By:

SABIN M. ABOITIZ
President and Chief Executive Officer

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

Doc. No. ________;
Page No. ________;
Book No. ________;
Series of 2021.

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DEFINITION OF TERMS

Capitalized terms used herein and not otherwise defined shall be deemed to be defined as set forth in the Prospectus. In this Offer Supplement, unless the context otherwise requires, the following terms shall have the meanings set forth below.

2015 Series B Bonds	The 5.0056% p.a. fixed-rate seven-year bonds issued by AEV on August 6, 2015 with an outstanding amount of ₱8,467,030,000.00.
AEV, the Company, or the Issuer	Aboitiz Equity Ventures Inc.
Applicable Law	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Government Authority
Applicant	Any person who submits a duly accomplished Application to Purchase together with all requirements set forth therein
Application or Application to Purchase	The application form actually accomplished and submitted by the Applicant for the purchase of the Bonds, together with all other requirements set forth whether originally signed or electronically submitted through the e-Securities Issue Portal.
Banking Day	Any day other than Saturday, Sunday and public holidays, on which commercial banks in Taguig City and Makati City, and the Philippine Clearing House Corporation are generally open for the transaction of business; provided, that all other days otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each
Bakun AC Hydro AC Plant	The MW run-of-river Bakun AC hydropower Bakun Plantplant with a total installed capacity of 74.8 MW 70-MW Bakun AC run- of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
BDO Capital	BDO Capital & Investment Corporation
Board	Board of Directors of AEV, unless context clearly provides otherwise
Bond Agreements	Collectively, the Trust Agreement, the Terms and Conditions, the Master Certificates of Indebtedness, the Registry and Paying Agency Agreement, the Issue Management and Underwriting Agreement, and any other document, certificate or writing contemplated thereby.
Bondholder	A Person whose name appears at the relevant time in the Register of Bondholders as the registered owner of the Bonds, with each holder being a "Bondholder".
Bonds	Peso-denominated fixed-rate, Series E and Series F Bonds, comprising the third tranche of the Company's ₱30,000,000,000.00 Debt Securities Program.
BPI Capital	BPI Capital Corporation

China Bank Capital	China Bank Capital Corporation
Consolidated Equity	The total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS
CSP	Competitive Selection Process
Distribution Companies or Distribution Utilities	The companies within the AboitizPower Group engaged in Power Distribution, such as BEZ, Cotabato Light, Davao Light, LEZ, MALVEZ, MEZ, SEZ, SFELAPCO and Visayan Electric.
Debt Securities Program	The fixed-rate bonds of up to an aggregate amount of ₱30,000,000,000.00 to be issued under the shelf registration statement filed by Issuer with, and rendered effective by, the SEC on June 3, 2019.
Enerzone Companies	Collectively, BEZ, LEZ, MALVEZ, MEZ and SEZ and other Distribution Utilities of the AboitizPower Group operating within special economic zones
ESG	Environmental, social and corporate governance
e-SIP	e-Securities Issue Portal established and maintained by the PDTC
Events of Default	Those events defined as such in the Trust Agreement and listed under "Description of the Offer" - "*Events of Default*" under this Offer Supplement.
First Metro	First Metro Investment Corporation
Government	The Government of the Republic of the Philippines
Indebtedness	(1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (2) All indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (3) Capitalized lease obligations of the Issuer
Interest Payment Date	Shall mean [●], [●], [●], and [●] of each year commencing on [●]until and including the respective Maturity Dates, or the next Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed.
Issue Date	[August 9, 2021] or the immediately succeeding Banking Day if such Issue Date is not a Banking Day (with corresponding adjustment to all corresponding payment dates but without adjustment to the respective interest periods or amounts), or such other date as may

	be agreed upon between the Issuer and the Joint Lead Underwriters and Bookrunners may agree in writing; provided, that such date shall be a date, which is within the validity of the SEC Permit to Sell Securities;
Issue Management and Underwriting Agreement	The Issue Management and Underwriting Agreement dated [●] executed by and between the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners in relation to the Bonds
Issue Price	One hundred percent (100%) of the face value of the Bonds
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital
Majority Bondholders	At any time, the Bondholders who hold, represent or account for at least fifty percent (50%) plus one peso (₱1.00) of the aggregate outstanding principal amount of the Bonds; provided that, in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series E Bonds, holders of Series E Bonds, exclusively, will be considered for quorum and approval purposes and in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Series F Bonds, holders of Series F Bonds, exclusively, will be considered for quorum and approval purposes
MALVEZ	Malvar Enerzone Corporation
Master Certificates of Indebtedness	The certificates representing such amounts corresponding to the Series E and Series F Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders
Material Adverse Effect	A material adverse effect on the ability of the Issuer to perform or comply with any of its material obligations, or to exercise any of its material rights, under the Trust Agreement, the Issue Management and Underwriting Agreement, or the Bonds
Maturity Date	The date at which the Series E and Series F Bonds shall be redeemed by the Issuer by paying the principal amount thereof, and which date is, for the Series E Bonds, [4] years from the Issue Date or on [2025] and, for the Series F Bonds, [7] years from Issue Date or on [2028]; provided that, in the event that the Maturity Date falls on a day that is not a Banking Day, the Maturity Date shall be the immediately succeeding Banking Day, without adjustment to the amount of interest to be paid
Net Debt	The interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer
Net Debt to Consolidated Equity Ratio	The ratio of Net Debt to Consolidated Equity
Offer	The offering of the Bonds by the Issuer under the Terms and

	Conditions
Offer Period	The period commencing on [July 26, 2021] and ending on [July 30, 2021] or such other date as may be mutually agreed between the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners
Oversubscription Option	An option exercisable by the Joint Lead Underwriters with the consent of the Issuer to increase the offer size in the additional amount of up to ₱5,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period
PAGASA	Philippine Atmospheric, Geophysical and Astronomical Services Administration
Paying Agent	The Philippine Depository & Trust Corp. acting as paying agent in accordance with the Registry and Paying Agency Agreement
PDEx	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed- income securities
PDTC	Philippine Depository and Trust Corp.
Person	An individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
Philippine Pesos, PhP or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
PHIVOLCS	Philippine Institute of Volcanology and Seismology
Prospectus	The prospectus of the Issuer dated May 31, 2019 and October 27, 2020, and any amendments, supplements and addenda thereto for the offer and sale to the public of fixed-rate bonds (inclusive of the Bonds) within the shelf period of the Debt Securities Program
Record Date	The cut-off date in determining the Bondholders entitled to receive interest or principal amount due; as used with respect to any Interest Payment Date, the day which is two (2) Banking Days prior to the relevant Interest Payment Date;
Register of Bondholders	The electronic registry book of the Registrar which shows the legal title to the Bonds, maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement
Registrar and Paying Agent	Philippine Depository & Trust Corp. acting as the registrar in accordance with the Registry and Paying Agreement
Registry and Paying Agency Agreement	Registry and Paying Agency Agreement dated [●] entered into between the Issuer and the Registrar and Paying Agent in relation to the Bonds
SB Capital	SB Capital Investment Corporation

SEC	The Securities and Exchange Commission of the Philippines
Series E Bonds	The fixed rate bonds having a term ending four (4) years from the Issue Date, or on [August 9,] 2024, with a fixed interest rate of [●]% per annum
Series F Bonds	The fixed rate bonds having a term ending seven (7) years from the Issue Date, or on [August 9,] 2028, with a fixed interest rate of [●]% per annum
Shelf Period	A period of three (3) years from the effectivity of the registration statement within which securities under shelf registration may be offered, subject to any extension thereof as may be granted by the SEC
SN Power	SN Power Philippines, Inc.
Subsidiary	An investee in respect of which an entity has: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect its returns
Terms and Conditions	The terms and conditions of the Bonds as herein contained.
Trustee	BDO Unibank, Inc. - Trust and Investments Group
Trust Agreement	Trust Agreement dated [●] entered into between the Issuer and the Trustee in relation to the Bonds
Visayan Electric	Visayan Electric Company, Inc.

EXECUTIVE SUMMARY

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

THE COMPANY

As of April 30, 2021, Aboitiz & Company, Inc. (ACO) owns 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.

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

FINANCIAL HIGHLIGHTS

For the three-month period ended March 31, 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 ₱8.6 bn, a 322% increase year-on-year (YoY). This translated to earnings per share of ₱1.52 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 54%, followed by the Banking and Financial Services, Infrastructure, Food, and Real Estate Groups at 26%, 10%, 7%, and 3%, respectively.

During the first three months of 2021, the Group generated non-recurring losses of ₱219 million (mn) (compared to ₱262 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 three months of 2021 was ₱8.8 bn, 283% higher YoY. AEV recorded a 53% increase in consolidated EBITDA for the first three months of 2021 compared to the same period in 2020, from ₱11.8 bn to ₱18.0 bn.

SUMMARY HISTORICAL FINANCIAL INFORMATION

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

December 31, 2018 which excludes adjustments relating to the finalization of the purchase price allocation.

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

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

For a full discussion, please refer to the section on *"Financial and Other Information"* beginning on page [215] of this Offer Supplement.

CONSOLIDATED BALANCE SHEETS
(Amounts in ₱ Thousands)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	**₱72,751,430**	₱65,966,411	₱46,424,663	₱59,033,029
Trade and other receivables	**39,391,412**	38,026,254	35,195,594	35,099,504
Inventories	**22,863,723**	21,645,913	20,776,828	21,977,439
Land and improvements	**2,935,860**	3,039,972	2,570,892	2,340,113
Property held for sale	–	—	—	675,819
Derivative asset	**13,920**	—	51,060	71,583
Other current assets	**18,214,181**	18,702,683	19,406,255	18,290,868
Total Current Assets	**156,170,526**	147,381,233	124,425,292	137,488,355
Noncurrent Assets				
Property, plant and equipment	**218,200,216**	219,538,095	225,558,765	221,689,945
Investments and advances	**147,747,426**	145,416,644	140,351,748	106,959,557
Intangible assets	**69,136,572**	67,776,489	66,801,095	63,776,773
Investment properties	**10,989,892**	10,937,685	11,291,880	8,224,667
Deferred income tax assets	**1,896,878**	2,041,497	3,127,072	2,324,773
Trade receivables - net of current portion	**1,140,841**	1,398,791	2,423,038	3,441,898
Derivative asset - net of current portion	**—**	—	82,327	221,245
Net pension assets	**115,892**	115,023	190,243	158,575
Other noncurrent assets	**15,400,446**	14,550,470	14,134,641	10,208,281
Total Noncurrent Assets	**464,628,163**	461,774,694	463,960,809	417,005,714
TOTAL ASSETS	**₱620,798,689**	₱609,155,927	₱588,386,101	₱554,494,069

LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**36,895,766**	35,611,592	36,440,163	33,870,274
Bank loans	**32,020,304**	29,330,883	25,717,137	26,978,586
Current portions of:				
Long-term debts	**21,222,311**	17,417,474	27,126,918	10,702,974
Long-term obligation on Power Distribution System – (PDS)	**40,000**	40,000	40,000	40,000
Lease Liabilities	**7,445,564**	7,283,183	5,656,226	4,131,059
Derivative liability	**501,815**	982,348	2,255,736	161,565
Income tax payable	**1,034,715**	1,006,445	776,596	535,233
Total Current Liabilities	**₱99,160,475**	₱91,671,925	₱98,012,776	₱76,419,691

(Forward)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)
Noncurrent Liabilities				
Noncurrent portions of:				
Long-term debts	**245,473,102**	243,623,606	212,452,620	200,729,393
Lease liabilities	**30,988,819**	32,485,663	39,637,536	42,763,296
Trade payables	**1,463,185**	1,657,982	7,206,837	3,695,261
Long-term obligation on PDS	**148,960**	143,436	159,350	173,496
Customers' deposits	**7,121,166**	6,990,008	6,721,156	6,127,788
Decommissioning liability	**5,061,933**	5,008,033	3,567,492	3,678,810
Deferred income tax liabilities	**2,067,370**	2,399,529	2,581,511	1,942,264
Net pension liability	**603,145**	574,217	639,155	486,232
Derivative liability - net of current portion	**601,685**	1,001,529	212,588	—
Total Noncurrent Liabilities	**293,529,365**	293,884,003	273,178,245	259,596,540
Total Liabilities	**392,689,840**	385,555,928	371,191,021	336,016,231
Equity Attributable to Equity Holders of the Parent				
Capital stock	**5,694,600**	5,694,600	5,694,600	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197	13,013,197	13,013,197
Other equity reserves:				
Gain on dilution	**5,043,152**	5,043,152	5,043,152	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540	469,540	469,540
Acquisition of non-controlling interests	**(11,727,718)**	(11,727,718)	(11,590,375)	(1,679,549)
Accumulated other comprehensive loss	**(3,302,751)**	(3,959,403)	(2,648,022)	(27,076)
Retained earnings				
Appropriated	**9,200,000**	9,200,000	4,200,000	4,200,000
Unappropriated	**169,403,879**	165,976,675	162,864,330	148,541,910
Treasury stock at cost	**(647,672)**	(647,672)	(565,246)	(565,246)
	187,146,227	183,062,371	176,481,176	174,690,528
Non-controlling Interests	**40,962,622**	40,537,628	40,713,904	43,787,310
Total Equity	**228,108,849**	223,599,999	217,195,080	218,477,838
TOTAL LIABILITIES AND EQUITY	**₱620,798,689**	₱609,155,927	₱588,386,101	₱554,494,069

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

	Three Months Ended March 31 (Unaudited)		Years Ended December 31 (Audited)		
	2021	**2020**	**2020**	**2019**	**2018**
REVENUES					
Sale of:					
Power	**₱26,800,135**	₱27,834,442	₱109,867,394	₱124,605,660	₱130,734,557
Goods	**18,835,162**	16,869,378	71,286,473	69,625,434	47,751,035
Real estate	**584,128**	508,216	3,541,272	4,116,175	3,925,308
Sale of swine at fair value	**31,314**	126,692	1,310,621	1,529,743	2,501,841
Service fees	**202,606**	193,208	551,455	1,153,570	1,883,506
Others	**81,705**	57,226	168,613	126,886	146,573
	46,535,050	45,589,162	186,725,828	201,157,468	186,942,820
COSTS AND EXPENSES					
Cost of generated and purchased power	**13,250,083**	15,647,875	54,871,109	71,361,850	71,680,298
Cost of goods sold	**16,479,309**	14,330,774	61,518,767	61,177,948	43,693,907
Operating expenses	**8,540,057**	8,703,080	37,015,283	33,546,426	30,398,694
Cost of real estate sales	**288,947**	331,170	1,748,270	2,305,141	1,871,385
Overhead expenses	**17,372**	12,705	98,609	111,213	136,593
	38,575,768	39,025,604	155,252,038	168,502,578	147,780,877
OPERATING PROFIT	**7,959,282**	6,563,558	31,473,790	32,654,890	39,161,943
Share in net earnings of associates and joint ventures	**6,983,948**	1,820,405	9,019,033	11,502,090	7,727,663
Interest income	**129,695**	342,661	1,007,236	1,574,268	1,476,151
Interest expense	**(4,398,963)**	(4,681,418)	(17,917,087)	(17,048,359)	(14,638,588)
Other income (expense) - net	**214,908**	(111,113)	4,809,275	5,517,803	1,410,826
INCOME BEFORE INCOME TAX	**10,888,870**	3,934,093	28,392,247	34,200,692	35,137,995
PROVISION FOR INCOME TAX	**328,940**	935,828	7,583,258	4,758,404	3,899,198
NET INCOME	**₱10,559,930**	₱2,998,265	₱20,808,989	₱29,442,288	₱31,238,797
ATTRIBUTABLE TO:					
Equity holders of the parent	**₱8,550,709**	₱2,028,009	₱15,433,613	₱22,036,129	₱22,232,977
Non-controlling interests	**2,009,221**	970,256	5,375,376	7,406,159	9,005,820
	₱10,559,930	₱2,998,265	₱20,808,989	₱29,442,288	₱31,238,797

EARNINGS PER SHARE					
Basic and diluted, for net income for the period attributable to ordinary equity holders of the parent	**₱1.52**	₱0.36	₱2.74	₱3.91	₱3.95

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Three Months Ended March 31 (Unaudited)		Years Ended December 31 (Audited)		
	2021	**2020**	**2020**	**2019**	**2018**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**₱10,359,588**	₱11,226,370	₱36,221,065	₱42,757,046	₱38,417,349
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**2,628,647**	(4,123,779)	(11,504,383)	(39,883,146)	(30,762,254)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(6,111,599)**	23,343,830	(4,345,939)	(15,617,585)	(13,223,356)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,876,636**	30,446,421	20,370,743	(12,743,685)	(5,568,261)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(91,617)**	(74,422)	(828,995)	135,319	(268,924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**65,966,411**	46,424,663	46,424,663	59,033,029	64,870,214
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱72,751,430**	₱76,796,662	₱65,966,411	₱46,424,663	₱59,033,029

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following:

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

For a full discussion, please refer to page [78] of this Offer Supplement.

BUSINESS STRATEGIES

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

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

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

For a full discussion, please refer to page [78] of this Offer Supplement.

RISKS OF INVESTING

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

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

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

Risks Related to the Philippines:

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

Risks Related to the Offer:

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

A detailed discussion on the above enumerated risks appears on the "*Risk Factors and Other Considerations*" section of this Offer Supplement and the Prospectus.

This Offer Supplement contains forward-looking statements that involve risks and uncertainties. AEV adopts what it considers conservative financial and operational controls and policies to manage its business risks. AEV's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of AEV, in particular, and those that pertain to the over-all political, economic, and business environment, in general.

CAPITALIZATION

The following presents a summary of the short-term debts, long-term debts, and capitalization of the AEV Group as of March 31, 2021, and as adjusted to reflect the issue of the Bonds:

	As of March 31, 2021 (Unaudited)	**As adjusted for a ₱5 billion issue**	**As adjusted for a ₱10 billion issue**
	(in ₱ millions)	(in ₱ millions)	(in ₱ millions)
Short-term debt			
Short-term bank loans	32,020	32,020	32,020
Current portions of:			
Long-term debt	21,222	21,222	21,222
Lease liabilities	7,446	7,446	7,446
Total short-term debts	60,688	60,688	60,688
Long-term debts – net of current portion			
Non-current portions of:			
Long-term debt	245,473	245,473	245,473
Lease liabilities	30,989	30,989	30,989
The issue of the Third Tranche Bonds	—	4,930	9,871
Total long-term debts	276,462	281,392	286,333
Equity			
Equity attributable to equity holders of the parent	187,146	187,146	187,146
Non-controlling interests	40,963	40,963	40,963
Total Equity	228,109	228,109	228,109
Total Capitalization	565,259	570,189	575,130

SUMMARY OF THE OFFER

This Offer Supplement and Offer relates to the Bonds with a principal amount of Five Billion Pesos (₱5,000,000,000) plus an oversubscription option of Five Billion Pesos (₱5,000,000,000). The following summary of the offer does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offer Supplement. The Bonds form part of AEV's ₱30,000,000,000 Debt Securities Program.

Issuer	:	Aboitiz Equity Ventures Inc.
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	:	BDO Capital & Investment Corporation ("BDO Capital") BPI Capital Corporation ("BPI Capital") China Bank Capital Corporation ("China Bank Capital") First Metro Investment Corporation ("First Metro") SB Capital Investment Corporation ("SB Capital")
Trustee	:	BDO Unibank, Inc. - Trust and Investments Group
Registrar and Paying Agent	:	Philippine Depository & Trust Corp.
Issue / Issue Amount	:	SEC–registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer consisting of a primary offer in the principal amount of up to ₱5,000,000,000.00, and an Oversubscription Option of up to ₱5,000,000,000.00. While the Issuer has the discretion to allocate the Base Offer between the 4-year bonds and 7-year bonds based on bids received during the book building process, the Issuer may opt not to allocate the Base Offer to any of these tranches. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Bonds under Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period, or any extension thereof as may be granted by the SEC. The Oversubscription Option is exercisable by the Joint Lead Underwriters, with the consent of the Issuer. The Issuer has the discretion to allocate the Issue Amount between the Series E Bonds and Series F Bonds, or depending on prevailing market conditions, to fully allocate the entire Issue Amount to just one series, or not to allocate the Base Offer to any of these series, based on bids received from the book building process of the Joint lead Underwriters.

Use of Proceeds	:	Proceeds of the Third Tranche Bonds will be used to refinance facilities drawn to fund the early redemption of the Issuer's existing seven-year Series B bonds issued by AEV on August 6, 2015 prior to their stated maturity in August 2022 in the amount of Eight Billion Four Hundred Sixty Seven Million and Thirty Thousand Pesos (₱8,467,030,000.00), to finance future funding requirements of Aboitiz Infracapital in 2021 and 2022 for its towers project, and other general corporate purposes, as described further in the section entitled "Use of Proceeds" on page [39] of this Offer Supplement.
Issue Price	:	100% face value
Manner of Distribution	:	Public Offering
Offer Period	:	The Offer shall commence on [July 26, 2021] and end on [July 30, 2021] or such other date as may be mutually agreed between the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.
Issue Date	:	[August 9, 2021] or the immediately succeeding Banking Day if such Issue Date is not a Banking Day (with corresponding adjustment to all corresponding payment dates but without adjustment to the respective interest periods or amounts), or such other date as the Issuer and the Joint Lead Underwriters and Bookrunners may agree in writing; provided, that such date shall be a date, which is within the validity of the SEC Permit to Sell Securities.
Maturity Date or Redemption Date	:	Series E Bonds: 4 years from Issue Date or [August 9,] 2025. Series F Bonds: 7 years from Issue Date or [August 9,] 2028. Provided, that, in the event that the Maturity Date falls on a day that is not a Banking Day, such Maturity Date shall be the immediately succeeding Banking Day, without adjustment to the amount of interest and principal to be paid. Except when the Early Redemption Option (as defined below) is exercised, the Bonds will be redeemed at par (or 100% of face value) on their respective Maturity Dates.
Interest Rate	:	Series E Bonds: **[•]**% per annum Series F Bonds: **[•]**% per annum
Interest Payment Date	:	The Interest shall be paid quarterly in arrear on [•],[•],[•], and [•] of each year commencing on [•] until and including the respective Maturity Dates (each, an "Interest Payment Date"), or the next Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed.

Interest on the Bonds shall be calculated on a 30/360-day basis.

Form and Denomination : The Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in multiples of ₱10,000.00 thereafter.

Early Redemption Option : The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), the Bonds (the "Early Redemption Option"), on any of Interest Payment Dates specified below (any such date, the "Early Redemption Date") or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment in the amount of interest as originally computed. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer ("Early Redemption Price") shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Date; and (ii) the product of the principal amount (total outstanding principal amount of the relevant Bonds) and the applicable Early Redemption Price (as set out below) in accordance with the following schedule:

Series E Bonds	
Early Redemption Dates	**Early Redemption Price (inclusive of early redemption premium)**
2nd year from Issue Date and every Interest Payment Date thereafter before the 3rd anniversary of the Issue Date	101.00%
3rd year from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

Series F Bonds	
Early Redemption Dates	**Early Redemption Price (inclusive of early redemption premium)**
4th year from Issue Date and every Interest Payment Date thereafter before the 5th anniversary of the Issue Date	102.00%

5th year from Issue Date and every Interest Payment Date thereafter before the 6th anniversary of the Issue Date	101.00%
6th year from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

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

Redemption for Taxation Reasons : The Issuer may redeem any series of the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than fifteen (15) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

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

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

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

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

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

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

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

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

Purchase and Cancellation : The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract, in

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

Own Risk	Bondholders understand and acknowledge that investment in the Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC") and that any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Bonds and the regular conduct of the Trustee's business shall be for the account of the Bondholder.
Contact Details of the Trustee	BDO Unibank, Inc. – Trust and Investments Group Attention: Emily C. Bello Subject: Aboitiz Equity Ventures Bonds Due 2025 and 2028 Address: 15th Floor, South Tower BDO Corporate Center. 7899 Makati Avenue, Makati City Contact Number: 8878-4218 E-mail: bello.emily@bdo.com.ph

RISK FACTORS AND OTHER CONSIDERATIONS

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

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

This section discusses additional risks to those stated in the Prospectus and must be read in conjunction with the Prospectus. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information found in the Prospectus.

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

RISKS RELATED TO THE COMPANY'S BUSINESS

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

Regulatory Risk

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.

To further address this risk, AEV developed and implemented an Aboitiz Unified Compliance Management System, based on Governance, Risk and Compliance methodology, which aimed to have better compliance management and oversight resulting from greater availability of data and information. This system also supports the objective of embedding a culture of managing compliance risk in the Group. The platform is currently being rolled out per compliance area relevant to each business unit.

Information Security Risk

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 the pandemic outbreak continues, the Company's potential exposure from this risk is further aggravated by the current work from home set-up and the COVID-19 scare that forced people to do their transactions online. Despite these recent events, 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 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 process 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.

Competition Risk

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.

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.

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

The purpose of risk management in the Aboitiz Group is to sustain its risk maturity level in order to achieve enterprise resilience, that is why Business Continuity Management ("BCM") is an integral part of the Risk Management framework of the Company.

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 that 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.

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 risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency-denominated placements, transactions and borrowings.

In 2020, these risks are further aggravated by the negative impact of COVID-19 to the economy. The occurrence of this pandemic has affected the general market conditions, both local and global.

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.

In 2020, the Risk and Treasury Teams revisited and updated the Financial Risk Management Framework which was first established in 2019. This framework aims to provide a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the Group.

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 transitioned 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.

Reputation Risk

AEV recognizes that the Company's reputation is its single, most valuable asset – a competitive advantage that has enabled it to earn the trust of its stakeholders. Likewise, the Company is aware that the reputation it has today took generations to strengthen and is, therefore, something the Company wants to protect, build, and enhance continuously. In today's world of higher corporate governance standards, heightened public consciousness brought on by social media, and greater scrutiny from key stakeholders, the Company finds itself operating in a new environment where corporate reputation has become a differentiating asset.

Considering the businesses that the Group is currently operating, reputation risks continuous to be one of the major concerns of the Company. In order to mitigate and manage reputational risks, which could be the result of an occurrence of another risk, Aboitiz Group has strengthened its reputation team across the different business units. Aside from integrating risk management into the reputation management process, AEV and its Subsidiaries have Identified and engaged all stakeholders through information and education campaigns and relationship building programs. They continue to conduct regular exercises for emergency response, incident management and business recovery plans as part of the risk and reputation management process; developed and implemented a Group-wide social media policy, strategy and social media listening. With the recent external events, Reputation Team has also enhanced its crisis communication protocol and continuous training of stakeholder-facing team leaders who have been designated as spokespersons.

Ultimately, managing AEV's reputation requires an understanding of its reputational terrain, which includes all its stakeholders.

Recognizing that companies who want to thrive in the new normal must have a strong commitment to sustainability, through the Aboitiz Group's "One Aboitiz Sustainability Framework", it 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. In 2020, AEV and its Subsidiaries underwent activities that aimed to establish the reputation of Aboitiz as leader in ESG and contribute to the long-term global sustainability goals. In addition, these activities will help in determining how the ESG framework can be integrated in the risk management process. Its sustainability initiatives and programs, such as "*A-Park*", "*Wealth on Waste*" and "*Race to Reduce*", and its commitments to support the "Task Force of Climate-Related Financial Disclosures" as well as its membership to the United Nations Global Compact and Global Compact Network Philippines Board of Trustees will help the Aboitiz Group in minimizing the likelihood of reputation risk. These are reinforced by a dynamic sustainability communication plan that builds and strengthens trust through stakeholder engagement and communication.

Another risk to reputation are the emerging issues that may escalate to crisis situations if left unaddressed or not dealt with ahead of time. BU-related issues must be managed to thwart any attempts to further exploit or aggravate the situation. A pro-active, anticipatory approach will help minimize the risks.

Talent Risk

Continuous expansion of AEV and its Subsidiaries brought about challenges on the capability of the current workforce to support it. There is also the increasingly competitive market, locally and abroad, for high demand talents. These challenges have made it more difficult for the Aboitiz Group to source and match fitting talent. The context of talent risk includes: acquisition, retention and optimization of employees across the Group.

In 2020, the context of this risk was expanded to include the COVID-19 situation and the new normal. The Company acknowledges that the pandemic has affected the day to day life of its employees and will require adaptation of new competencies to support the agility, resilience and psychological engagement it needs to thrive.

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 current situation may have a negative implication to the employees' mental, physical, and psychological well – being affecting 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.

RISKS RELATING TO THE PHILIPPINES

Pandemic Risk

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 March 31, 2021, the Philippine Department of Health reported 747,288 total cases of COVID-19 nationwide with 13,297 deaths attributed to COVID-19. The Philippines continues to add thousands of cases reported per day with 6,128 new cases on March 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.

Since the 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 community quarantine restrictions.

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. As of March 23, 2021, the Aboitiz Group has started planning its COVID-19 vaccination program for the free inoculation of its employees and subcontractors.

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.

As of February 28, 2021, all of the Aboitiz Group's businesses are operating and business continuity plans have been 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 quarantine restrictions. These quarantine restrictions 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. Due to said circumstances, the Power Group is constantly evaluating the timing of the project's commercial operations date.

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

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

Retail digital customers breached 2 mn customers as of February 28, 2021. Of this, more than 517,000 customers were digital accounts opened through UnionBank's Online App. Corporate digital customers in "The Portal'' already reached more than 16,400 customers as of February 28, 2021. UnionBank Online app transactions have also continued an upward trend. Compared to the start of 2020, transactions more than doubled by the end of 2020.

Apart from supporting the banking needs of its customers in this pandemic, the Financial Services Group is also keen on supporting several partnerships and Government initiatives, given its agility as a digital organization amidst the crisis. It was tapped by the DSWD for the distribution of the second tranche of the Social Amelioration Program ("SAP"). UnionBank was allocated 1.4 mn customers out of the total 7.1 mn SAP recipients. It also played a key role in the historical launch of the first in Asia app-based blockchain-enabled distribution of retail treasury bonds by the Bureau of the Treasury. UnionBank, along with the Philippine Digital Asset Exchange, powered the BONDS.ph platform which customers used to buy and sell said retail treasury bonds. In July 2020, the Bank launched the capability to deposit to UnionBank accounts via 7-11 branches. This can be considered as UnionBank's expansion of its network to more than 3,000 7-11 branches nationwide. UnionBank expects to add about 8,000 more physical outlets such as RD Pawnshop and Tambunting.

UnionBank's digital brand, EON, has also been very busy during the pandemic supporting various institutions and LGU that needed assistance reaching their customers during the ECQ. Through EON's e-wallet and digital platform, these institutions are able to disburse cash and loan proceeds to their customer base. These include: (1) partnership with Paranaque City – for the disbursement ₱200 mn cash assistance program to households; (2) LIGHT Microfinance – for the disbursement of loan proceeds to 150,000 customers; (3) Public Safety Savings & Loan Association, Inc. – for the disbursement of loan proceeds to 250,000 recipients; and (4) partnership with Imus for Lingap Imuseno program – for the disbursement of cash aid to 88,000 Imus residents and 45,000 recipients for the Bida Kard Program (program for children).

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. In light of the COVID-19 crisis and its potential impact on UnionBank's credit portfolio, UnionBank deemed it prudent to further increase its provisions for loan losses to ₱ 8.7 bn. The provisioning was anticipatory in nature which includes a buffer that acts as UnionBank's cushion amid this crisis.

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

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

To cope with the above impact, the Food Group maximized and accelerated digital selling and collections. The Food Group maintained sufficient levels of raw materials to support its operations in order to minimize issues in terms of domestic and international logistics. It continued to accelerate its business despite the turmoil through:

(1) focusing on product lines that are supported by strong demand; (2) improving operational efficiency; and (3) proactively managing collections and expenses to improve cash flows. Lastly, the Food Group prioritized vital capital expenditures to protect its bottom line.

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

To cope with the above impact, the Real Estate Group adapted innovative selling techniques such as contactless home buying services and launched a series of webcasts that touch on relevant topics in the context of the new normal - from investments to architectural design in order to improve its reach during the community quarantine. Through February 28, 2021, the residential business has demonstrated resilience as it sustained its sales momentum even through the pandemic. On the other hand, the commercial business continued to offer creative solutions to aid the survival and recovery of tenants. Recovery continued for the commercial business as foot traffic and sales improved. Finally, the industrial business operations have recovered to pre-pandemic activity levels.

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.

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

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

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

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

In 2019 and 2020, the Philippine gross domestic product (GDP) grew by 5.9% and -9.6%, respectively. For the year 2020, domestic inflation averaged 2.6%, reaching as high as 3.5% in December. However, the average inflation was still within the Government's 2% to 4% target. For the fifth time in 2020, BSP cut the rate on its overnight reverse repurchase facility by 25 basis points to 2.00% from 2.25%, totalling a 200-basis point reduction for the entire 2020. In addition, the Monetary Board cut the rate on the overnight deposit facility and the overnight lending facility to 1.50% and 2.50%, respectively.The Interagency Development Budget Coordination Committee (DBCC) might revise downward the country's annual GDP forecast by as much as 500 basis points to 6.0% - 7.0% and expects recovery sometime in 2022. The full year 2020 GDP contraction represents PhP1.58 trillion in economic loss. The country's GDP contracted -4.2% in the first quarter of 2021 with the decline contributed mainly by Construction (-24.2%) and Real Estate (-13,2%), among others. According to the Asian Development Outlook, GDP growth forecast for the Philippine is set at 4.5% in 2021 and 5.5% in 2022 while inflation is expected to rise to 4.1% in 2021 and ease up to 3.5% in 2022. The figures released by ADB captures challenges in timeliness of vaccine rollouts and continued quarantine measures adopted by the Philippines. Similarly, the World Bank expects the Philippine economy to grow by 5.5% and 6.3% in 2021 and 2022, respectively. Fitch Ratings expects Philippine gross domestic product to grow by 6.3% this year.

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

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

Fitch Ratings – BBB (stable) , which was affirmed last 10 January 2021
Standard & Poor's - BBB+, which was granted April 2018 and affirmed last May 2020
Moody's Investors Service – Baa2 (stable), which was affirmed last July 2020Fitch

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

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

RISKS RELATED TO THE OFFER

Liquidity Risk

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

Reinvestment Risk

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

Pricing Risk

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

Retention of Ratings Risk

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

Suitability of Investment

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

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

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

USE OF PROCEEDS

The Issue Price shall be at par, which is equal to the face value of the Series E Bonds or Series F Bonds. AEV expects that the net proceeds of the Bonds shall amount to approximately [**₱4,930,216,412**.50] for an issue size of up to ₱5,000,000,000.00 or, assuming full exercise of the Oversubscription Option, ₱ [**9,870,659,225.00**] for an issue size of up to [₱10,000,000,000.00], in each case after deducting fees, commissions and expenses.

Based on an issue size of up to ₱5,000,000,000.00

Documentary Stamp Tax	[37,500,000.00]
Issue Management and Underwriting Fees[1]	[19,500,000.00]
Other Professional Fees	[9,836,400.00]
SEC Registration Fee and Legal Research Fee	[1,357,187.50]
Credit Rating Fees	[1,200,000.00]
Other Expenses (e.g. Trustee Fee, PDEx Listing Fee, Printing Cost, etc.)	[390,000.00]
Estimated net proceeds of the Issue	**[₱4,930,216,412.50**]

Based on an issue size of [₱10,000,000,000.00]

Documentary Stamp Tax	[75,000,000.00]
Issue Management and Underwriting Fees[2]	[39,000,000.00]
Other Professional Fees	[9,836,400.00]
SEC Registration Fee and Legal Research Fee	[2,714,375.00]
Credit Rating Fees	[2,400,000.00]
Other Expenses (e.g. Trustee Fee, PDEx Listing Fee, Printing Cost, etc.)	[390,000.00]
Estimated net proceeds of the Issue	**₱ [9,870,659,225.00]**

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

1. Aside from the Listing Application Fee, the Issuer will be charged an annual maintenance fee of ₱150,000.00 in advance upon the approval of the listing;

2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱180,000.00 per annum;

3. After the issuance of the Bonds, a Paying Agency fee amounting to ₱100,000.00 is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the Bonds and the number of Bondholders; and

4. The Issuer will pay an annual monitoring fee to PhilRatings amounting to ₱560,000.00 (VAT inclusive). However, PhilRatings charges the annual monitoring fee to the Company in relation to all of its bonds outstanding.

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

The allocation of the proceeds of the Offer and the schedule of disbursements shall be as follows, in order of priority:

	Amount	Timing of Disbursement	% of Net Proceeds
Oversubscription Option is Not Exercised			
Refinance facilities drawn to fund the early redemption of the 2015 Series B Bonds	₱ [4,006,032,636.50]	[Aug 2021]	[81%]
Finance future funding requirements of Aboitiz Infracapital in 2021 and 2022 for its towers project	₱ [924,183,776.00]	[2021 to 2022]	[19%]
	₱ [4,930,216,412.50]		[100%]
Oversubscription Option is Fully Exercised			
Refinance facilities drawn to fund the early redemption of the 2015 Series B Bonds	₱ [8,467,030,000.00]	[Aug 2021]	[86%]
Finance future funding requirements of Aboitiz Infracapital in 2021 and 2022 for its towers project	₱ [924,183,776.00]	[2021 and 2022]	[9%]
General corporate purposes	₱ [479,445,449.00]		[5%]
	₱ [9,870,659,225.00]		

The Company plans to use approximately up to ₱8,467,030,000.00 of the net proceeds from the Offer to [refinance the facilities drawn to fund the early redemption of the 2015 Series B Bonds prior to their stated maturity in August 2022 and approximately up to ₱924,183,776.00 to finance future funding requirements of Aboitiz Infracapital in 2021 and 2022 for its towers project, and other general corporate purposes.

Refinance facilities drawn to redeem the 2015 Series B Bonds

On August 6, 2015, AEV issued fixed-rate bonds (the "2015 Bonds") in three series: (a) Series A 2015 Bonds, with a term of five (5) years and three (3) months; (b) Series B 2015 Bonds, with a term of seven (7) years; and (c) Series C 2015 Bonds, with a term of twelve (12) years from issue date. The Series A 2015 Bonds has a fixed interest rate of 4.4722% per annum. The Series B 2015 Bonds has a fixed interest rate of 5.0056% and an optional redemption on the fifth (5th) year and one (1) quarter from issue date, and on the sixth (6th) year from issue date. The Series C 2015 Bonds has a fixed interest rate of 6.0169% and an optional redemption on the seventh (7th), eighth (8th), ninth (9th), and tenth (10th) year from issue date. BPI Capital acted as the Issue Manager. BPI Capital and First Metro acted as Joint Lead Underwriters while BPI Asset Management and Trust Corporation was appointed as Trustee. The net proceeds of the 2015 Bonds were used by the Issuer to fund planned capital infusions into AboitizLand, AAII, AseaGas, and PETNET to fund planned investments, and for other general corporate purposes pursuant to its operations as a holding company.

Finance future funding requirements of Aboitiz Infracapital in 2021 and 2022 for its towers project.

On April 28, 2021, Aboitiz InfraCapital signed a joint venture agreement 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 Mobile Network Operators ("MNOs"). Unity secured its Certificate of Registration as an Independent Tower Company from the Department of Information and Communications Technology ("DICT") in February 2021. It is now working on the rollout of its pilot batch of towers with the MNOs. This project will be initially funded through equity infusions from the shareholders of Unity. AEV and its wholly-owned subsidiary, Aboitiz InfraCapital, collectively own a 50% equity interest in Unity. AEV expects to realize returns on its equity contributions from the operations of Unity upon the completion of the construction of passive telecommunication towers which will generate lease revenue that will allow Unity to distribute profits to its shareholders in the form of dividends.

In the event that the Oversubscription Option is partly exercised or not exercised at all, or in case the Company is not able to raise the full amount of the Offer, the Company shall use internally generated funds and/or available bank lines to the extent the proceeds of the Offer are insufficient to fund the facilities drawn for the early redemption of the 2015 Series B Bonds originally maturing in August 2022 and finance future funding requirements of Aboitiz Infracapital in 2021 and 2022 for its towers project.

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

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

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

DETERMINATION OF THE OFFER PRICE

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

PLAN OF DISTRIBUTION

THE OFFER

The Bonds is offered by the Company as the third tranche of the Bonds under the Company's ₱30,000,000,000.00 Debt Securities Program. The Company shall issue the Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Lead Underwriters. The Offer does not include an international offering.

Pursuant to the confirmation and certificate of permit to offer securities for sale to be issued by the SEC, the Offer will consist of the primary offer of a principal amount of up to ₱5,000,000,000.00 and an Oversubscription Option of up to ₱5,000,000,000.00. In case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Bonds under the Oversubscription Option that will not be taken up or exercised during the Offer Period will remain under shelf registration and may be issued in tranches within the Shelf Period.

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

UNDERWRITING OBLIGATIONS OF THE JOINT LEAD UNDERWRITERS

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

Joint Lead Underwriter	**Commitment**
BDO Capital	[₱1,000,000,000.00]
BPI Capital	[₱1,000,000,000.00]
China Bank Capital	[₱1,000,000,000.00]
First Metro	[₱1,000,000,000.00]
SB Capital	[₱1,000,000,000.00]
Total	**[₱5,000,000,000.00]**

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

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

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

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

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

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

BDO Capital and Investment Corporation

BDO Capital is a leading investment bank in the Philippines and was incorporated in the Philippines on 8 September 1998 as a wholly owned subsidiary of BDO Unibank, Inc. BDO Capital presently conducts business as a full-service investment house with the following functions, among others: securities underwriting and trading; loan syndication; financial advisory; and private placement of debt and equity. As of 31 December 2020, it had total assets of ₱4.3 bn, total liabilities of ₱0.2 bn and total equity of ₱4.1 bn.

BPI Capital Corporation

BPI Capital Corporation is a Philippine corporation organized in the Philippines as a wholly owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of March 31, 2021, its total assets amounted to ₱4.03 billion and its capital base amounted to ₱3.89 billion. It has an authorized capital stock of ₱1 billion of which approximately ₱506.4 million represents its paid-up capital.

China Bank Capital Corporation

China Bank Capital Corporation is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Bank's Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures, and other corporate transactions.

First Metro Investment Corporation

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths in origination, structuring, and execution. As of December 31, 2020, it had total assets of ₱33.7 billion, total liabilities of ₱18.6 billion and total equity of ₱15.0 billion.

SB Capital Investment Corporation

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues.

SALE AND DISTRIBUTION

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

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

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

The obligations of each of the Joint Lead Underwriters will be joint and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Lead Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by a Joint Lead Underwriter to carry out its obligations thereunder shall neither relieve the other Joint Lead Underwriters of their obligations under the same Underwriting Agreement, nor shall any Joint Lead Underwriter be responsible for the obligation of another Joint Lead Underwriter.

TERM OF APPOINTMENT

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

MANNER OF DISTRIBUTION

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

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

OFFER PERIOD

The Offer Period shall commence on [July 26, 2021] and end on [July 30, 2021] or such other date as may be mutually agreed by the Company and the Joint Lead Underwriters.

All applications for the purchase of the Bonds shall be evidenced by a duly completed and signed Application to Purchase, whether originally signed or electronically submitted (through the e-Securities Issue Portal (“e-SIP”) upon and subject to the e-SIP’s approval by the SEC), together with all applicable supporting documentation in the prescribed form and submitted in the prescribed manner, with full payment of the purchase price of the Bonds in the manner provided therein, together with two (2) fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the Bonds applied for, by check or by appropriate payment instruction, and the required documents which must be submitted to the Joint Lead Underwriters.

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

An Applicant claiming exemption from any applicable tax, or is subject to a preferential withholding tax rate shall, in addition to the requirements set forth above, be required to submit the following requirements to the relevant Joint Lead Underwriter (together with their applications) who shall then forward the same to the Registrar, subject to acceptance by the Issuer, as being sufficient in form and substance:

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

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

    ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);

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

iv. For entities claiming tax treaty relief – submission of the original or certified true copies of the following documents:

General requirements:

1. Original Tax Residency Certificate (TRC) duly issued by the tax authority of the foreign country in which the Bondholder is a resident;
2. Original and duly notarized Special Power of Attorney (SPA) issued by the Bondholder to the Issuer, expressly stating the Issuer's authority to sign the Application Form for Treaty Purposes (BIR Form No. 0901-I) and to file a request for confirmation with the BIR on behalf of the Bondholder;

Additional requirements for legal persons and arrangements, and individuals:

1. Authenticated copy of the Bondholder's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language;
2. For legal persons and arrangements – original Certificate of Non-Registration or certified true copy of License to Do Business in the Philippines duly issued by the Securities and Exchange Commission (SEC) to the Bondholder;
3. For individuals – original Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry (DTI) to the Bondholder;

Additional requirements for entities:

1. Certified true copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the Bondholder;
2. List of owners/beneficiaries of the Bondholder;
3. Proof of ownership of the Bondholder; and
4. TRC duly issued by the concerned foreign tax authority to the owners or beneficiaries of the Bondholder.

All documents executed in a foreign country must either be authenticated by the Philippine Embassy stationed therein or apostilled if the said foreign country is a signatory to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (HCCH 1961 Apostille Convention) in order to be acceptable to the Issuer.

In addition, for subsequent interests due and subject to the requirements of new or amendatory regulations, the Bondholder shall submit to the Issuer an updated Application Form, a new TRC (if the validity period of the previously submitted TRC has already lapsed), and other relevant documents no later than the last day of the first month of the year when such subsequent interest payment/s shall fall due.

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

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

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

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

MINIMUM PURCHASE

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

ALLOTMENT OF THE BONDS

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted at the discretion of the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, with the consent of the Issuer and subject to its right of rejection.

ACCEPTANCE OF APPLICATIONS

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

REFUNDS

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

SECONDARY MARKET

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

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

REGISTRY OF BONDHOLDERS

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

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

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

DESCRIPTION OF THE BONDS

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

The corresponding issue of the Bonds in an aggregate principal amount of up to ₱5,000,000,000, with an Oversubscription Option of up to an aggregate principal amount of up to ₱5,000,000,000, were authorized by a resolution of the Board dated April 26,2021.

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

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

The Bonds shall be offered and sold through a general public offering in the Philippines.

The Series E Bonds shall mature on [August 9, 2025], while the Series F Bonds shall mature on [August 9, 2028] unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below.

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

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

FORM AND DENOMINATION

The Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (₱50,000.00), each as a minimum and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

TITLE

Legal title to the Bonds shall be shown in the Registry Book maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each Applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the

Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

BOND RATING

The Bonds have been rated PRS Aaa by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk

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

The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

TRANSFER OF BONDS

Register of Bondholders

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

Transfers; Tax Status

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

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a Banking Day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEx shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEx and PDTC.

Secondary Trading of the Bonds

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

MARKET INFORMATION ON OTHER DEBT SECURITIES

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

RANKING

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

INTEREST

Interest Payment Dates

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

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Banking Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

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

Determination of Interest Amount

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

REDEMPTION AND PURCHASE

Final Redemption

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

Early Redemption Option

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

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

Series E Bonds	
Early Redemption Dates	**Early Redemption Price (inclusive of early redemption premium)**
2nd year from Issue Date and every Interest	101.00%

Payment Date thereafter before the 3rd anniversary of the Issue Date	
3rd year from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

Series F Bonds	
Early Redemption Dates	**Early Redemption Price (inclusive of early redemption premium)**
4th year from Issue Date and every Interest Payment Date thereafter before the 5th anniversary of the Issue Date	102.00%
5th year from Issue Date and every Interest Payment Date thereafter before the 6th anniversary of the Issue Date	101.00%
6th year from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

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

Redemption for Taxation Reasons

The Issuer may redeem any series of the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than fifteen (15) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under any series of the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

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

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

Mandatory Redemption

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

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

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

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

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

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

Attention:	Emily C. Bello
Subject:	Aboitiz Equity Ventures Bonds Due 2025 and 2028
Address:	15th Floor, South Tower BDO Corporate Center. 7899 Makati Avenue, Makati City
Contact Number:	8878-4218
E-mail:	bello.emily@bdo.com.ph

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Purchase

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

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

Payments

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

Payment of Additional Amounts - Taxation

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

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

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

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

ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);
iii. For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; and
iv. For entities claiming tax treaty relief – submission of the original or certified true copies of the following documents:

General requirements:

1. Original Tax Residency Certificate (TRC) duly issued by the tax authority of the foreign country in which the Bondholder is a resident;
2. Original duly notarized Special Power of Attorney (SPA) issued by the Bondholder to the Issuer, expressly stating the Issuer's authority to sign the Application Form for Treaty Purposes (BIR Form No. 0901-I) and to file a request for confirmation with the BIR on behalf of the Bondholder;

Additional requirements for legal persons and arrangements, and individuals:

3. Authenticated copy of the Bondholder's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language;
4. For legal persons and arrangements – original Certificate of Non-Registration or certified true copy of License to Do Business in the Philippines duly issued by the Securities and Exchange Commission (SEC) to the Bondholder;
5. For individuals – original Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry (DTI) to the Bondholder;

Additional requirements for entities:

6. Certified true copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the Bondholder;
7. List of owners/beneficiaries of the Bondholder;
8. Proof of ownership of the Bondholder; and
9. TRC duly issued by the concerned foreign tax authority to the owners or beneficiaries of the Bondholder.

All documents executed in a foreign country must either be authenticated by the Philippine Embassy stationed therein or apostilled if the said foreign country is a signatory to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (HCCH 1961 Apostille Convention) in order to be acceptable to the Issuer.

In addition, for subsequent interests due and subject to the requirements of new or amendatory regulations, the Bondholder shall submit to the Issuer an updated

Application Form, a new TRC (if the validity period of the previously submitted TRC has already lapsed), and other relevant documents no later than the last day of the first month of the year when such subsequent interest payment/s shall fall due.

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

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

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

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

3. Gross Receipts Tax under the Tax Code;

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

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

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

FINANCIAL RATIOS

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

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

For the schedule of the Issuer's relevant consolidated financial ratios as of March 31, 2021, December 31, 2020, December 31, 2019, and December 31, 2018, please refer to the table below as well as the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 224.

	March 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Interest Coverage Ratio	3.5	2.7	3.1	3.9
Return on Common Equity	n.a.	9.0%	13.0%	14.9%
Current Ratio	1.6	1.6	1.3	1.8
Net Debt to Equity Ratio	1.1	1.2	1.2	1.0

EVENTS OF DEFAULT

Each of the following events constitutes an Event of Default.

1. **Payment Default.** The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the Bonds, provided that such non-payment shall not constitute an Event of Default if it is solely due to an administrative or technical cause, not attributable to the fault or negligence of the Issuer, affecting the transfer of funds despite timely payment instruction having been given by the Issuer and such payment is received by the Paying Agent within [●] Banking Days from the relevant due date; provided, further, and such failure to pay is not remedied within [●] Banking Days from due date thereof.

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

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

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

4. **Cross Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking

Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of at least two-thirds (2/3) of the Bondholders, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of five percent (5%) of the Fair Market Value of Assets of the Issuer, based on the relevant parent-only financial statements of the Issuer.

Insolvency Default. The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs; provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from issuance thereof.

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

6. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof, shall have expired without being satisfied, discharged, or stayed within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the Applicable Law or agreement.

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

CONSEQUENCES OF DEFAULT

Declaration by the Trustee or the Bondholders

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

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

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

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

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

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

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

Notice of Default

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

Subject to Applicable Law, in case of the occurrence of an Event of Default, the Issuer shall authorize the Registrar to provide the Trustee with the list of Bondholders containing the names and addresses of the Bondholders, the amount of the Bonds held by them, and such other information as may be agreed upon between the Registrar and the Issuer.

Penalty Interest

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

Payments in the Event of Default

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

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

Application of Payments

Any money collected by the Trustee and any other funds held by it through the Registrar and Paying Agent or any other agent appointed by the Trustee in connection with the Bonds, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

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

Second: To the payment of Penalty Interest.

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

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

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

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

Remedies

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

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

Ability to File Suit

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

Waiver of Default by Bondholders

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

MEETINGS OF BONDHOLDERS

Meetings

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

Notice of Meetings

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

Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its Board, or the requisite number of Bondholders shall have requested and funded the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or such Bondholders may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof, and the costs thereof shall be chargeable to the Trustee, except when such failure is beyond the control of the Trustee.

Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The Trustee shall rely on the records provided by the Registrar and shall be held free and harmless for such reliance.

Procedure for Meetings

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

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

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

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of the Bonds or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000.00) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

Voting Requirement

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

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

Role of the Trustee in Meetings of Bondholders

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

Evidence Supporting Bondholders' Action

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

Duties and Responsibilities of the Trustee

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

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

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

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

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

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

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

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

Supplemental Agreements

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

1. Without the consent of each Bondholder affected thereby:

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

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

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

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

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

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

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

MISCELLANEOUS PROVISIONS

<u>Notice</u>

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

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

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

Binding and Conclusive Nature

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

Dispute Settlement

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

No Right to Set-Off

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

Governing Law

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

THE COMPANY

The following section discusses updates to The Company after the date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations" and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement, the Prospectus, and all preceding offer supplements.

As of January 31, 2021, AEV is the eighth largest conglomerate based on assets, the fifth largest based on revenue and the fifth largest based on market capitalization.

As of April 30, 2021, Aboitiz & Company, Inc. (ACO) owns 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 April 30, 2021, AEV had a market capitalization of ₱199.8 billion, with a common share price of ₱35.50 per share.

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

Power. AEV's power generation, distribution and retail electricity supply business is operated through Aboitiz Power Corporation ("AboitizPower") and its subsidiaries, joint ventures and associates (collectively, "AboitizPower Group"). Based on Energy Regulatory Commission ("ERC") Resolution No. 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 DOE's Distribution Development Plan 2018-2027) and the second largest market share (based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of March 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 March 11, 2021). AboitizPower is listed on the PSE and as of April 30, 2021, AboitizPower had a market capitalization of ₱169 billion, with a common share price of ₱23.00 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 (the food SBU collectively referred to herein as the "Food Group"). The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition. In July 2018, Pilmico International acquired 75% equity interest in Gold Coin Management Holdings, Ltd. ("GCMH") and its subsidiaries (collectively, the "Gold Coin Group"). In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH. The Gold Coin Group is a leading brand in animal nutrition currently operating across 9 countries across the Asia-Pacific region with over 2,300 employees and 21 production facilities, with an installed milling capacity of three million MT per year as of April 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. ("CitySavings"), a thrift bank, UBP Investments Corporation ("UIC"), a holding company, and UBX Philippines Corporation ("UBX PH"), an innovation and technology company. UnionBank is a universal banking corporation listed on the PSE. UnionBank is among the top universal banks in the country, ranking seventh among the top 10 listed banks in the Philippines based on assets as of March 31, 2021, based on audited financial statements as disclosed by private universal banks to the SEC and PSE. as reported in. UnionBank had a market capitalization of ₱87.8 billion, with a common share price of ₱72.00 as of April 30, 2021.

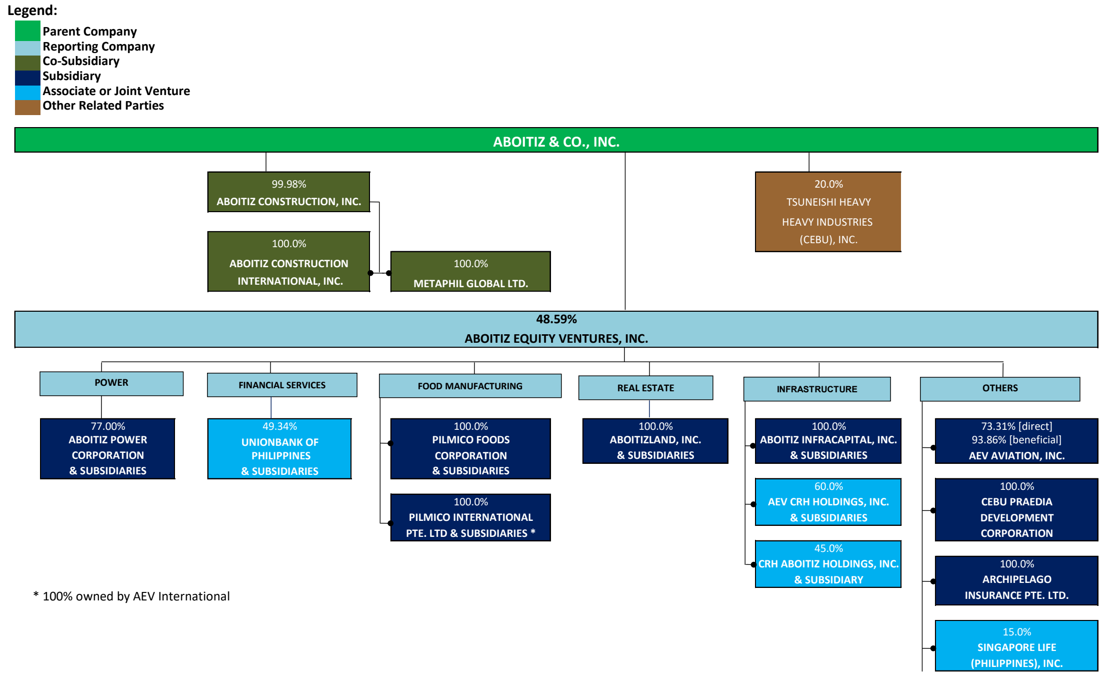
Real Estate. AEV's development of residential communities is through AboitizLand, Inc. ("AboitizLand"). As of April 30, 2021, AboitizLand had 13 residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums as well as six commercial projects in operation. In addition, AboitizLand is the developer and operator of three economic zones: (a) the Mactan Economic Zone II ("MEZ II") in Lapu-Lapu City, Cebu; (b) the West Cebu Industrial Park ("WCIP") in Balamban, Cebu, through its subsidiary, Cebu Industrial Park Developers Inc. ("CIPDI"); and (c) the Lima Technology Center in Malvar, Batangas. The 6 commercial projects currently operating are: (a) The Outlets at Lipa and (b) Lima Exchange, both in Lipa, Batangas; (c) The Persimmon Plus in Mabolo, Cebu City; (d) the iMez Building; (e) Pueblo Verde; and (f) The Outlets at Pueblo Verde. The latter 3 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").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 February 28, 2021, the Company believes that the Republic Cement Group is one of the country's leading local cement manufacturing and distribution companies with 5 integrated plants and 1 grinding facility in operation across Luzon, Visayas, and Mindanao. As of March 31, 2021, Aboitiz Infracapital's business portfolio includes (i) water and wastewater services, (ii) digital infrastructure, (iii) regional airports, and (iv) integrated economic center.

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

Below is the Aboitiz Group's corporate structure as of March 31, 2021:

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of March 31, 2021



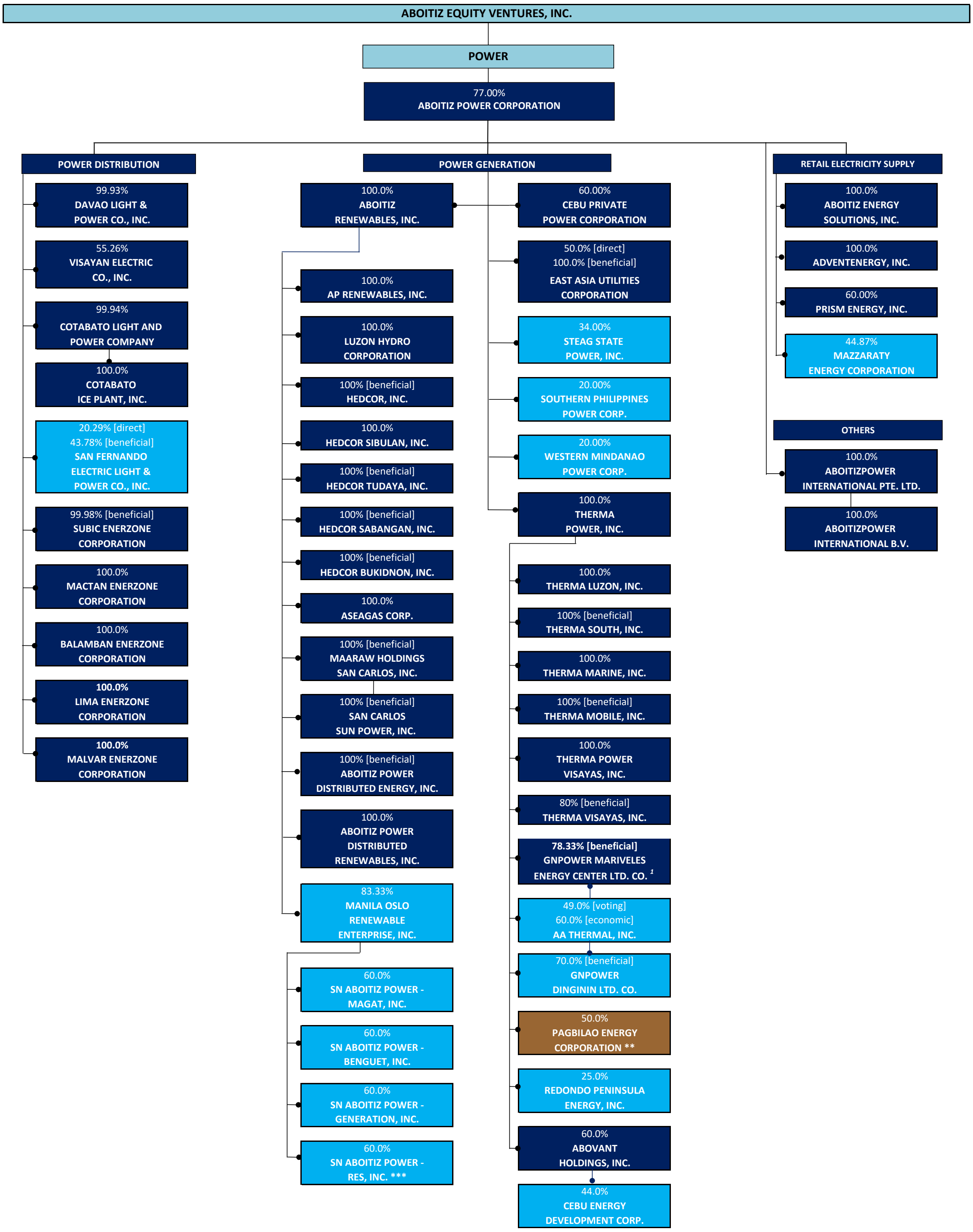
ABOITIZ EQUITY VENTURES, INC. - POWER

CONGLOMERATE MAPPING

As of March 31, 2021

Legend:

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

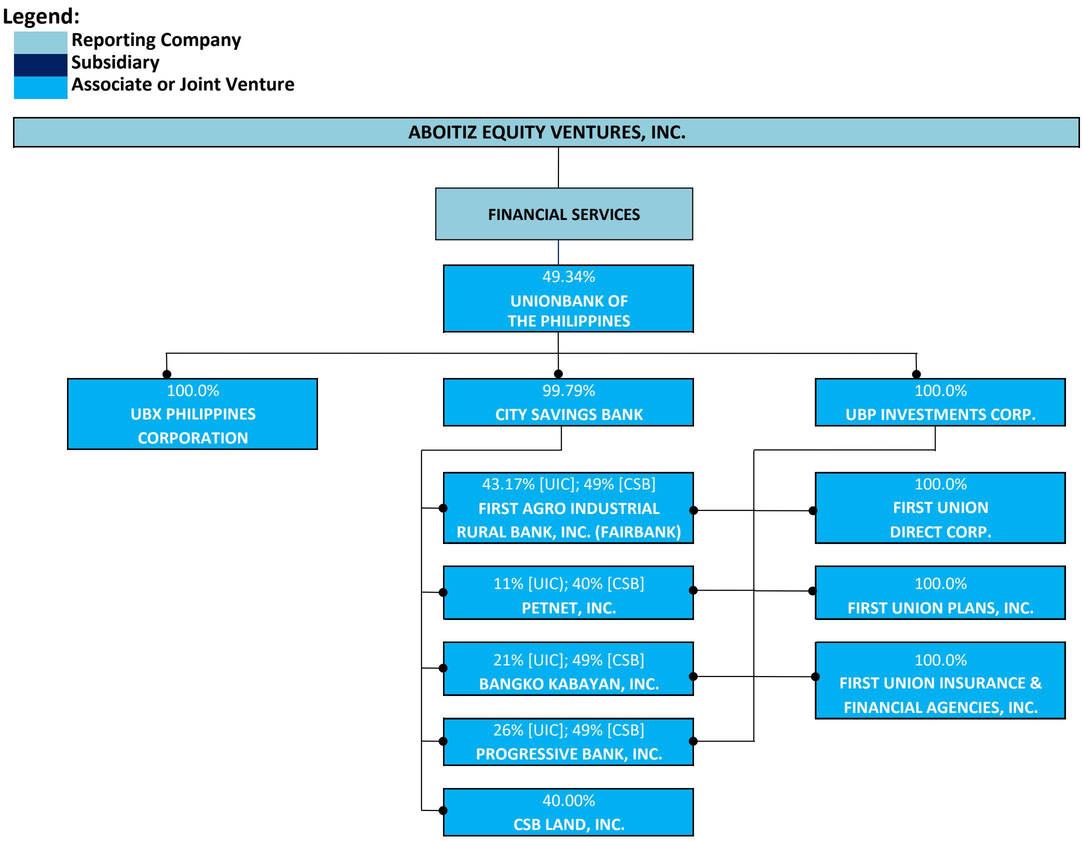


** Joint Operations

*** Engages in retail electricity supply business

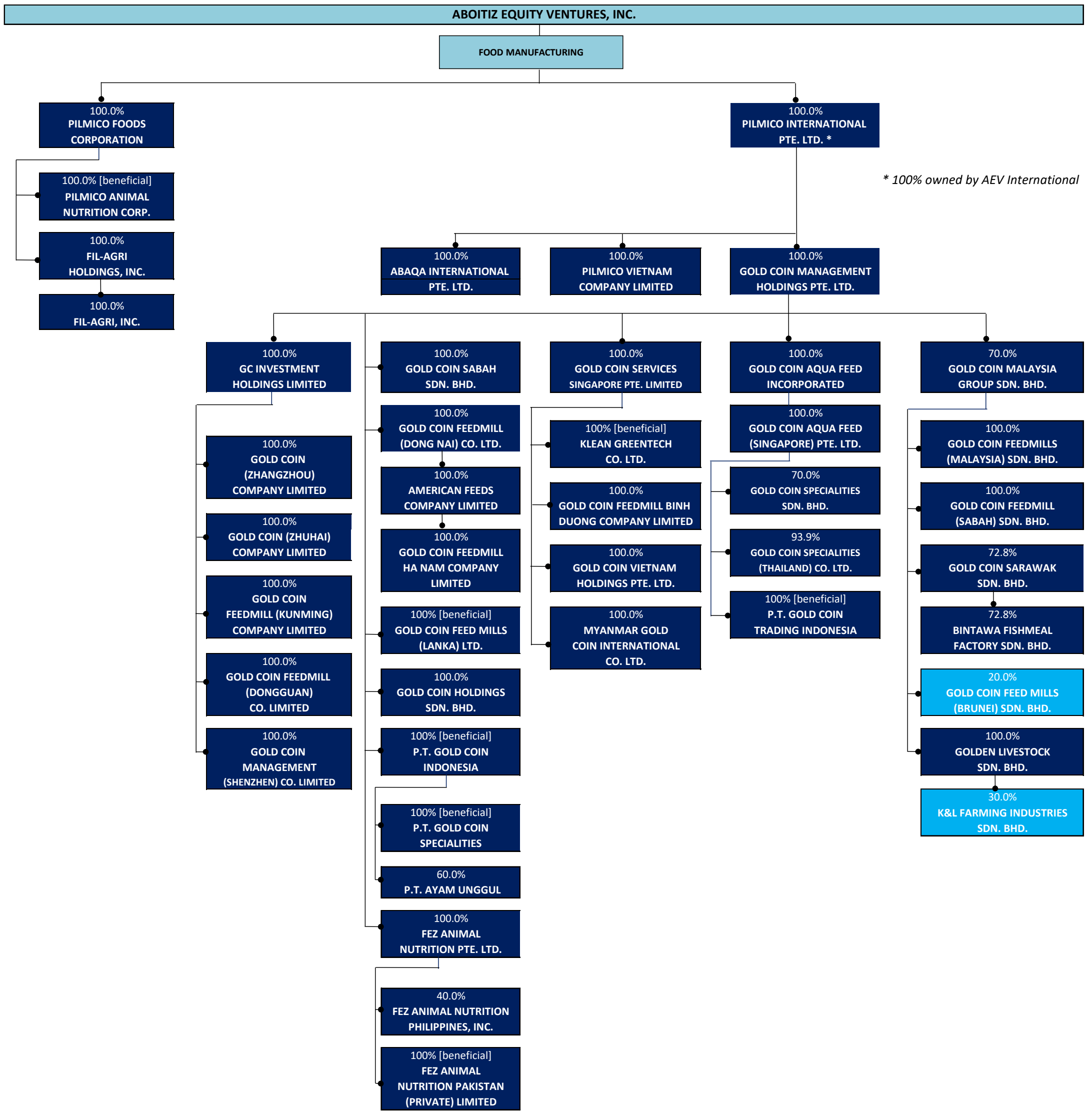
1 Formerly, GNPower Mariveles Coal Plant Ltd. Co.

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES
CONGLOMERATE MAPPING
As of March 31, 2021



ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING
CONGLOMERATE MAPPING
As of March 31, 2021

Legend:
Reporting Company
Subsidiary
Associate or Joint Venture



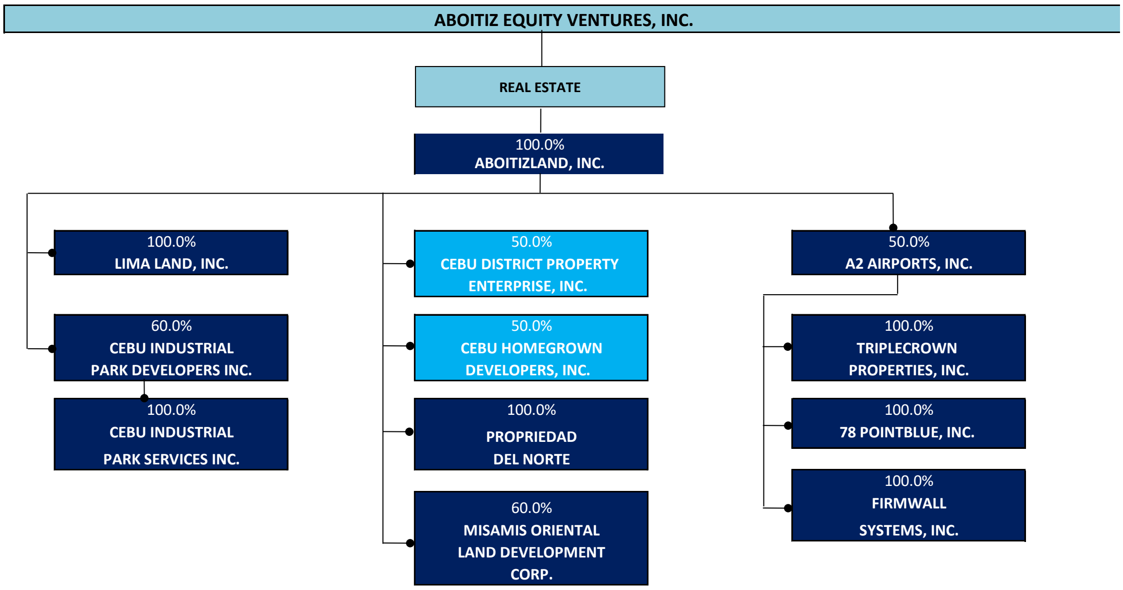
ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE

CONGLOMERATE MAPPING

As of March 31, 2021

Legend:

Reporting Company
Subsidiary
Associate or Joint Venture



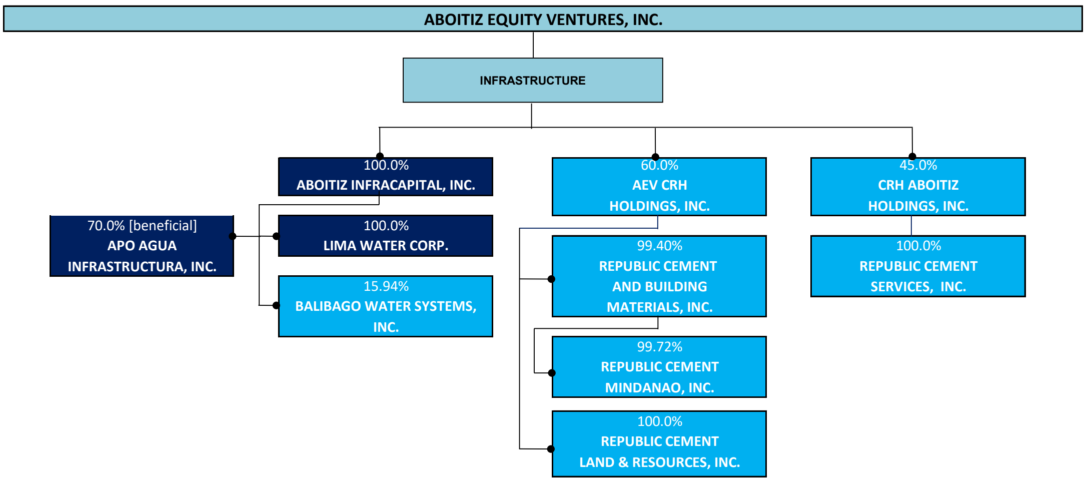
ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE

CONGLOMERATE MAPPING

As of March 31, 2021

Legend:

Reporting Company
Subsidiary
Associate or Joint Venture



RECENT BUSINESS DEVELOPMENTS

The foregoing discussion on Business Developments of AEV must be read in conjunction with the Prospectus. The following only provide updates to such discussion occurring after the date of the Prospectus.

On April 29, 2021, the Aboitiz Group formed the Aboitiz Data Innovation (ADI), a Singapore-based entity that focuses on harnessing the transformative capabilities of data science and artificial intelligence (DSAI) to accelerate business growth. ADI will consolidate the DSAI operating model across the Aboitiz Group and promote a data-driven culture across the organization. Its primary focus is to transform data into business outcomes, exploit information to make better decisions, reinvent business models, and develop high-value solutions to create new processes, products, and services.

Power Generation, Distribution, and Retail Electricity Supply

As of April 30, 2021, AEV's generation companies have an installed capacity which is equivalent to a 16.58% market share of the national grid's installed generating capacity (based on ERC Resolution No.05-2021, dated March 11, 2021). AboitizPower's Subsidiaries engaged in the supply of retail electricity have a total market share of 22.69% as of March 31, 2021, making the Company the second largest player in the retail electricity space.

AboitizPower's renewable investments are held primarily through its wholly-owned subsidiary, Aboitiz Renewables, Inc. and its subsidiaries and joint ventures (collectively, "Aboitiz Renewables"). Through Aboitiz Renewables, AboitizPower is the largest renewable energy group in terms of installed capacity under its market control (based on ERC Resolution No. 05-2021, dated March 11, 2021).

AboitizPower's subsidiaries engaged in the distribution of electricity sold a total of 5,368 Gigawatt hours ("GWh") in 2020 and a total of 1,308GWh for the three months ended March 31, 2021.

Financial Services

On January 5, 2018, City Savings and UBP Investments Corporation ("UIC") executed a share purchase agreement with the majority shareholders of Progressive Bank, Inc. ("PBI") for the acquisition of 75% equity interest in PBI through a combination of subscription and purchase of common shares. PBI is a rural bank based in Iloilo and engaged in the business of providing credit to farmers, tenants, and rural enterprises. The transaction was approved by the BSP on February 24, 2020. The PCC issued a letter of non-coverage, declaring that the transaction was not subject to compulsory notification, on 5 August 5, 2020.

UBX Philippines Corporation (UBX Philippines), which serves as its financial technology arm, currently has five ventures - i2i offers digital transformation to financial institutions, Bux, end to end payment platform, Sentro, online shop builder, SeekCap, online lending marketplace and QLab which offers different technological solutions to businesses.

On October 22, 2020, UnionBank announced the issuance of US$300 million in USD Senior Medium Term Notes, under its USD 2 Billion Medium-Term Note Programme, issued at par with a yield of 2.125% per annum, maturing October 22, 2025. The said bonds were rated Baa2 by Moody's and were listed in the Singapore Stock Exchange.

On December 9, 2020, UnionBank issued ₱8.115 billion in Fixed Rate Senior Series C Bonds, as part of the existing ₱39 Billion Bond Program. The three-year fixed rate bonds have a coupon rate of 2.75% per annum due 2023. On the same date, the Bank issued ₱885 million Peso Senior Series D Bonds. The 5.25-year fixed-rate bond have a coupon rate of 3.375% due March 9, 2026. The said bonds were listed on the PDEx.

Food Manufacturing

The Food Group's international operations are held through Pilmico International, which is a wholly-owned subsidiary of AEV International. The Gold Coin Group is a leading brand in animal nutrition operating in 9 countries across the Asia-Pacific region with over 2,300 employees and more than 21 production facilities, with an installed milling capacity of 3 million MT per year as of April 30, 2021.

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

Feeds and Flour

In November 2020, Pilmico's third feed mill in Iligan (Iligan Feed Mill 3") was successfully commissioned. The construction of Feed Mill 3, with an additional 124,800 MT in feed mill annual capacity, is intended to support further the continuous growth in the market share in the Visayas and Mindanao region.

Hog and Layer Farms

Since commencing its swine operations with 4,750 sow level in the second half of 1999, PANC has grown to 9,300 sow level as of January 31, 2021, which translates to a monthly sales volume of 13,000 heads of market hogs.

International Animal Nutrition

Headquartered in Singapore, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feeds and is a leading brand in animal nutrition with more than 21 livestock and aqua feed mills across seven countries in the Asia-Pacific, with an installed milling capacity of three million metric tonnes per year as of March 23, 2021.

As of March 2021, the Gold Coin Group has completed the installation of fish feed line in Dongguan, China, and Ha Nam, North Vietnam, with a combined capacity of 64,000 metric tons.

Real Estate

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

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 1,000 hectares of industrial business parks that are home to 185 locators and around 90,000 employees.

On April 28, 2021, Aboitiz InfraCapital signed a joint venture agreement 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 Mobile Network Operators (“MNOs”). Unity secured its Certificate of Registration as an Independent Tower Company from the Department of Information and Communications Technology (“DICT”) in February 2021. It is now working on the rollout of its pilot batch of towers with the MNOs.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

The foregoing discussion on Competitive Strengths and Business Strategies must be read in conjunction with the more detailed description in the Prospectus. The following only provide updates occurring after the latest date of the Prospectus.

BUSINESS STRATEGIES
Business Growth

Power

According to Union Bank of the Philippines, Inc. Economic Research Unit, GDP in the Philippines is projected to grow by 4.0% in 2021 and 6.4% in 2022. A more robust economic recovery may happen in 2021 with an immediate and non-risk averse re-opening of the economy, a higher fiscal stimulus program aside from the 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. To sustain this growth, the Philippines will require a sufficient amount of competitively priced power to meet the country’s increasing energy needs. The Company believes AboitizPower is strategically constructed to meet this increasing demand; AboitizPower seeks to provide the country with reliable power at a reasonable cost and in a responsible manner. Further, AboitizPower has a strong pipeline which features a generation portfolio of multi-fuel technologies. AboitizPower has been increasing its generation portfolio since 2007 and expects to continue to develop a strong and sustainable pipeline for the future while also protecting and optimizing the Company’s current business to drive cost-efficient growth. AboitizPower’s plan is to double its net attributable capacity by the end of the decade, with a target of more than 9,000 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower aspires to achieve a 50:50 balance between our Cleanergy and thermal portfolios.

<u>Sustainability and ESG</u>

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 year on year positive 23 points increase in percentile ranking placed us in 66th percentile from previous year’s 43rd percentile rank 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 next coming years, the Company will continue to focus on addressing its gaps on various issues and areas of ESG. 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, Corporate Social Responsibility ("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.

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"). In the Company's first year of participation AEV assessed its alignment with the UNGC's ten 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 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 publicly-listed companies to publish and submit a report on its sustainability impacts and performances to SEC.

COVID-19 IMPACT

The Aboitiz Group has also started planning its COVID-19 vaccination program where vaccines will be made available to employees and subcons for free. The total assistance total contribution to the national COVID-19 response effort has reached over ₱2.2 billion

As of March 31, 2021, retail digital customers breached 2.4 million customers. Of this, more than 623,000 customers were digital accounts opened through UnionBank's Online App. UnionBank Online app transactions have also continued an upward trend. Given increased customer onboarding, digital transactions also continued to ramp up, almost quadrupling to 6.6 million in March 2021 from 1.7 million in March 2020. While branch and ATM transactions are starting to grow year-on-year, the gap between digital and physical transactions are still far, signifying customers' preference to transact via digital channels amid this pandemic. Apart from supporting the banking needs of its customers in this pandemic, the Financial Services Group is also keen on supporting several partnerships and

Government initiatives, given its agility as a digital organization amidst the crisis. It was tapped by the DSWD for the distribution of the second tranche of the Social Amelioration Program ("SAP"). UnionBank was allocated 1.4 mn customers out of the total 7.1 mn SAP recipients. It also played a key role in the historical launch of the first in Asia app-based blockchain-enabled distribution of retail treasury bonds by the Bureau of the Treasury. UnionBank, along with the Philippine Digital Asset Exchange, powered the BONDS.ph platform which customers used to buy and sell said retail treasury bonds. In July 2020, it launched the capability to deposit to UnionBank accounts via 7-11 branches. This can be considered as UnionBank's expansion of its network to more than 3,000 7-11 branches nationwide. UnionBank expects to add about 8,000 more physical outlets such as RD Pawnshop, and Tambunting. Its digital brand, EON, has also been very busy during the pandemic supporting various institutions and LGUs that needed assistance reaching their customers during the ECQ. Through EON's e-wallet and digital platform, these institutions are able to disburse cash and loan proceeds to their customer base. These include: (1) partnership with Paranaque City – for the disbursement ₱200 mn cash assistance program to households; (2) LIGHT Microfinance – for the disbursement of loan proceeds to 150,000 customers; (3) Public Safety Savings & Loan Association, Inc.– for the disbursement of loan proceeds to 250,000 recipients; and (4) partnership with Imus for Lingap Imuseno program – for the disbursement of cash aid to 88,000 Imus residents and 45,000 recipients for the Bida Kard Program (program for children).

In light of the COVID-19 crisis and its potential impact on UnionBank's credit portfolio, UnionBank deemed it prudent to further increase its provisions for loan losses. In the first quarter of 2021, UnionBank booked additional loan loss provisions of PhP2.3 billion, even as NPL ratio has declined to 4.7% from 5.1% in December 2020. The provisioning was anticipatory in nature which includes a buffer that acts as UnionBank's cushion amid this crisis.

In praise of UnionBank's efforts, it was recognized as one of the most helpful banks in Asia-Pacific[3] during the COVID-19 crisis.

The residential business has demonstrated resilience as it sustained its sales momentum even through the pandemic. On the other hand, the commercial business continued to offer creative solutions to aid the survival and recovery of tenants. Recovery continued for the commercial business as foot traffic and sales improved. Finally, the industrial business operations have recovered to pre-pandemic activity levels.

DESCRIPTION OF THE ISSUER

a) Principal Products and Services

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

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

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

b) Sales

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

(in ₱ millions)	2020	2019	2018
Revenue	₱186,726	₱201,157	₱186,943
Operating Profit	₱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

	2020		2019		2018	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Power	₱110,377	59%	₱125,635	62%	₱131,572	70%
Food	72,597	38%	71,155	35%	50,253	27%
Financial Services	-	0	-	0	645	0%
Real Estate	3,618	2%	4,196	2%	4,001	2%
Infrastructure	96	0%	96	0%	96	0%
Others	1,450	1%	1,550	1%	1,819	1%
Subtotal	**188,138**	**100%**	**202,632**	**100%**	**188,386**	**100%**
Eliminations	(1,413)		(4,786)		(1,443)	
Total	**₱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.*

c) New Product

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 April 29, 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.

d) Transactions with and/or Dependence on Related Parties

Other than what has been discussed in the Definitive 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.

e) 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.

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	Aboitiz & Co., Inc.	4-2005-012408 September 24, 2007	Application for the device mark "Aboitiz (Black)".	Registered.

(Class Nos. 30, 36, 37, 39, 40 and 42)		(Trademark has been renewed and will expire on September 24, 2027.)		
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	Pending.
Aboitiz (Word Mark) (Class No. 35)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 36)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
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) (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.

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

e) Effect of Existing or Probable Governmental Regulations

1. 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 P5 mn and with total assets (excluding land on which the particular business entity's office, plant and equipment are situated) 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.

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 effectivity 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.

2. 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 billion shall be exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two (2) years from the effectivity of Bayanihan 2 Act. Further, such mergers and acquisitions shall also be exempt from the PCC's power to review mergers and acquisitions motu proprio for a period of one (1) year from the effectivity of the Bayanihan 2 Act. However, transactions entered into prior to the effectivity of the

Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions *motu proprio*. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC *motu proprio* after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption

from review. With the in Bayanihan 2 Act, the thresholds are as follows:

Test	Old Threshold (effective 1 March 2020)[9]	New Threshold (effective 15 September 2020)[10]
Size of Person Test	₱6 bn	₱50 bn
Size of Transaction Test	₱2.4 bn	₱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.

3. 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 the National Privacy Commission (NPC).

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information is collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; (c) protected appropriately in terms of its confidentiality, integrity, and availability and (d) 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) appoint a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adopt a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the NPC. The Data Privacy Act IRR and NPC Circular No. 2020-03, furthermore provides the 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) data sharing may be based on any of the criteria for lawful processing of personal data under the Data Privacy Act, which includes consent and compliance with a legal obligation , and (c) the data sharing is recommended to be covered by a data sharing agreement or a similar document containing the terms and conditions of the sharing arrangement, including obligations to protect the personal data shared, the responsibilities of the parties, mechanisms through which data subjects may exercise their rights, among others; (d) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (e) 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. In the same year, Aboitiz Equity Ventures, Inc was recognized as the Data Protection and Privacy In-House team of the year during the fifth Annual Philippine Law Awards for its programs and activities related to data protection and privacy.

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 the Group is able to meet the expectations of its stakeholders.

4. Labor-related Regulations

On March 12, 2021, the DOLE issued Labor Advisory No. 03, Series of 2021 regarding its Guidelines on the Administration of COVID-19 Vaccines in the Workplaces. It advises all private establishments and employers to adopt and implement appropriate vaccination policy in the workplace as part of their occupational safety and health program. It mandates that the costs of vaccination in the workplace shall not be charged or passed on to employees, and that employees who refuse or fail to be vaccinated shall not be discriminated against in terms of tenure, promotion, training, pay, and other benefits, among others, or terminated from employment.

STRATEGIC BUSINESS UNITS ("SBU(s)")

The following discussion on SBUs of AEV must be read in conjunction with the Prospectus. The following only provide updates occurring after the latest date of the Prospectus.

POWER

AboitizPower's plan is to double its net attributable capacity by the end of the decade, with a target of more than 9,000 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower aspires to achieve a 50:50 balance between our Cleanergy and thermal portfolios.

The Aboitiz Group's power generation, distribution and retail electricity supply business is operated through AboitizPower and its Subsidiaries (collectively, the "AboitizPower Group"). AboitizPower's Generation Group is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA") and for trading in the WESM. The Distribution Utilities are engaged in the distribution and sale of electricity to end-users through its various distribution utilities, while 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.

Based on Energy Regulatory Commission ("ERC") Resolution No. 05-2021, the power generation business of AboitizPower is among the leaders in the Philippines in terms of attributable installed capacity. Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales (based on the DOE's Distribution Development Plan 2018-2027). AboitizPower's Subsidiaries engaged in the supply of retail electricity account for the second largest share in the open access market (based on share in total retail market demand presented in the ERC Competitive Retail Electricity Market Monthly Statistical Data as of March 2021). 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. AboitizPower is listed on the PSE and as of April 30, 2021, AboitizPower had a market capitalization of ₱169 billion, with a common share price of ₱23.00per share.

As of April 30, 2021, its generation companies have an installed capacity which is equivalent to a 16.58% market share of the national grid's installed generating capacity. AboitizPower also owns interests in nine distribution utilities in Luzon, Visayas, and Mindanao, including Visayan Electric Company, Inc. ("Visayan Electric") and Davao Light & Power Company, Inc. ("Davao Light"), the second and third largest distribution utilities in the Philippines, respectively. AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 1,3083,994 GWh for the three months ended March 31, 2021. Combined, AboitizPower's Subsidiaries engaged in the supply of retail electricity have a total market share of 22.69% as of March 31, 2021.

AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 1,308 GWh for the first quarter of 20210.

AboitizPower's Subsidiaries engaged in the supply of retail electricity contracted a total of 847 MW as of March 2021, accounting for the second largest share in the open access market.

As of April 30, 2021, AEV owns 77% of the outstanding capital stock of AboitizPower.

a) Principal Products and Services

POWER GENERATION BUSINESS

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. As of December 31, 2020, the power generation business accounted for 95% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of full year 2020 compared to the same period in 2019 and 2018:

Generation Companies	Energy Sold			Revenue		
	2020	2019	2018	2020	2019	2018
	(in GWh)			(in mn Pesos)		
APRI	3,055	2,968	2,857	11,253	12,545	12,518
SacaSun	44	49	41	250	269	197
Hedcor	161	226	172	697	881	694
LHC	266	262	291	761	787	970
Hedcor Sibulan	201	191	213	1,399	1,282	1,385
Hedcor Tudaya	33	29	32	261	172	191
Hedcor Sabangan	49	51	53	395	300	315
Hedcor Bukidnon	261	284	115	1,418	1,605	573
SN Aboitiz Power-Magat	1,891	2,054	2,379	5,352	6,608	7,182
SN Aboitiz Power-Benguet	1,936	1,975	2,085	5,668	6,065	6,070
TLI	6,686	6,812	6,808	20,505	25,410	26,603
TSI	1,531	1,393	1,959	8,276	9,099	11,141
TVI	2,232	1,710	269	8,490	6,254	702
Cebu Energy	2,025	1,900	1,978	7,719	8,578	9,728
STEAG Power	1,845	1,840	1,840	4,022	4,791	4,373
GMEC	5,003	3,909	5,498	17,821	19,373	23,492
WMPC	819	638	438	1,390	1,158	1,393
SPPC	0	0	161	0	0	161
CPPC	540	550	551	998	1,685	1,253
EAUC	226	383	368	571	1,013	819
TMI	743	1,200	1,432	990	1,865	2,016
TMO	381	938	814	668	1,970	1,694
TPVI*	3	-	-	30	-	-
Davao Light** (decommissioned)	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	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. (ARI)

As of March 31, 2021, AboitizPower’s renewable energy portfolio comprised attributable net sellable capacity of approximately 927.52MW in operation, divided into 46 MW of solar, 591.52 MW of hydro, and 290 MW of geothermal.

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

Generation Company	Percentage of Ownership	Plant Name (Location)	Type of Plant	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/Bilaterals
Hedcor, Inc.	100%	Benguet 1-9 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lon-oy, Irisan 1 and 3, and Sal- angan	Run-of-river hydro	52.50	52.50	FIT/Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	4.57	4.57	Hedcor Sibulan, Inc.
Hedcor Bukidnon, Inc.		Manolo Fortich 1& 2(Mindanao)	Run-of-river hydro	68.80	68.80	MF 1 - FIT; MF 2 - Host DU
Hedcor Sabangan, Inc.	100%	Sabangan (Luzon)	Run-of-river hydro	14	14	FIT
Hedcor Sibulan, Inc.	100%	Sibulan (A, B and Tudaya 1) (Mindanao)	Run-of-river hydro	49.10	49.10	Distribution utility
Hedcor Tudaya, Inc.	100%	Tudaya (2) (Mindanao)	Run-of-river hydro	7	7	FIT
LHC	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	74.80	74.80	NPC (2026)
SacaSun	100%	SacaSun (Visayas)	Solar	46	46	WESM
SN Aboitiz Power-Benguet	60%**	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	52.50	WESM/ASPA/PSA
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ ASPA/PSA
SN Aboitiz Power-Magat	60%**	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ASPA/ PSA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	8.50	4.25	FIT

Generation Company	Percentage of Ownership	Plant Name (Location)	Type of Plant	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
			Total	**1,248.27***	**927.52***	

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

Run-of-River Hydros

During 2020, the Hedcor Group across the country generated a total 956 GWh of Cleanergy, which is lower as compared to 2019's 964 GWh. Over 60% of the decrease was attributable to the insufficient water supply caused by an extended El Niño season. Approximately 40% of the decline was due to planned and unplanned outages. Hedcor also recorded a Weighted Unplanned Outage Factor at 0.73% in 2020, which is Hedcor's lowest figure over the past five years. This means that Hedcor'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 5five hydro facilities in Davao City and 4four 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").

Hedcor, Inc. (Hedcor)

Cleanergy is Hedcor's brand for clean and renewable energy. Hedcor owns, operates, and manages run-of-river hydropower plants in Northern Luzon and Davao City, with 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.

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

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the hydropower plants composed of three cascading plants (the "Sibulan Project") with a total installed capacity of 49.24 MW, located in Santa Cruz, Davao del Sur. The Sibulan Project consists of: Sibulan A Hydro, Tudaya 1 Hydro, and Sibulan B Hydro. ERC issued a Provisional Authority to Operate for Tudaya 1 Hydro on March 5, 2019, for Sibulan A Hydro in February 2020, and for Sibulan B Hydro in November 2020.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river hydropower plant with an installed capacity of 8.1 MW, located in Santa Cruz, Davao del Sur (the "Tudaya 2 Hydro Plant").

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Hedcor Sabangan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river HEPP in Sabangan, Mountain Province with a net sellable capacity of 14.96 MW (the "Sabangan Plant").

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 72.8 MW located in Manolo Fortich, Bukidnon (the "Manolo Fortich Plant.

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.

Hedcor Bukidnon remains operational at a derated generating capacity, with restoration expected to be completed by the third quarter of 2021.

The Manolo Fortich Plant 1 is selling under the FIT mechanism through a REPA with TRANSCO and for Manolo Fortich 2 through a RESAs with various Mindanao cooperatives and private distribution utilities.

Large Hydros

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

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

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 March 23, 2021, SN Aboitiz Power-Magat is 60% owned by MORE, while SN Power Philippines Inc. ("SN Power Philippines") owns the remaining 40% equity interest.

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. The new Pmax of the four units was based on the capability test conducted by NGCP in 2018.

Inflows during 2020 had a very varied distribution. Magat dam's total inflows for 2020 were 121% of normal, with large inflows concentrated in the fourth quarter of the year. The effects of the *El Niño* climate were felt all the way to the third quarter of 2020, with a transition to *La Niña* in the fourth quarter. The first half dry season of 2020 resulted in 73% of the normal total inflows. The second half wet season recorded 139% of normal inflows, with the third quarter recording only 57% of normal and record-breaking actual inflows during the fourth quarter at 215% of normal due to strong *La Niña* typhoons.

Driven by the unfavorable distribution of inflows, the Magat Plant's total sold quantities from spot energy generation and ancillary services ("AS") during 2020 was at 1.7 TWh, which is slightly lower than 2019's sold capacity of 1.8 TWh. This is equivalent to a sold capacity factor of 52%, compared to 54% in 2019. Spot and AS revenue for the year 2020 was ₱4.36 bn, 27% lower than 2019's ₱5.95 bn. SN Aboitiz Power-Magat's Bilateral Contract Quantity ("BCQ") revenue for 2020 was ₱727 mn, significantly higher than 2019's ₱275 mn. This was mainly driven by the lower spot market prices during 2020 compared to 2019.

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 is looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power- Magat floating solar project has proven its viability, both technical and commercial. On October 21, 2020, the company obtained approval for the project to proceed to engineering design for a total of 67 MW. The pilot project and the initial pre-feasibility studies have shown positive results. The project is currently in the detailed feasibility study stage, which is expected to run for ten to 12 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. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW with a plan to install up to 150 MW, depending on the final technical solution and layout.

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. The project is in the early works phase with tendering still in process and necessary permits being secured from various agencies and the LGU. The project is currently in the pre-construction phase, with the next step being the engagement of a preferred EPC contractor for early works. The SNAP BESS project is targeted to commence commercial operations in 2023. In connection with the project, SN Aboitiz Power–Magat is also looking at upgrading the Magat-Santiago transmission line which is now included in the Transmission Development Plan of the NGCP. The benefit of this upgrade is to ensure full dispatch of the Magat power plant capacity, battery energy storage system, and proposed expansion in the floating solar space.

On October 22, 2020, the DOE issued a Green Energy Option Program ("GEOP") Operating Permit to SN Aboitiz Power-Magat. This permit, valid for five years, 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"). SN Aboitiz Power-Magat also has a RES License valid until December 17, 2025.

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

SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga hydroelectric power complex, which consists of the 105-MW Ambuklao HEPP (the "Ambuklao Plant") located in Barangay Ambuklao in Bokod, Benguet, and the 140-MW Binga HEPP (the "Binga Plant"), located in Barangay Tinongdan, Itogon, Benguet Province.

The Ambuklao-Binga hydroelectric power complex was turned over to SN Aboitiz Power-Benguet in July 2008. SN Aboitiz Power-Benguet began a significant rehabilitation project that restored the Ambuklao Plant to operating status and increased its capacity from 75 MW to 105 MW when it re-commenced operations in 2011. The Binga Plant also underwent refurbishment from 2010 to 2013, which increased the 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 Plant and Binga Plant sell capacity from spot energy generation and ancillary services to the national transmission system and related facilities that convey power.

Inflows in Ambuklao dam during 2020 was only 75% of normal, attributable in particular to the very weak *habagat* season which usually dominates third quarter inflows in Benguet. The effects of the *El Niño* climate reached all the way to the third quarter of 2020, and transitioned to *La Niña* in the fourth quarter. The first half dry season of 2020 resulted in 68% of the normal total inflows. The second half wet season recorded 77% of normal inflows, with the third quarter recording actual inflows of only 35% of normal, while the strong *La Niña* typhoons in the fourth quarter led to actual inflows at 167% of normal levels.

Although inflows were lower in the Ambuklao reservoir in 2020 compared to 2019, there was an overall higher AS Capacity Approval and spot sales for SN Aboitiz Power-Benguet. The Ambuklao Plant's total sold capacity from spot energy generation and ancillary services during 2020 was 732 GWh, which was 102% of the capacity sold in 2019 of 717 GWh. This was equivalent to a sold capacity factor of 80% during 2020, as compared to the 78% during 2019. The Binga Plant's total sold capacity from spot energy generation and AS in 2020 was 1.00 TWh, or 97% of the 1.03 TWh sold capacity in 2019. This is equivalent to a sold capacity factor of 82% for 2020, compared to 84% in 2019.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2020 was ₱4.20 bn, compared to ₱5.29 bn in 2019. SN Aboitiz Power-Benguet's BCQ revenue for 2020 was ₱973 mn, which was significantly lower than 2019's BCQ revenue loss of ₱359 mn. This was mainly driven by the lower spot market prices during 2020 compared to 2019.

Geothermal

AP Renewables Inc. (APRI)

Under the Geothermal Resources Supply and Services Agreement ("GRSSA") between APRI and PGPC, 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 has been completed and started flowing into the system since April 10, 2021 and provided added steam to Makban Plant B. Evaluation of the incremental steam is ongoing. For Tiwi, Kapipihan 36, the first well drilled and commissioned in December 2019, was tested at 12.11 MW capacity in January 2020.

Additional two wells (Bulalo 115 and Bulalo 116) are expected to be completed by May and July this year. Thus, a total of three new make-up wells will be contributing to generation of APRI's 234 MW geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") within 2021.

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)

As of March 31, 2021, the energy generated from the SacaSun Plant benefited more than 6,774 homes within the Visayas Grid and displaced the energy equivalent to 16,846,056 gallons of gasoline or approximately 165,472,989 pounds of coal burned.

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

As of April 30, 2021, APX1 has a total of 3.215 MWp rooftop solar projects, either operating under a Power Purchase Agreement or as a turnkey solution for customers. A number of rooftop PV solar systems were also commissioned in 2020, with an additional 3.495 MWp of proposed projects currently in the pipeline.

Renewables Pipeline

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

One of SN Aboitiz Power-Gen's most significant projects as of the end of 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 process with the indigenous communities in the covered areas. The Environmental Compliance Certificate ("ECC") for the complex has been issued by the Department of Environment and Natural Resources ("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 to its mandate of adding capacity to the SN Aboitiz Power Group's portfolio, SN Aboitiz Power 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.

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. As of April 30, 2021, AboitizPower, by itself or through and/or with TPI, owns equity interests in the following:

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Coal Group						
TLI	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/ WESM
PEC	50%	Pagbilao 3 (Luzon)	Coal-fired	388.4	194.2	Bilaterals
TSI	100%	TSI Plant (Mindanao)	Coal-fired	260	260	Bilaterals
TVI	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/ WESM
Cebu Energy	26.4%	Cebu Energy (Visayas)	CFB	216	57.02	Bilaterals
GN Power Mariveles	78.32%	Mariveles Project (Luzon)	Coal-fired	632	494.98	Bilaterals/ WESM
STEAG Power**	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71.40	NPC (2031)
Oil Group						
CPPC**	60%	CPPC Plant (Visayas)	Bunker-C fired	64	38.40	Distribution utility
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired	43.50	43.50	Bilaterals
SPPC**	20%	SPPC Plant (Mindanao)	Bunker-C fired	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted	96	96	Bilaterals
		Power Barge Mobile 2 (Mindanao)	Barge-mounted	96	96	Bilaterals
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted	200	200	Distribution utility/WESM
TPVI	100%	Naga Oil-Fired Power Plant	Bunker-C fired	39.27	39.27	WESM
WMPC**	20%	WMPC Plant (Mindanao)	Bunker-C fired	100	20	Bilaterals
Cotabato Light**	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired	4.45	4.45	N/A
			Total	3,404.62	2,566.23*	

** Sum figures will differ due to rounding effect*
*** Directly owned by AboitizPower*

Therma Marine, Inc. (TMI)

The 192 MW dependable capacities of TMI are currently contracted with the NGCP in an ASPA.

In November 2020, AboitizPower announced its two battery projects 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)

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.

Therma Power-Visayas, Inc. (TPVI)

On August 7, 2020, TPVI commenced commercial operations and has been trading in the WESM.

Cebu Private Power Corporation (CPPC)

CPPC owns and operates a 70-MW Bunker C-fired power plant located in Cebu City. The CPPC plant was constructed to supply 62 MW of power to Visayan Electric. CPPC is currently trading in the WESM.

Coal Group

Therma Luzon, Inc. (TLI)

TLI assumed the role of the registered trader of the contracted capacity of the 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "Pagbilao Plant"). Under the IPPA agreement ("IPPAA"), TLI has the right to receive the transfer of Pagbilao Plant at the end of the Energy Conversion Agreement ("ECA") between TeaM Energy and NPC. 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 Retail Electricity Supplier license on August 12, 2020 which is valid until August 11, 2025.

Therma South, Inc. (TSI)

TSI, a wholly-owned subsidiary of TPI that owns and operates the 300-MW net (2x150MW net) CFB coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur, was granted a Provisional Authority to Operate valid from September 1, 2020 until August 31, 2021.

STEAG State Power Inc. (STEAG Power)

One of the two power plant units of STEAG Power was previously on economic shutdown as required by NPC/PSALM in accordance with the PPA due to the pandemic quarantine effects and high water level of hydrowater plants. The partial economic shutdown lasted until May 13, 2021 and the unit has since resumed operations. STEAG Power ended 2020 with a plant availability rate of 90.11%.

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.

GNPower Mariveles Energy Center Ltd. Co. (GMEC)

GMEC, formerly known as GNPower Mariveles Coal Plant Ltd., 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.

On February 24, 2021, GMEC informed AboitizPower of an unscheduled outage of Unit 1 of its plant in Mariveles, Bataan. The outage is attributable to damage found in a portion of said unit's boiler. The procurement of the necessary services for restoration works is underway, and, based on AboitizPower's assessment as of date, completion of said works and Unit 1's return to service are targeted by the third quarter of 2021, at the latest. There will be business interruption insurance collection for said outage. The GMEC plants represent about 13% of the total installed capacity under AboitizPower's market control of 3,850 MW. Unit 1 of the GMEC plant delivers a net sellable capacity of 247 MW, which represents approximately 7% of AboitizPower's total attributable net sellable capacity of 3,494 MW.

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

GNPD started the construction of Unit 1 in September 2016, with delivery thereof targeted to take place by the third 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 first 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.

Other Generation Assets

As of February 28, 2021. Cotabato Light maintains a stand-by maximum capacity of 4.15-MW Bunker C-fired power plant capable of supplying approximately 13.80% of its requirements.

DISTRIBUTION OF ELECTRICITY (POWER DISTRIBUTION BUSINESS)

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 power distribution business' earnings contribution to AboitizPower's business segments in 2020 is equivalent to 28.03%. The Distribution Utilities had a total customer base of 1,068,820 as of year-end 2020, compared to 1,030,726 as of end-2019, and 995,828 as of the end of 2018.

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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Davao Light	**2,476,991**	2,633,920	2,468,192	**452**	454	421	**440,304**	420,666	404,574
Cotabato Light	**170,363**	173,114	165,409	**32**	31	31	**45,044**	43,449	41,681
Visayan Electric	**3,119,850**	3,500,781	3,159,032	**583**	601	547	**462,699**	450,088	437,823
SFELAPCO	**686,694**	714,948	665,425	**134**	140	134	**116,293**	112,091	107,536

Subic EnerZone	**262,393**	329,633	423,939	**56**	62	100	**3,477**	3,473	3,343
Mactan Enerzone	**99,927**	117,433	123,276	**21**	22	22	**87**	87	85
Balamban Enerzone	**92,771**	101,885	100,554	**28**	27	27	**29**	34	31
Lima Enerzone	**242,455**	249,394	224,175	**49**	44	39	**882**	834	755
Malvar Enerzone	**158**	51	N/A	**0.12**	0.06	N/A	**5**	4	N/A
Total	**7,151,601**	**7,821,159**	**7,330,002**	**1,355**	**1,382**	**1,320**	**1,068,820**	**1,030,726**	**995,828**

The table below summarizes the systems losses and feeder losses of certain Subsidiaries of AEV as of March 31, 2021.

Company	Systems loss	Feeder loss (included in systems loss)
Visayan Electric Company, Inc.	7.14%	5.20%
Davao Light & Power Company, Inc.	8.10%	5.35%
Cotabato Light and Power Company	8.68%	7.84%
San Fernando Electric Light & Power Co., Inc.	5.32%	3.97%
Subic EnerZone Corporation	3.33%	2.18%
Mactan Enerzone Corporation	0.94%	0.42%
Balamban Enerzone Corporation	0.44%	0.17%
Lima Enerzone Corporation	5.28%	0.68%
Malvar Enerzone Corporation	38.94%*	6.67%

*Due to energization of two 50MVA power transformers at very minimal load factor.

The Government-mandated cap for feeder loss is 5.50%.

Visayan Electric Company, Inc. (Visayan Electric)

Visayan Electric has energized 100% of all the barangays, and electrified 99.60% 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"). To date, approximately 3.3 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.

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

Pursuant to RA No. 11515 which lapsed into law on December 26, 2020, 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 underground distribution system ("UDS") project along C.M Recto Street, Davao City which commenced in 2019 has completed civil works construction and installation of electrical equipment and is currently in the testing and commissioning stage.

Subic EnerZone Corporation (Subic EnerZone)

As of April 30, 2021, Subic EnerZone served a total of 3,549 customers, consisting of 104 industrial locators, 1,270 commercial locators, 2,073 residential customers, 102 streetlights and 19 industrial locators under RES.

Mactan Enerzone Corporation (Mactan Enerzone)

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 1 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 March 31, 2021, Mactan Enerzone served a total of 87 accounts which consist of 51 captive industrial locators, 28 captive commercial locators, and 8 industrial locators under RES.

Balamban Enerzone Corporation (Balamban Enerzone)

As of March 31, 2021, Balamban Enerzone served a total of 28 accounts which consist of 10 captive industrial customers, 12 captive commercial customers, and six contestable industrial customers. Balamban Enerzone sources its power from CEDC pursuant to a CSEE.

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 March 31, 2021, Lima Enerzone served a total of 93 captive industrial locators, 17 captive commercial locators, 767 captive residential customers, eight street lamps, and 21 industrial locators under RES.

Malvar Enerzone Corporation (Malvar Enerzone)

As of March 31, 2021, Malvar Enerzone served a total of 3 captive industrial locators, 4 captive commercial locators and 1 streetlight.

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

As of April 30, 2021, AESI supplied retail electricity to a total of 215 customers, with total energy consumption of 703.76 mn kWh.

Adventenergy, Inc. (AdventEnergy)

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.

As of April 30, 2021, AdventEnergy supplied retail electricity to 70 customers with a total consumption of 4466.64 mn kWh.

Prism Energy, Inc. (Prism Energy)

As of April 30, 2021, Prism Energy supplied retail electricity to 43 customers with a total energy consumption of 55.49 mn kWh.

b) Sales

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

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

	2020	2019	2018
Gross Income	₱110,377	₱125,635	₱131,572
Operating Income	26,880	28,856	36,497
Total Assets	**₱397,925**	**₱410,469**	**₱389,662**

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 are as follows:

	2020		2019		2018	
Power Generation	**₱74,647**	**55%**	₱84,379	53%	₱85,580	54%
Power Distribution	**42,991**	**32%**	47,448	30%	46,989	29%
Retail Electricity Supply	**16,477**	**12%**	24,566	15%	26,191	16%
Services	**1,308**	**1%**	1,965	1%	1,098	1%
Total Revenue	**135,423**	**100%**	**158,358**	**100%**	**159,858**	**100%**
Less: Eliminations	-25,046		-32,723		(28,286)	
Net Revenue	**₱110,377**		**₱125,635**		**₱131,572**	

c) Distribution Methods of the Product or Services

POWER GENERATION BUSINESS

Please refer to the Prospectus for information on distribution methods of the Power Generation Business.

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. In addition, TLI's Pagbilao and APRI's Makban plants are delivering contingency reserves and Reactive Power Support AS, respectively. In Visayas, AboitizPower delivers Contingency Ancillary Service through Cebu Energy. TMI provides both contingency and dispatchable reserves requirements in Mindanao.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, Hedcor Sabangan, and Hedcor Manolo Fortich 1 plants, all in commercial operations, have been approved for inclusion in the FIT system. Hedcor, Hedcor Tudaya, Hedcor Sabangan, and Hedcor Bukidnon, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-Allowance 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 or electric cooperatives. Currently, Hedcor Bukidnon is in the process of converting the COC of 27.387 MW Manolo Fortich 2 to FIT-COC.

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.

d) Competition

POWER GENERATION BUSINESS

The global pandemic has resulted in a decrease in the consumption of power across the Philippines and this is expected to continue in the short term. With suppressed demand, competition among generation companies is expected to increase as they seek contracts to make up for lost consumption. Nevertheless, AboitizPower believes the Philippines still 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.

RETAIL ELECTRICITY SUPPLY BUSINESS

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of March 2021, there are 46 RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share at 38.12%. AboitizPower, through its RES companies, has the second-largest market share at 22.69%,[4] with contracted capacity of 846.57 MW[5] as of March 2021.

DISTRIBUTION UTILITIES BUSINESS

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

e) 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%.

APRI's steam requirement for its geothermal power generation continues to be supplied by PGPC. The terms of the steam supply are governed by a Geothermal Resource Supply and Services Agreement under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells with a minimum of 50 MW aggregated individual well capacity by 2023.

Oil-fired plants use Bunker-C fuel to generate electricity. SPPC and WMPC source fuel from Pilipinas Shell Petroleum Corporation and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, TMO and TPVI has a fuel supply agreement with 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 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.

POWER DISTRIBUTION BUSINESS

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.

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[4]Excluding SFELAPCO which is 20.284% owned by AboitizPower.
[5] Excluding SFELAPCO which is 20.284% owned by AboitizPower.

Transmission Charges

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

Distribution Utility	Valid until
Davao Light	January 25, 2024
Lima Enerzone	July 25, 2022
Mactan Enerzone	January 25, 2025*
Balamban Enerzone	January 25, 2025*
SFELAPCO	December 25, 2023
Cotabato Light	August 25, 2023
Visayan Electric	January 25, 2024
Subic Enerzone	August 25, 2023

**The TSAs of BEZ and MEZ are already executed, but copies are still at NGCP Office. These are expected to have been renewed until 2025.*

f) Major Customers

POWER GENERATION BUSINESS

As of March 31, 2021, 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 March 31, 2021, AboitizPower's RES business has approximately 327 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.

DISTRIBUTION UTILITIES BUSINESS

Please refer to the Prospectus for information on major customers of Distribution Utilities Businesses.

g) **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.

h) Patents, Copyrights, and Franchises

POWER GENERATION BUSINESS

The Generation Companies and Cotabato Light, a Distribution Utility, possess COCs for their power generation plants, details of which are as follows:

Document	Issued under the Name of	Power Plant					Economic Life/Term of COC	Date of Issuance
		Name	Type	Location	Capacity	Fuel		
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	December 11, 2018
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	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 -	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 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

Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
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	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 -	December 11, 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 4, 2023	December 11, 2018
COC	Hedcor, Inc.	La Trinidad Hydro	Hydroelectric Power Plant		20.4 MW	Hydro	October 5, 2020 - October 6, 2021	October 6, 2020
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A Hydro – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	1 year for the Provisional Authority to Operate 25 years	February 2020
		Sibulan A Hydro – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B Hydro – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	1 year for the Provisional Authority to Operate 25 years	November 2020
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	10 March 2019 - March 9, 2024	March 5, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC Hydro Plant	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No. 19-03-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro	April 11, 2019 - April 10, 2024	March 5, 2019
		Tudaya 2 – Unit 2			2.775 MW	Hydro		
COC No.	Hedcor Sabangan, Inc.	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan,	14.96 MW	Hydro	1 year from PAO issuance	September 28, 2021

Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
15-09-M-00023L				Mountain Province				
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1 Hydro	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 Hydro	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 Diesel	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW			
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		
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	November 11, 2015*
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			

Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
	Plant)	Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboiti 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 Aboiti 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		
COC No. 16-08-M-00087L	SN Aboiti Power – Benguet, Inc.	Ambuklao Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 - August 30, 2021	August 18, 2016
		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		

Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2016 -August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phvidec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	March 25, 2015*
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015*
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015*
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23 years	May 4, 2015*
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25 years	November 26, 2015**
		Plant A, Unit 2			60 MW			November 26, 2015**

Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 15-11-M-286rL	AP Renew ables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25 years	November 26, 2015**
		Plant C, Unit 6			57 MW			November 26, 2015**
COC No. 17-05-M-00105L	AP Renew ables, Inc.	MakBa n Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine , Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-00286bbM	Therma Marine , Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 17-07-M-00305L	Therma Mobile , Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile , Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile , Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00308L	Therma Mobile , Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
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
		Blackstart Diesel Engine Generati g Unit	Blackstart		440 kW	Diesel		
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	January 19, 2016 - August 31, 2020	January 19, 2016 *
		Unit 2			150 MW	Coal		
COC No. 19-09-S-	Therma Visaya	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 -	September 20, 2019

Document	Issued under the Name of	Power Plant					Economic Life/Term of COC	Date of Issuance
		Name	Type	Location	Capacity	Fuel		
03902V	s, Inc.						September 19, 2024	
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	\ February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		

**With a Provisional Authority to Operate ("PAO"). Awaiting issuance of renewal of COC from ERC.*
*** Ongoing ERC Technical Inspection for the issuance of PAO or renewed COC.*

DISTRIBUTION UTILITIES BUSINESS

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

Distribution Utility	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. RA No. 9339 was approved on September 1, 2005.	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated 26 January 2009, ERC Case No. 2008-095 MC)	25 years, or from September 24, 2005 to September 24, 2030	
Davao Light	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 December 26, 2020)	Valid until September 7, 2050
	ERC CPCN Decision dated 26 February 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	September 7, 2025
Cotabato Light	RA No. 10637	25 years from the expiration of the term granted under Commonwealth Act No. 487, as amended. RA No. 10637 was approved on June 16, 2014	Valid until 1 June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated 9 December 2019, ERC Case No. 2013-063 MC)	25 years, or from June 17, 2014 or until June 16, 2039	
		25 years from effectivity of RA	

SFELAPCO	RA No. 9967 ERC Certificate No. CPCN-10-01 (ERC Decision dated 31 August 2010, ERC Case No. 2010-029 MC)	No. 9967 (Lapsed into law on February 6, 2010) 25 years, or from March 24, 2010 to March 23, 2035	Valid until 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.

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/ November 11, 2010 Trademark has been renewed onNovember 11, 2020.	Registered
"Better Solutions" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ November 11, 2010 Trademark has been renewed onNovember 11, 2020.	Registered
"AboitizPower" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ November 11, 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/ February 10, 2011 Trademark has been renewed on 10, February 2021.	Registered
"Cleanergy" word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ January 13, 2006 Trademark has been renewed onJanuary 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

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
"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/ May 29, 2019	Registered
"Davao Light" Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ May 29, 2019	Registered
"Balamban Enerzone" Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ May 29, 2019	Registered
"Mactan Enerzone" Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ May 29, 2019	Registered
"Lima Enerzone" Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ May 29, 2019	Registered
"Malvar Enerzone" Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ May 29, 2019	Registered
"Subic Enerzone" Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ May 29, 2019	Registered
"Visayan Electric" Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ August 29,2019	Registered
"MORE" Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4-2018-00018077/ February 21, 2019	Registered
"SN ABOITIZ POWER" Logo GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc., and SN Aboitiz Power-Benguet, Inc.	4-2018-00018076/ October 10, 2018	Registered
"SN ABOITIZ POWER-BENGUET, INC." Logo	SN Aboitiz Power-Benguet, Inc.	4-2014-00005209/ December 29, 2016	Registered
"NURTURE NATURE, NURTURE LIFE" Logo	SN Aboitiz Power-Benguet, Inc.	4-2011-00001049/ May 19, 2011	Registered
"SNAP ABOITIZ POWER-MAGAT, INC." Logo	SN Aboitiz Power-Magat, Inc.	4-2014-00005208/ March 9, 2017	Registered
"THE POWER TO MAKE A DIFFERENCE" Logo	SN Aboitiz Power-Magat, Inc.	4-2011-001048/ May 26, 2011	Registered
	SN Aboitiz Power-Magat, Inc.	4-2017-00018969/ June 26, 2018	Registered

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
Logo			

International Trademarks (Non-Madrid Protocol)

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
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 (Madrid Protocol)

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

Cleanergy Got It Device (Class Nos. 39, 40, 42)	Indonesia

i) Effect of Existing or Probable Governmental Regulations

AboitizPower and its Subsidiaries are subject to the laws generally applicable to all Philippine corporations registered with the SEC, such as corporation 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, the Philippine Labor Code and its implementing rules, and DOLE mandated work-related programs.

The Power Group, closely monitors its compliance with the Applicable Law and Government regulations affecting its businesses.

Independent Electric Market Operator (IEMO)

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.

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

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.

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 Electric & Light Co., Inc., 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 on PBR, all AboitizPower Distribution Utilities have not undergone regulatory reset starting from the third regulatory period. In January 2020, ERC requested private 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 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 Dus were submitted last April 12, 2021, while counter-comments were provided on May 12, 2021.

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.

Competitive Selection Process

In December 2020 and on May 12, 2021, the DOE posted a draft Department Circular amending the 2018 DOE Circular. It will be subject to public consultation in May 2021, and encouraged stakeholders to submit comments by June 11, 2021.

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").

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

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.

Energy Efficiency and Conservation Act

Apart from prescribing efficient use of energy standards and labeling requirements for energy-consuming products, the RA No. 11285 or the Energy Efficiency and Conservation Act ("ECC") 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.

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)*"; and
(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.

Energy Virtual One-Stop Shop Act

The DOE already began the implementation of the EVOSS Online Platform, pursuant to the Republic Act 112344 or "Energy Virtual One-Stop Shop Act" ("EVOSS Act").

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.

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 utility.

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 the EVOSS Law, 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.

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 at operations and maintenance level; regularly determine and specify the reliability performance of the Grid; aid the power industry in evaluating reliability and availability of Generating Plants; and promote accountability of Generation Companies in order to achieve greater operation and economic efficiency. It applies to all Generation Companies with 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.

Prescribing Revised Guidelines for Qualified Third Party

In view of the Qualified Third Party ("QTP") Guideline Policy, as of March 23, 2021, the ERC is 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.

Promulgating the Renewable Energy Market (REM) Rules

As of March 23, 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 June 2021.

Feed-in-Tariff System

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.

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 GenCos 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 sixty (60) days of receipt of an ERC directive.

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 first auction is targeted to be implemented in June 2021, although the industry is still awaiting issuance of ERC of the GEIA and GEAR price.

Bayanihan 2 Act

On September 11, 2020, the Bayanihan 2 Act was approved, which directed "all institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum of 30-day grace period for the payment of utilities falling due within the period of enhanced community quarantine or modified enhanced community quarantine without incurring interests, penalties, and other charges." This is further qualified for the electric power sector, such that "the minimum 30-day grace period and staggered payment without interests, penalties, and other charges shall apply to all payments due within the period of the community quarantine in the electric power value chain to include generation companies, the transmission utility, and distribution utilities."

On October 27, 2020, the ERC posted an advisory providing more details on the implementation of the Bayanihan 2 Act.

j) 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.

k) Cost 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") requires 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 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 Aboitiz Power 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 to international best practices in all power plants and distribution utilities are exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety.

In 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 Aboitiz Power 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 Aboitiz Power-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 Aboitiz Power-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 Aboitiz Power-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.

FOOD MANUFACTURING

AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico Foods Corporation and its Subsidiaries, and its international feeds business through Pilmico International and its various Subsidiaries and Associates. The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition.

a) Principal Products and Services

Pilmico Foods Corporation

Pilmico is a wholly-owned Subsidiary of AEV.

Pilmico Animal Nutrition Corporation (PANC)

International Animal Nutrition

AEV International Pte. Ltd. (AEV International)

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

Pilmico International Pte. Ltd (Pilmico International)

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 March 23, 2021, Pilmico International holds a 100% equity interest in Pilmico Vietnam Company Limited ("PVN"), a 100% equity interest of Pilmico Viet Nam Trading Company Ltd. ("Pilmico Vietnam Trading") and a 100% equity interest in GCMH, which controls the Gold Coin Group.

Pilmico Vietnam Company (PVN)

PVN is one of the largest aqua feeds producers in Vietnam. Its plant operates in the Dong Thap Province in Vietnam and has a current capacity of 270,000 metric tons per year, the fourth largest pangasius aqua feeds producer in the Mekong Delta as of March 23, 2021.

As of March 23, 2021, Pilmico International owns a 100% interest in PVN.

Pilmico Viet Nam Trading Company Ltd. (Pilmico VN Trading)

Pilmico International owns a 100% interest in Pilmico VN Trading.

Gold Coin Management Holdings Limited (GMCH) and the Gold Coin Group

Headquartered in Singapore, GCMH is the parent company of Gold Coin Group with Subsidiaries in Singapore, China, Hong Kong, Indonesia, Malaysia, Vietnam, Thailand, Sri Lanka, Brunei, and the Philippines.

b) New Products

International Animal Nutrition

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 four countries (Malaysia, Sri Lanka, Philippines and, China.

c) 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.

d) 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 with 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.

FINANCIAL SERVICES

As of March 31, 2021, UnionBank and its Subsidiaries had 387 branches across the Philippines and a network of 486 ATMs.

For the 3 months ended March 31, 2021, UnionBank recorded the following:

- Consolidated net profit was ₱4.729mn;
- Total consolidated resources was ₱747,311 mn;
- Total loan portfolio was ₱344,882 mn; and
- Total deposits was ₱500,252 mn.

For the 3 months ended March 31, 2021, Tier 1 capital adequacy ratio was 15.5% while total capital adequacy ratio was 17.6%. Tier 1 capital adequacy ratio is determined by dividing total qualifying Tier 1 capital by total risk-weighted assets. Total capital adequacy ratio is determined by dividing total qualifying Tier 1 and Tier 2 capital by total risk-weighted assets. Both Tier 1 and total capital adequacy ratios are computed using Basel 3 standards adopted by the BSP.

a) Principal Products and Services

UnionBank and its Subsidiaries, which includes CitySavings, a thrift bank; UBP Investments Corporation ("UBPIC"); a holding company, and UBX Philippines Corporation ("UBX PH"), an innovation and technology company.

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"); (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.

b) Distribution Methods

UnionBank services its clientele through its well-trained relationship managers, strategically-located branch networks, partner outlets, and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service 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; 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 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 3,000 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 (15 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 486 ATMs as of March 31, 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 ISO-certified call center handles retail 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, 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.).

c) 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, UnionBank offers estate planning solutions and a global and diversified multi-asset fund to its high-net- worth and ultra-high-net-worth clients through its partnership with Lombard Odier, and various life insurance products through its bancassurance partnership with Insular Life. These services are delivered through UnionBank's branches and digital banking channels such as Unionbank Online, SME Business Banking App, and The Portal. UnionBank 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, UnionBank launched UBX PH in 2019, its innovation and technology subsidiary. This wholly-owned Subsidiary focuses on innovation projects such as 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 UnionBank's pioneering experiments such as UnionBank's blockchain-based cross-border remittance project, cryptocurrency ATM, stablecoin, and many more.

d) Competition

UnionBank faces competition in all its principal areas of business. Philippine domestic and foreign banks are UnionBank's main competitors, followed by finance companies, mutual funds and investment banks. UnionBank 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. UnionBank seeks to gain a competitive advantage by continuing to implement its digital transformation strategies.

e) Patents, Copyrights, and Franchises

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	EON FOR THE DIGITAL ME	July 30, 2017	July 30, 2027
8	EON	July 30, 2017	July 30, 2027
9	DIGITAL ME	June 29, 2017	June 29, 2027
10	EON CYBER	November 2, 2017	November 2, 2027
11	THE ARK	April 5, 2018	April 5, 2028
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, 2018
15	OWN THE FUTURE	October 25, 2018	October 25, 2028
16	THRIVE IN AN AGILE TEAM ENVIRONMENT DRIVEN BY SUCCESS.	November 11, 2018	November 11, 2028
17	SEIZE BOLD OPPORTUNITIES FOR GROWTH.	November 11, 2018	November 11, 2028
18	DISRUPT THE WORLD WITH SMART CHANGEMAKERS.	November 11, 2018	November 11, 2028
19	I2I	May 30, 2019	May 30, 2029
20	THE FUTURE BEGINS WITH U.	October 24, 2019	October 24, 2029
21	SELFIE BANKING	December 22, 2019	December 22, 2029
22	CYBERSURE	January 12, 2020	January 12, 2030

	Trademark	Registration Date	Expiration Date
23	1U HUB	February 6, 2020	February 6, 2030
24	1U HUB	February 6, 2020	February 6, 2030
25	THE FIRST FINANCIAL SUPPLY BLOCKCHAIN IN THE PHILIPPINES - POWERED BY UNIONBANK	February 6, 2020	February 6, 2030
26	UB	February 24, 2020	February 24, 2030
27		February 24, 2020	February 24, 2030
28		February 24, 2020	February 24, 2030
29	THE EDGE BY UB UNIONBANK	July 31, 2020	July 31, 2030
30	UB UNIONBANK	August 14, 2020	August 14, 2030
31	UB UNIONBANK	October 16, 2020	October 16, 2030
32	THE FIRST DIGITAL ACCOUNT OPENING FOR BUSINESS BY UNIONBANK	January 17, 2021	January 17, 2031
33	THE FIRST MOBILE CHECK DEPOSIT FOR BUSINESSES BY UNIONBANK	February 19, 2021	February 19, 2031
34	BANK THE WAY YOU LIVE	March 29, 2021	March 29, 2031
35	SITH SYSTEM FOR INTEGRATED TRACING OF HUMANS	March 29, 2021	March 29, 2031

f) Effect of Existing or Probable Governmental Regulations

As a banking institution, UnionBank adheres to the provisions of the General Banking Law of 2000 (Republic Act No. 8791), as amended, and the regular issuances by the BSP as embodied in its Manual of Regulations for Banks (MORB). The regulatory issuances of the SEC, PDIC, PSE, BIR and other regulatory bodies are likewise monitored constantly for new developments. In addition, the following are the business regulatory framework for the Financial Services Group:

Anti-Money Laundering Laws and Know Your Customer Procedures

UnionBank complies with the Anti-Money Laundering Act of 2001 (Republic Act No. 9160) as amended by Republic Act 9194, its Implementing Rules and Regulations and regulatory issuances of the BSP and the Anti- Money Laundering Council (AMLC) and UnionBank's Money Laundering and Terrorist Financing Prevention Program. UnionBank adheres to the Know Your Customer (KYC) rules and customer due diligence requirements of both the law and regulation at the inception of the bank-client relationship until its termination.

UnionBank employs a third-party tool for screening customers during onboarding and subsequently, whenever there are updates to the sanctions and negative files. A real-time transaction screening system is used to clear all transactions that pass through the SWIFT network. In July 2019, UnionBank upgraded its AML system through the deployment of an internally-developed, highly intuitive and more flexible transaction monitoring and reporting system. In 2020, the Dow Jones name screening portal replaced the previous software to assist with the identification of sanctioned individuals and organizations, persons convicted of AML crimes or illegal activities for all types of clients.

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 personnel and other units are also required to take the AML e-learning refresher module regularly while operations and sales personnel are apprised of new BSP requirements during compliance roadshows held throughout the year.

Capital Adequacy

Pursuant to BSP Circular No. 781, UnionBank's capital adequacy ratio (CAR) as of December 31, 2020 and March 31, 2021 is at 17.0% and 17.6%, respectively.

g) **Amount Spent on Research 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:

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

h) 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 UnionBank's operational processes. Compliance with these requirements has minimal effect in UnionBank's operational cost and productivity.

Environmental laws influence UnionBank'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.

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 March 23, 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 March 23, 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 March 23, 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.

a) Products and Services

Please refer to the Prospectus for information on the products and services of the real estate business of AEV.

b) Distribution Methods

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.

c) 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.

d) Effect of Existing or Probable Governmental Regulations

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

On March 24, 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.

e) Major Risk/s Involved in the Business

The risks discussed below are updates to the risks particular to the Real Estate Group after the most recent date of the Prospectus and must be read in conjunction therewith.

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;
(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.

INFRASTRUCTURE

Overview of the Business

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

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 1,000 hectares of industrial business parks that are home to 185 locators and around 90,000 employees.

On April 28, 2021, Aboitiz InfraCapital signed a joint venture agreement 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 Mobile Network Operators ("MNOs"). Unity secured its Certificate of Registration as an Independent Tower Company from the Department of Information and Communications Technology ("DICT") in February 2021. It is now working on the rollout of its pilot batch of towers with the MNOs.

a) Products and Services

Aboitiz InfraCapital

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 acquisition of equity interests in Apo Agua in 2015, Lima Water in 2017, and Balibago Waterworks Systems, Inc. (BWSI) in 2017.

Apo Agua Infrastructura, Inc.

Delivery of first drop of water is expected to commence by the end of 2021. 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.

Towers

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding ("MOU") with the DICT. The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. Aboitiz InfraCapital currently has signed separate MOUs with Globe Telecom, Inc., Smart Communications, Inc., Dito Telecommunity, and NOW Telecom, and are now in discussion on 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 signed a joint venture agreement 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 Mobile Network Operators (“MNOs”). Unity secured its Certificate of Registration as an Independent Tower Company from the Department of Information and Communications Technology (“DICT”) in February 2021. It is now working on the rollout of its pilot batch of towers with the MNOs.

Integrated Economic Centers

On 1 September 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 LIMA Technology Center in Malvar, Batangas; (b) the West Cebu Industrial Park in Balamban, Cebu; and (c) the Mactan Economic Zone II in Lapu-Lapu City, Cebu. Meanwhile, the commercial projects include: (i) LIMA Commercial Lots in Lipa, Batangas; (ii) The Outlets at Lipa in Lipa, Batangas; (iii) LIMA Exchange; (iv) the iMez Building, Lapu-Lapu City, Cebu; (v) Pueblo Verde, Lapu-Lapu City, Cebu; (vi) The Outlets at Pueblo Verde, Lapu-Lapu City, Cebu; (vii) The Persimmon Plus in Mabalo, Cebu City; and (viii) Point Blue, a build-to-rent microstudio developments in various locations in Makati and Taguig Cities through A2 Airports Partners, Inc. (also known as AllRise Development Corp).

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

Republic Cement Group

Republic Cement & Building Materials, Inc. (RCBM)

RCBM owns 100% equity interest of Republic Cement Iligan, Inc. (“RCII”, formerly Lafarge Iligan, Inc.) and a 99.97% equity interest in Republic Cement Mindanao, Inc. (“RCMI”, formerly Lafarge Mindanao, Inc.). On 1 October 2020, the SEC approved the merger of RCII and RCMI, 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 March 23, 2021, RCBM owns a 99.75% equity interest in RCMI.

b) Distribution Methods

A. Aboitiz InfraCapital

Lima Water Corporation

Lima Water, with a daily water capacity of eight mn 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, pre-cast manufacturers and ready-mix concrete companies. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

c) 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.

d) 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

Please refer to the Prospectus for more information on the competitors of the Republic Cement Group.

e) Major Customers

The Infrastructure Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a Material Adverse Effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

A. Aboitiz InfraCapital

Lima Water Corporation

Lima Water serves the industrial locators at the LIMA Technology Center as its exclusive end-to-end water services provider. Locators include large corporations such as Epson Precision Philippines Incorporated, Littelfuse Asia Sales B.V., Japan Tobacco International Asia Manufacturing Corp, and Kinpo Electronics Philippines, Inc. Out of over one hundred locators inside the economic zone, these four locators account for almost half of the total water demand with Epson having the biggest demand contribution.

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.

f) Patents, Copyrights, and Franchises

The Infrastructure group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed Philippine Intellectual Property Office.

	Trademarks	Registration Date	Expiration Date
1	Aboitiz InfraCapital word mark (Class Nos. 35, 36 and 37)	December 29, 2019	December 29, 2029

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

	Description of the mark	Registration Date
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	August7, 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

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

(i) Government Approval

Aboitiz Infiracapital and its Subsidiaries and the Republic Cement Group 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.

A. Aboitiz InfraCapital

In June 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.

(i) Costs and Effects of Compliance with Environmental Laws

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 a state-of-the-art Baghouse System replacing the conventional Electrostatic Precipitators. These Baghouse Systems significantly lowers the dust emission to <50 mg/Nm3 which not only passed but is way below the Philippine standard limit of 150 mg/Nm3. 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 992 hectares planted to 784,377 seedlings or about 688,238 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 Committe of the DENR.

AMOUNT SPENT ON RESEARCH AND DEVELOPMENT ACTIVITIES

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

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

AEV and its subsidiariesSubsidiaries, associates 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. All power plant operations that are regulated and identified as environmentally critical projects under PD 1586 are covered with environmental impact studies ("EIS") and ECC.

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.

EMPLOYEES

On the parent company level, AEV has a total of 213 employees as of April 30, 2021, composed of executives, managers, supervisors, and rank and file employees. There is no existing collective bargaining agreement (CBA) covering AEV's employees.

The following table provides a breakdown of total employee headcount per SBU, divided by function, as of April 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	54	311	43	9	41	19	7	173
Managers	64	1,972	80	26	140	26	122	308
Supervisors	45	2,100	354	109	306	73	314	879
Rank & File	50	1,915	235	56	1,876	94	372	2,471
TOTAL	**213**	**7,014**	**712**	**200**	**2,363**	**210**	**815**	**3,831**
Unionized Employees	N/A	1,406	24	N/A	203	N/A	618	462
Expiry of CBA	N/A	N/A	1 June 2025	N/A	GCI: Aug 2021 GCSI: Aug 2021 GCFM: Dec 2019 GCSSB: Feb 2021	N/A	N/A	APRI: Feb 28, 2022 Visayan Electric: Dec 31, 2016 Cotabato Light: June 30, 2024 Davao Light June 15, 2021 SFELAPCO: May 9, 2024

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 Offer Supplement, there are no definite plans of acquiring of properties in the next 12 months. Nonetheless, the Company plans to continually participate in future projects that become available to it and will disclose the same in accordance with the applicable disclosure rules under the SRC.

There are no mortgages, liens, or encumbrances over the properties of the Company.

On a consolidated basis, the property, plant and equipment of the AEV Group had a carrying value of ₱219.54 bn and ₱225.56 bn as of December 31, 2020 and 2019, respectively. The breakdown of the Company's Property, Plant and Equipment as of December 31, 2020 and 2019 is 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

Property, Plant and Equipment as of 31 December	2020	2019
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
TOTAL	**₱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 nil and ₱124.0 billion 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 attached AEV 2020 consolidated financial statements.

Updates to the locations of principal properties and equipment of AEV's Subsidiaries after the most recent date of the Prospectus are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
TVI	Coal-fired thermal power plant	Bato, Toledo, Cebu	In use for operations
TPVI	Buildings/plants, equipment, and machinery	Naga City, Cebu	In use for operations

MATERIAL CONTRACTS

The following summary contains updates to the material contracts of the Company after the most recent date of the Prospectus, and should be read in conjunction therewith. Since it is a summary, it should not be considered to be a full statement of the terms and provisions of such contract. Accordingly, the following summary is subject to the full text of the contract.

<u>**AEV PHP 5 Billion Fixed Rate Bonds Due 2024 and 2029**</u>

On November 16, 2020, AEV issued fixed-rate bonds (the "2020 Bonds") in two series: (a) Series C 2020 Bonds, with a term of three (3) years from issue date, and (b) Series D 2020 Bonds, with a term of five (5) years from issue date. The Series C 2020 Bonds has a fixed interest rate of 2.8403 % per annum. On the other hand, the Series D 2020 Bonds has a fixed interest rate of 3.3059 % per annum and an optional redemption on the 3rd and 4th anniversary of the Issue Date of the Series D 2020 Bonds, and every quarter thereafter before the Maturity Date of such Series D 2020 Bonds. BDO Capital & Investment Corporation ("BDO Capital"), BPI Capital Corporation ("BPI Capital"), China Bank Capital Corporation ("China Bank Capital"), First Metro Investment Corporation ("First Metro"), and SB Capital Investment Corporation ("SB

Capital") were appointed as joint issue managers, joint lead underwriters, and joint bookrunners (collectively, the "Joint Lead Underwriters") while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2020 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2020 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

    i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
    ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
    iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;
    iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
    v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

vi. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and

vii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2020 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2020 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

CERTAIN LEGAL PROCEEDINGS

The following section discusses updates to Certain Legal Proceedings after the most recent date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations" and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

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 April 23, 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[6], 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 30 January 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 16 February 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 Regional Trial Court (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.

[6] 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.

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 9 December 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 April 23, 2021, PEMC's Petition is still pending before the Supreme Court.

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 29 March 2019, the CA denied the motions for reconsideration filed by the ERC and MERALCO, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, ERC, MERALCO and several entities filed their Petitions for Review on Certiorari with the Supreme Court, asking the latter to reverse and set aside the CA Decision dated 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 7 November 2017 and Omnibus Resolution dated 29 March 2019 with respect to their motions.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to ERC's Petition for Review on Certiorari. On January 28, 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on Certiorari dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated June 13, 2019) on February 11, 2020.

In a Resolution dated November 4, 2020, the Supreme Court resolved to consolidate and transfer the case with G.R. Nos. 247352-61 to the case with G.R. Nos. 246621-30.

As of April 23, 2021, ERC's and MERALCO's Petitions are still pending before the Supreme Court.

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MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following section discusses updates to Market for Issuer's Common Equity and Related Stockholder matters after the most recent date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations" and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

MARKET INFORMATION

AEV's common shares are traded in the Philippine Stock Exchange, Inc.

The high and low stock prices of AEV's common shares for each quarter for the past three years were as follows:

	2021		2020		2019	
	High	**Low**	**High**	**Low**	**High**	**Low**
First Quarter	47.60	34.50	54.00	29.10	67.90	53.20
Second Quarter	N/A	N/A	52.20	38.25	60.95	46.70
Third Quarter	N/A	N/A	51.60	45.05	59.50	49.25
Fourth Quarter	N/A	N/A	48.90	42.10	56.60	48.95

The closing price of AEV common shares, as of April 30, 2021 is ₱36.50 per share.

HOLDERS

As of April 30, 2021, AEV has 8,354 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 April 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	955,684,632	16.97%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	358,778,723	6.37%
5	Sanfil Management Corporation	Filipino	120,790,211	2.15%

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
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	Bauhinia Management Inc.	Filipino	41,148,120	0.73%
10	Morefund Management & Development Corporation	Filipino	40,000,000	0.71%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%
15	Parraz Development Corporation	Filipino	14,483,067	0.26%
16	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
17	Dominus Capital Inc.	Filipino	11,600,000	0.21%
	FMK Capital Partners Inc.	Filipino	11,600,000	0.21%
18	Arrayanes Corporation	Filipino	10,750,070	0.19%
19	UnionBank TISG For IMA#PH3Q201 692	Filipino	8,709,900	0.15%
20	Les Folatieres Holdings Inc.	Filipino	8,056,119	0.14%
	SUB-TOTAL		5,037,861,310	89.48%
	Other Stockholders		592,364,147	10.52%
	TOTAL SHARES		**5,630,225,457**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,630,225,457**	**100.00%**

DIVIDENDS

The cash dividends declared by AEV to common stockholders for the first quarter of 2021 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2021 (regular)	₱0.91	03/05/2020	₱5.12 billion	03/19/2021	03/31/2021

There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 19, 2021.

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.) Infrastructure, and e.) AboitizLand, Inc. (AboitizLand) and subsidiaries (collectively, the "Real Estate Group").

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 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-MAR 2021	JAN-MAR 2020
EQUITY IN NET EARNINGS OF INVESTEES	**₱6,983,948**	₱1,820,405
EBITDA	**17,950,810**	11,756,046
CASH FLOW GENERATED:		
Net cash flows from operating activities	**10,359,588**	11,226,370
Net cash flows from (used in) investing activities	**2,628,647**	(4,123,779)
Net cash flows from (used in) financing activities	**(6,111,599)**	23,343,830
Net Increase in Cash & Cash Equivalents	**6,876,636**	30,446,421
Cash & Cash Equivalents, Beginning	**65,966,411**	46,424,663
Cash & Cash Equivalents, End	**72,751,430**	76,796,662
	MARCH 31, 2021	**DECEMBER 31, 2020**
CURRENT RATIO	**1.6**	1.6
DEBT-TO-EQUITY RATIO	**1.7**	1.7

Equity earnings in investees increased by 284% from ₱1.8 billion (bn) during the first three months of 2020 to ₱7.0 bn during the first three months of 2021. The increase was due to: (i) higher output of SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc. hydro power plants resulting from higher water inflows, (ii) higher earnings of Union Bank of the Philippines (UnionBank, or the “Bank”), and (iii) GNPower Dinginin Ltd. Co.'s (GNPD) recognition of income on liquidated damages for the delay in the construction of its power plant.

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, fund additional investments into associates, and pay dividends and interest.

With the recorded increase in both total liabilities and equity during the first three months of 2021, Debt-to-Equity ratio remained at the end-2020 level of 1.7x. Current Ratio likewise remained at the end-2020 level of 1.6x, as both current assets and current liabilities grew during the first three months of 2021.

REVIEW OF JANUARY-MARCH 2021 OPERATIONS COMPARED TO JANUARY-MARCH 2020

RESULTS OF OPERATIONS

For the three-month period ended March 31, 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 ₱8.6 bn, a 322% increase year-on-year (YoY). This translated to earnings per share of ₱1.52 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 54%, followed by the Banking and Financial Services, Infrastructure, Food, and Real Estate Groups at 26%, 10%, 7%, and 3%, respectively.

During the first three months of 2021, the Group generated non-recurring losses of ₱219 million (mn) (compared to ₱262 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 three months of 2021 was ₱8.8 bn, 283% higher YoY. AEV recorded a 53% increase in consolidated EBITDA for the first three months of 2021 compared to the same period in 2020, from ₱11.8 bn to ₱18.0 bn.

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 three months ended March 31, 2021 compared to the three months ended March 31, 2020.

Revenues

Sale of Power

The Group's revenue from sale of power by the Power Group decreased by 4% or ₱1.0 bn, from ₱27.8 bn in the three months ended March 31, 2020 to ₱26.8 bn in the three months ended March 31, 2021. The decrease was primarily attributable to lower demand resulting from the Government-imposed community quarantines to control the spread of COVID-19. The decrease was partly offset by (i) higher output of hydro power plants resulting from higher water inflows, (ii) higher availability of thermal power plants, and (iii) higher sales to the Wholesale Electricity Spot Market (WESM). The Group's sale of power comprised 61% and 58% as a percentage of total revenues in the three months ended March 31, 2020 and March 31, 2021, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 12% or ₱2.0 bn, from ₱16.9 bn in the three months ended March 31, 2020 to ₱18.8 bn in the three months ended March 31, 2021. The increase was primarily due to higher feeds volume and selling prices. The Group's sale of goods comprised 37% and 40% as a percentage of total revenues in the three months ended March 31, 2020 and March 31, 2021, respectively.

Real Estate

The Group's revenue from real estate increased by 15% or ₱76 mn, from ₱508 mn in the three months ended March 31, 2020 to ₱584 mn in the three months ended March 31, 2021. The increase was primarily attributable to AboitizLand's higher revenue recognition from increased construction activities of its residential business segment, as well as increased sales of high value lots. As a percentage of total revenues, the Group's revenue from real estate comprised 1% in both the three months ended March 31, 2020 and March 31, 2021.

Other Revenues

The Group's combined revenue from the fair value of swine, service fees, and other sources decreased by 16% or ₱62mn, from ₱377 mn in the three months ended March 31, 2020 to ₱316 mn in the three months ended March 31, 2021. As a percentage of total revenues, the Group's other revenues comprised 1% in both the three months ended March 31, 2020 and March 31, 2021.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power decreased by 15% or ₱2.4 bn, from ₱15.6 bn in the three months ended March 31,2020 to ₱13.3 bn in the three months ended March 31, 2021. The decrease was due to lower volume of purchased power resulting from better plant availability. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 40% and 34% in the three months ended March 31, 2020 and March 31, 2021, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 15% or ₱2.1 bn, from ₱14.3 bn in the three months ended March 31, 2020 to ₱16.5 bn in the three months ended March 31, 2021. The increase was primarily attributable to higher cost of raw materials of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 37% and 43% in the three months ended March 31, 2020 and March 31, 2021, respectively.

Operating Expenses

The Group's operating expenses decreased by 2% or ₱0.2 bn, from ₱8.7 bn in the three months ended March 31, 2020 to ₱8.5 bn in the three months ended March 31, 2021. The decrease was primarily attributable to lower personnel-related costs and travel expenses. As a percentage of total costs and expenses, the Group's operating expenses comprised 22% in both the three months ended March 31, 2020 and March 31, 2021.

Other Costs and Expenses

For the three months ended March 31, 2021, the Group's other costs and expenses, which consist primarily of the cost of real estate sales and overhead expenses, remained at ₱0.3 bn, compared to the same period in 2020. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% in both the three months ended March 31, 2020 and March 31, 2021.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 21% or ₱1.4 bn, from ₱6.6 bn in the three months ended March 31, 2020 to ₱8.0n in the three months ended March 31, 2021.

Income Before Income Tax

The Group's income before income tax increased by 177% or ₱7.0bn, from ₱3.9 bn in the three months ended March 31, 2020 to ₱10.9 bn in the three months ended March 31, 2021. The increase was due to higher operating profit and equity earnings.

Net Income

As a result of the foregoing, the Group's Net Income to Equity Holders of AEV increased by 322% or ₱6.5 bn, from ₱2.0 bn in the three months ended March 31, 2020 to ₱8.6 bn in the three months ended March 31, 2021.

Net income attributable to non-controlling interests for the three months ended March 31, 2021 increased to ₱2.0 bn, from ₱1.0 bn in the three months ended March 31, 2020. The increase was primarily due to higher consolidated net income of AboitizPower during the first three months of 2021.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of the Group's SBUs for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, before taking into account the adjustments arising from the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act.

Power

For the three months ended March 31, 2021, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱4.8 bn, a 200% increase from ₱1.6 bn in the three months ended March 31, 2020.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply Groups to Net Income to Equity Holders of AEV increased by 225%, from ₱1.5 bn in the three months ended March 31, 2020 to ₱4.7 bn in the three months ended March 31, 2021. The variance was primarily due to higher water inflows, improved availability of thermal plants, higher spot sales, and other income from liquidated damages and recoveries from business interruption claims.

Capacity sold increased from 3,445 megawatts (MW) during the three months ended March 31, 2020 to 3,558 MW in the three months ended March 31, 2021. Energy sold during the three months ended March 31, 2021 increased by 8% to 6,130 gigawatt-hours (GWh) from 5,675 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 6% from ₱789 mn in the three months ended March 31, 2020 to ₱839 mn in the three months ended March 31, 2021. The increase was mainly due to lower income tax provision. Energy sales decreased by 8% to 1,308 GWh during the three months ended March 31, 2021 from 1,429 GWh in the three months ended March 31, 2020.

Banking & Financial Services

UnionBank's contribution to Net Income to Equity Holders of AEV increased by 79% YoY, from ₱1.3 bn in the three months ended March 31, 2020 to ₱2.4 bn in the three months ended March 31, 2021. The increase was primarily due to higher net interest income attributable to the robust growth of Current Account and Savings Account (CASA) deposits, and the increase in non-interest income mainly driven by higher 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 262% to ₱630 mn in the three months ended March 31, 2021, compared to ₱174 mn in the three months ended March 31, 2020.

For the three months ended March 31, 2021, the Food Group's Philippine subsidiaries reported a net income of ₱538 mn compared to a ₱29 mn net loss in the three months ended March 31, 2020. The recovery was mainly due to the (i) improved pricing of the Farms business segment as the spread of the African Swine Fever (ASF) lowered the supply of pork in the market, and (ii) improved per unit gross profit and volume of the Flour business segment.

Before elimination of transactions within the Group, Pilmico International and its subsidiaries, recorded a net income of ₱92 mn in the three months ended March 31, 2021, a 55% decrease compared to the three months ended March 31, 2020. This was due to increased raw material costs.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV during the three months ended March 31, 2021, before elimination of transactions within the Group, amounted to ₱101 mn, an improvement from ₱110 mn net loss in the three months ended March 31, 2020. This increase was mainly due to higher revenue recognition from increased construction activities of AboitizLand's residential business segment, as well as increased sales of high value lots.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group increased by 838% to ₱318 mn during the three months ended March 31, 2021, compared to ₱34 mn in the three months ended March 31, 2020. This mainly came from the contribution of Republic Cement and Building Materials, Inc. and its subsidiaries which increased from

₱61 mn in the three months ended March 31, 2020 to ₱334 mn in the three months ended March 31, 2021. This was mainly due to the ramp up in sales volume resulting from new cement production capacities in Bulacan and Iligan, reduced costs, and increased overall production efficiency.

CREATE Tax Adjustments

The Group reflected the changes in the current and deferred income taxes for the three-month period ended March 31, 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 bn.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of March 31, 2021 compared to December 31, 2020) increased by 2% to ₱620.8 bn, due to the following:

- Cash & Cash Equivalents increased by 10% (₱72.8 bn as of March 31, 2021 compared to ₱66.0 bn as of December 31, 2020) mainly due to the receipt of proceeds from the issuance of retail bonds of AboitizPower, and cash dividends from associates and joint ventures
- Inventories increased by 6% (₱22.9 bn as of March 31, 2021 compared to ₱21.6 bn as of December 31, 2020) mainly due to higher spare parts and supplies 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 ₱2.3 bn (₱147.7 bn as of March 31,2021 compared to ₱145.4 bn as of December 31, 2020) mainly due to AboitizPower's ₱952 mn additional infusion into GNPD, and the recording of ₱7.0bn share in net earnings of associates and joint ventures. This increase was partially reduced by the ₱5.9 bn dividends from associates and joint ventures during the period.
- Deferred Income Tax Assets (DTA) decreased by 7% (₱1.9 bn as of March 31,2021 compared to ₱2.0 bn as of December 31, 2020) mainly due to the revaluation of DTA arising from the CREATE Act.

- Other Noncurrent Assets (ONCA) increased by 6% (₱15.3 bn as of March 31,2021 compared to ₱14.6 bn as of December 31, 2020) primarily due to additional investments in financial assets.

Liabilities

Total Liabilities (as of March 31, 2021 compared to December 31, 2020) increased by 2% to ₱392.7 bn, due to the following:

- Bank loans increased by 9% (₱32.0 bn as of March 31, 2021 compared to ₱29.3 bn as of December 31, 2020) mainly due to short-term debt availments by the Power Group.
- Long-term debt, which includes both current and non-current portions, increased by 2% (₱266.7 bn as of March 31, 2021 compared to ₱261.0 bn as of December 31, 2020) mainly due to the following: (i) the issuance of retail bonds by AboitizPower amounting to ₱8.0 bn, and (ii) the ₱780 mn availment by Therma Marine, Inc.
- Derivative liabilities (net of Derivative assets, current and noncurrent) decreased by 45% from ₱2.0 bn as of December 31, 2020 to ₱1.1 bn as of March 31, 2021. This was mainly due to the Power Group's hedging gains.
- Deferred income tax liabilities (DTL) decreased by 14% from ₱2.4 bn as of December 31, 2020 to ₱2.1 bn as of March 31, 2021. This was mainly due to the revaluation of DTL arising from the CREATE Act.
- Pension Liabilities (net of Pension assets) increased by 6% to ₱487mn as of March 31, 2021 compared to ₱459mn 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 March 31, 2021 compared to December 31, 2020) increased by ₱4.1bn, from ₱183.1 bn to ₱187.1 bn, due to the following:

- ₱8.6 bn net income recorded during the relevant period; and
- ₱0.7 bn movement in cumulative translation adjustments mainly from hedging gains.

These were partly offset by the ₱5.1 bn cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the three months ended March 31, 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 three months ended March 31, 2020, consolidated cash generated from operating activities in the three months ended March 31, 2021 decreased by ₱0.9 bn to ₱10.4 bn. This was mainly due to higher working capital requirements and taxes paid, which were partly offset by higher earnings before interest, depreciation and amortization.

As of March 31, 2021, ₱2.6 bn net cash was generated from investing activities compared to ₱4.1 bn used during the three months ended March 31, 2020. This was mainly due to higher cash dividends received from associates and joint ventures compared to the same period in 2020.

Net cash used in financing activities was ₱6.1 bn for the three months ended March 31, 2021 compared to ₱23.3 bn generated in the three months ended March 31, 2020. The decrease was largely attributed to payment of cash dividends in the first quarter of 2021 and the proceeds from the $400 mn bond issuance in the first quarter of 2020.

For the three months ended March 31, 2021, net cash inflows surpassed cash outflows, resulting in a 10% increase in cash and cash equivalents from ₱66.0 bn as of year-end 2020 to ₱72.8 bn as of March 31, 2021.

FINANCIAL RATIOS

The Group's financial ratios remained healthy in the three months ended March 31, 2021. Current Ratio remained the same as the end-2020 level of 1.6x, as both current assets and current liabilities grew. Debt-to-Equity ratio likewise remained at year-end 2020's 1.7:1, with total liabilities and equity both increasing during the first three 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 Union Bank of the Philippines, Inc. ("UnionBank" or the "Bank") Economic Research Unit, Aboitiz Equity Ventures Inc. (the "Company" or "AEV") currently expects the Philippines' 2020 GDP to contract by 8%.

Power SBU

AboitizPower is focused on addressing the needs of its markets, namely: (1) reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. The Company believes that there is no single technology that completely addresses the country's energy requirements; and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, AboitizPower believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of new power generation projects (Naga Power Plant Complex project and GNPower Dinginin project).

For the Naga Power Plant Complex Project in Cebu, the six diesel engine units passed the grid compliance tests of the National Grid Corporation of the Philippines and were successfully rehabilitated in January 2020. The units have demonstrated a combined net capacity of 39 MW. This was almost twice the output of these units prior to Therma Power Visayas, Inc. (TPVI) taking over. A Provisional Authority to Operate (PAO) has been obtained from the Energy Regulatory Commission and will allow TPVI to proceed with commercial operations as soon as its intent to commence participation in the Wholesale Electricity Spot Market is accepted by the Philippine Electricity Market Corporation. The plant commenced commercial operations on August 7, 2020.

The GNPower Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down due to the preventive measures taken to ensure the safety of workers on-site. A total of 172 Technical Field Assistants (TFA) have arrived in the country with 38 TFA's expected to arrive to complete testing and commissioning of Unit 1. Due to these circumstances, Unit 1 is now expected to synchronize and earn commissioning revenues by the end of 2020 and to commence commercial operations by the second quarter of 2021. Unit 2 is expected to synchronize and earn commissioning revenues by the second quarter of 2021 and to commence commercial operations by the third quarter of 2021.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of steam capacity by 2022. For Tiwi, the first well drilled and commissioned in December 2019, was tested at 12.11 MW in January 2020. For MakBan, the first well is targeted by January 2021 with a capacity of 5 to 7 MW. AboitizPower expects to complete the drilling for incremental steam capacity by 2022. The drilling project is significant as it will allow AboitizPower to optimize APRI's current net sellable capacity of 290 MW.

AboitizPower is on track to meet its 2020 target of 4,000 MW net attributable capacity. By year end, AboitizPower expects to own 4,432 MW of attributable capacity, with the entry of GNPower Dinginin Ltd. Co.'s Units 1 and 2, both units of which are under construction.

AboitizPower is committed to growing its attributable capacity which it expects will be sourced from a portfolio of renewables and selective baseload builds. In terms of renewable energy, AboitizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by the Department of Energy (DOE) starting this year. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. AboitizPower will continue to pursue its international aspirations with continued focus on renewable energy projects in the ASEAN region. With all of these combined, it is expected that the AboitizPower's portfolio ratio will be close to a 50:50 Cleanergy (renewable energy) and thermal capacity mix by the end of the current decade.

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

AboitizPower, together with its partners, had initially budgeted ₱41 billion in capital expenditures for 2020. In order to take into consideration the impact of COVID-19, AboitizPower has cut its initial budget for capital expenditures by about 20%.

Despite the challenges posed by the global pandemic and the unusual business situation, AbotizPower continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the Government's community quarantine. It will continue to provide the country with the much-needed power supply for hospitals, Government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Banking & Financial Services SBU

UnionBank is continuing with its business transformation roadmap with the vision of becoming one of the top three universal banks in the Philippines in terms of ROE, ROA, and cost-efficiency. Rather than traditional metrics such as asset size or branch network, this transformation roadmap involves a shift in focus on providing financial value to stakeholders, operational excellence, customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and services.

Following the conclusion of its FOCUS 2020 strategic plan, the primary goal remains to be considered one of the country's great retail banks. Concretely, the Bank plans to achieve this goal by increasing its core earning asset base, attaining balanced sources of revenues, and shifting towards a recurring income business model as it fortifies its balance sheet while leveraging on technology.

The Bank has shown progress in achieving its primary goal. A majority of the Bank's revenues are already recurring in nature as its loans continue to grow above-industry. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: Capital, Branch Transformation, Corporate Relationships, Processes, Partners, and its unique Unionbank DNA. It leverages Capital, which prompts the Bank to shift from trading to building recurring income to provide stable returns and predictability in the growth of shareholder value. It leverages on Transforming its Branches and establishing the competence of the sales force, rather than expanding the brick-and-mortar network, to cater to changing customer expectations. It leverages on Corporate Relationships, by providing superior cash management solutions to anchor clients and in the process, penetrate their entire ecosystem. The Bank leverages on Processes, which is about building the foundation of the Bank's automation and digital transformation initiatives. It leverages on Partners, to build synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities. Also, the Bank leverages on its subsidiaries, such as CitySavings, which is the Bank's avenue to expand reach towards the underserved segment for inclusive prosperity.

The Bank is also embarking on a Digital Transformation Strategy which aims to increase its competitive advantage at present and into the future. The Banks' Digital Transformation Strategy consists of two objectives:

1) To strengthen the current business by repositioning itself into a Digital Bank. It intends to apply higher technologies into its core banking systems to enable the Bank to quickly respond to changing customer behavior. At the same time, the Bank aims to use newly acquired skills to move into adjacent markets and make CitySavings the Best Mass Market Bank. The goal is

to widen scope and acquire new skills in key segments to improve operational efficiencies and ramp up scale towards inclusive prosperity; and

1) To search for new business models where banking is integrated in people's day-to-day lives. The objective is to immerse the Bank in emerging technologies such as blockchain and token economy which may disrupt the banking industry. The Bank shall bank, enable, and invest in "fintech" to be the future direction of the country's financial landscape. Moreover, the Bank plans to make technology its core in order to deliver platforms. All these can enable the Bank to embed its financial services into ecosystems, thus making itself indispensable in a future where banking will no longer be a transaction choice but part of an integrated experience. These will be led by UBX, the Bank's technology and innovation company.

Coming from Phase 1 (i.e. building the foundational infrastructure to be "Digital to the Core") and Phase 2 (i.e. launch of critical customer channels), UnionBank is already in Phase 3 of its Digital Transformation - the monetization and commercialization of the Bank's initiatives - which involves the scaling up of digital customer touchpoints such as enhancing features in UnionBank Online mobile app (for retail customers) and The Portal (for corporate clients), roll out of Arks and self service branches, as well as the launch of the Bank's SME Business Banking app for SME customers.

UBX, is also ramping up operations with its flagship platforms, namely: (i) Project i2i (financial platform for rural banks); Sentro (an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants); and (ii) SeekCap (developed in partnership with OneConnect – Ping An's fintech arm – which is an SME lending marketplace that offers affordable financing options and faster approvals).

With the key channels and platforms now in place, the Bank is focused on accelerating its customer acquisition and deepening engagement across all digital channels in order to realize the benefits of its digital transformation. This is in order to achieve sustained growth of its lending and deposit business and, at the same time, reap operational efficiencies from its digital investments.

The extent of the impact of the COVID-19 pandemic remains uncertain. However, a slowdown in economic activity is expected and is likely to adversely affect the banking industry.

For 2020, the Bank has the following outlook:

- The banking industry is expected to experience relatively flat asset and loan growth due to the economic slowdown and dampened consumer confidence, as evidenced by the 1st half results of economic indicators.
- Interest rates are expected to remain low to stimulate the economy. As of end-June 2020, BSP's overnight reverse repurchase facility was at 2.25%. Depending on the economic performance in the 2nd half of the year, there might be further rate cuts before the end of the year.
- Lastly, digital banking initiatives in the industry are expected to ramp up as social distancing measures will remain in the immediate future, leading to higher take-up of digital customers.

In anticipation of the potential impact on the Bank's credit portfolio, the Bank deemed it prudent to set aside higher provisions for loan losses for the year. In the first half of 2020, the Bank increased its reserves to ₱7.0 billion compared to ₱364.3 million in the same period last year and versus ₱1.9 billion for full-year 2019.

Amid this, UnionBank believes it is positioned to withstand the effects of the current economic environment. The Bank continues to have a combination of strong capitalization (Capital Adequacy

Ratio of 16.0% as of June 2020) and low non performing loans ratio (Net Non-Performing Loan Ratio of 2.1% as of June 2020), which provides a cushion against potential economic headwinds.

Furthermore, there is currently strong support from the Government and regulators in ensuring that there is adequate liquidity in the banking system. Various Government initiatives (e.g. social amelioration program, subsidies, etc.) were also launched to mitigate the impact of the current economic environment.
UnionBank is committed to supporting the economy and its customers by ensuring access to liquidity and other financial needs. And with the Bank's digital channels and capabilities, it is capable of delivering full banking services to its customers during the COVID-19 crisis.

UnionBank had initially budgeted around ₱2.0 billion for capital expenditures in 2020. In order to take into consideration the impact of COVID-19, UnionBank has increased its budget for business continuity related to capital expenditures by about 14%.

Food SBU

The Food Group, composed of AEV's non-listed multinational food subsidiaries, is an integrated regional agribusiness and food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming, and commodity trading. It remains one of the Philippines' top flour, feeds, and farm market participants and has a nationwide presence.

The Food Group operates in the ASEAN and across the Asia-Pacific regions through Pilmico International Pte. Ltd. and its subsidiaries - which includes Gold Coin Management Holdings Limited (Gold Coin) and is well-positioned in the Asia Pacific as a manufacturer and producer. Given the trend of rising protein consumption globally, it intends to build a comprehensive animal nutrition platform in Asia. This requires having a good base of products and services that facilitates the creation of a portfolio of offerings that will serve both existing and future customers and markets. Similar to the Company's other business segments, the Food Group utilizes a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

The acquisition of Gold Coin and its subsidiaries (the "Gold Coin Group") has allowed the Food Group to expand its customer base and geographic reach. The Food Group is currently the fourth largest animal feed manufacturer in Southeast Asia, and its presence in 9 countries across the Asia-Pacific region allows the Food Group to explore opportunities down the value chain in these markets. Geographic expansion also provides the Food Group and the rest of AEV's businesses access to local or regional information for potential expansion opportunities. The Food Group looks forward to harnessing synergies in distribution, localized operations, cross-selling, research and development, and raw materials and logistics costs.

Starting 2020, Food Group will pursue a strategy of "Balance, Optimize, and Develop." Establishing a balanced portfolio will maximize opportunities and minimize associated risks. This will be optimized through execution excellence founded on harmonized processes and systems of the entire Food Group. Furthermore, the Food Group will continue to build and develop capabilities to innovate and expand the business. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the next ten years.

The Flour business will employ a two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon through continuous sales efforts. The Flour business likewise intends to move forward in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

Due to African Swine Fever (ASF) and COVID-19 challenges, the Farms business has recalibrated the planned expansions in Northern Luzon and has started looking for opportunities in the Visayas and Mindanao regions. Capacity is still expected to reach a sow-level of 50,000 heads by 2029. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain. In 2020, the Food Group will operationalize its meat fabrication and processing plant, this will provide more stability in profitability through selling high margin pork meats compared to live hog selling. Meanwhile, the planned expansions for the layers business in 2020 was pushed back to 2021. The increase in layers capacity (8x from today's level) is expected to result in a monthly production of 27 million eggs are still expected by 2025.

Feeds Philippines will continuously expand its market position through placing additional feedmill capacity in strategic locations in the Visayas & Mindanao region in the next 5 years. By the third quarter of 2020, Feeds Philippines will operate its additional feed mill in Iligan, which has been delayed by six months due to the disruptions caused by the COVID-19 crisis. This new mill will serve the growing requirements of its Visayas and Mindanao customers. Strategic geographical and product positioning will be key in securing new and existing customers in the competitive market. The Food Group is also exploring the inclusion of Pet Food and Specialty Nutrition products as part of its portfolio. Moreover, Feeds Philippines employs platform improvements in logistics to provide operational agility and improve customer experience.

Likewise, Aqua Feeds Vietnam is expected to take advantage of emerging opportunities for fingerling feeds in the Vietnam region.

The Gold Coin Group aims to boost capacity utilization by pursuing opportunities for cross-selling, maximize knowledge and expertise by sharing platforms across countries, particularly in China and Vietnam. In 2020, the Gold Coin Group will balance its portfolio by deploying multi-specie strategy, accelerate businesses in Fish and Shrimp feeds, and Specialty Nutrition throughout the countries

Furthermore, with increased opportunities in aquaculture production emerging, particularly Shrimp and Tilapia, the Gold Coin Group will explore diversifying into the Shrimp and Fish businesses in China, Vietnam, and Malaysia. Two additional fish feed lines located in Vietnam (Ha Nam, North Vietnam) and China (Dongguan, Southern China) will be operational in 2020. The planned expansion for Aqua Feeds in Vietnam has been deferred and this business will remain at a capacity of 234 TPH in 2020. Each plant will have an incremental 5 tons per hour (TPH). The plant in China has been completed in April 2020 while the plant in Vietnam is expected to be commissioned in January 2021 from the previous target commissioning date in April 2020.

Pet Food and Feed Additives are also seen to grow in the years to come and the Food Group intends to integrate this to China, Vietnam, Indonesia and Malaysia. Thailand on the other hand can be improved by utilizing its current capacity.

In terms of operations, the Food Group continues to find synergies between Pilmico and Gold Coin through intercountry trade, group purchasing, optimization of IT shared services, and mitigating foreign exchange risk to trim expenses. All these strategies mentioned are expected to increase profits and boost bottom line figures.

The spread of COVID-19 around the world has caused several challenges in the countries that Food Group operates in. However, the Food Group believes it has prepared for the crisis by ensuring that it has sufficient raw materials to cover its full operations at any given time by maintaining good relationships with its suppliers.

Customer demand remains high in the midst of the COVID-19 crisis due to food being a basic necessity. Governments of various countries where the Food Group operates allow the free movement of skeleton workforces as its businesses are deemed essential during COVID-19 disruption. On the logistics aspect, the Food Group has modified its supply chain to adapt to the changes in delivering and transporting its goods.

The Food Group has boosted its collections facilities to ensure that each customer is being actively managed by its sales personnel and collecting agents. In addition, the Food Group was able to obtain reasonable credit extensions from its top local suppliers. Abaqa International, its central purchasing arm, has also provided flexible working capital arrangements to achieve synergies in payments and inventory.

The planned expansion for Aqua Feeds in Vietnam has been deferred and this business will remain at a capacity of 234 TPH in 2020.

On the same note, the expansion target for the 20,000 Sow Level Capacity will move to the 2023 timeline.

The Food Group had initially budgeted ₱3.0 billion for capital expenditures in 2020. In order to take into consideration the impact of COVID-19, Food Group has cut its initial budget for capital expenditures by approximately 40%.

Infrastructure SBU

Aboitiz InfraCapital, Inc (AIC or "Aboitiz InfraCapital")

AIC remains committed to participating in the Philippine infrastructure space and contributing to the nation's development amid the COVID-19 pandemic.

Airports and Other Infrastructure

Aboitiz InfraCapital continues to be keen in the airport segment, as it believes that airports are vital infrastructure projects that the country needs, and that these projects will play a huge role in reviving the economy.

Aboitiz InfraCapital was granted Original Proponent Status for its unsolicited proposals for the operations, maintenance, and expansion new Bohol-Panglao International Airport (BPIA) on September 3, 2018 and the Laguindingan Airport on February 26, 2019, by the DOTr and the Civil Aviation Authority of the Philippines (CAAP), respectively. On November 29, 2019, AIC obtained the approval of the NEDA Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approved the proposal for Laguindingan Airport on December 20, 2019. These airport projects are aligned with AIC's objective to support regional development centers outside of Manila.

In consideration of the impact of COVID-19, AIC has initiated discussions with the Government on the best and most prudent way to move forward with the projects and ensure the terms are appropriate given the challenging environment.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding (MOU) with the Department of Information and Communications Technology. The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with mobile network operators. To date, Aboitiz InfraCapital has signed separate MOUs with Globe Telecom, Smart Communications, and Dito Telecommunity, and are now in discussions on the lease of build-to-suit tower sites and other passive telecommunications infrastructure. Negotiations are also still ongoing with these mobile network operators, although progress has slowed down due to COVID-19.

Water

Apo Agua Infrastructura, Inc. (Apo Agua)

Apo Agua is the project company owned by AEV and J.V. Angeles Construction Corp. (JVACC), organized to design, construct and operate a hydroelectric powered-raw water treatment facility and a conveyance system which will deliver a minimum contracted annual volume of 109.5 million cubic meters (equivalent to 300 million liters per day) of treated bulk water to Davao City over a 30-year period.

On March 17, 2015, Apo Agua signed the Contractual Joint Venture Agreement and Bulk Water Purchase Agreement (BWPA) with the Davao City Water District (DCWD) for the financing, design, construction, and operations of the Davao City Bulk Water Supply Project (DCBWSP).

On March 21, 2018, Apo Agua started the preliminary construction works particularly the detailed design, geotechnical survey and soil condition testing.

On November 29, 2018, Apo Agua signed a ₱9.0 billion Omnibus Notes Facility and Security Agreement with a consortium of lender-banks, arranged by BPI Capital Corporation, to finance the construction phase of the DCBWSP.

In February 2019, physical construction commenced on major project sites such as the hydroelectric power plant and the water treatment plant, the intake facilities in Tamugan River and the raw water pipelines. At the start of 2020, Apo Agua commenced treated water pipeline works. A total of around 60 kms of pipes of varying sizes was expected to be laid down going to 8 off-take points of the DCWD. Although construction was suspended upon the declaration of Davao City's ECQ from April 4 to May 12, 2020, construction has now resumed with strict social distancing protocols in place.

Apo Agua is working proactively with its Engineering, Procurement, and Construction (EPC) contractor to ensure implementation of an aggressive recovery plan to ensure project completion in 2021.

LiMA Water Corporation (LWC)

LWC is the exclusive water and wastewater services provider in Lima Technology Park, one of the Philippines' largest industrial parks. LWC is currently building its capability to fully support the expansion plans of Lima Technology Center, which is expected to experience healthy growth in the coming years.

After three months of community quarantine, industrial locators have normalized their operations and consequently, water demand has increased to its usual level. Business continuity plan (BCP) is still in place to address the impact of COVID-19 and ensure the continuity of operations.

Aboitiz InfraCapital intends to use its current water portfolio (which also includes a 16% stake in Balibago Waterworks System, Inc.) as a strategic platform to build the Group's water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

Republic Cement and Building Materials, Inc. (RCBM)

Construction is among the industries affected by the COVID-19 crisis. Coming from a strong start in early 2020, construction activities in Luzon and some parts of Visayas and Mindanao stopped for two months during the ECQ lockdown.

Post-lockdown, construction activities have slowly resumed. Demand for bagged cement has restarted and is stabilizing but still below pre-COVID-19 levels. However, the bulk cement segment remains soft and slower than the same period last year, presumably constrained by stricter health protocols and limited transportation availability impacting construction workers.

Outlook for the remainder of the year is cautiously optimistic. The Government has announced that accelerating the Build, Build, Build program is one of the priority measures being undertaken to revive the economy. On the other hand, the shift of local and national Government budgets to healthcare as part of the war against the virus would likely impact public construction. Further, private construction will be affected by declining Overseas Filipino Workers (OFW) remittances and Business Process Outsourcing (BPO) revenues, increasing unemployment rate, decreasing disposable income and general sentiment to hold on to cash in order to bounce back from the crisis.

RCBM has put in place rigid post-ECQ procedures to mitigate against the spread of COVID-19. These include health screening, social distancing, sanitation of work areas and strict observance of PPE. Additionally, RCBM has put in place several cost cutting and cash optimization measures. RCBM remains focused on serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Production costs are anticipated to remain in control following the implementation of operational excellence initiatives.

The Infrastructure Group had initially budgeted ₱16.0 billion for capital expenditures in 2020 across all its businesses. In order to take into consideration the impact of COVID-19, the Infrastructure Group has cut its initial budget for capital expenditures by about 50%.

Land SBU

Aboitiz Land, Inc. (AboitizLand)

With its firm commitment to building and nurturing thriving communities, AboitizLand has geared to direct its focus in developing and expanding its current roster of projects to serve the needs of its residents more effectively. AboitizLand believes that its current developments have been designed with the capability to weather the effects of any complexities that the industry will face, including the current issues affecting the country.

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

Furthermore, AboitizLand aims to continuously build up on the forward momentum of its industrial business through continuously expanding its business portfolio. Still keen to execute its growth strategy, AboitizLand looks to follow through on critical land banking activities to support its intent to further develop its industrial zone and capitalize on emerging market opportunities.

AboitizLand had initially budgeted ₱11.0 billion for capital expenditures in 2020. In order to take into consideration the impact of COVID-19, AboitizLand has cut its initial budget for capital expenditures by about 60%.

REVIEW OF JAN-DEC 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**	**60,157,195**
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 Increase (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	**65,966,411**	**46,424,663**
	DECEMBER 31, 2020	**DECEMBER 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 bn, 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 mn compared to ₱516 mn of non-recurring gains recorded in 2019. Without these one-off losses, the Group's core net income for 2020 was ₱15.9 bn, 26% lower YoY. AEV recorded a 4% decrease in consolidated EBITDA for 2020 compared to 2019, from ₱60.2 bn to ₱57.7 bn.

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 2020 compared to 2019.

Revenues

Sale of Power

The Group's revenue from sale of power by Power Group decreased by 12% or ₱14.7 bn, from ₱124.6 bn in 2019 to ₱109.9 bn 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 bn, from ₱69.6 bn in 2019 to ₱71.3 bn 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 bn, from ₱4.1 bn in 2019 to ₱3.5 bn 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 bn, from ₱2.8 bn in 2019 to ₱2.0 bn 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 bn, from ₱71.4 bn in 2019 to ₱54.9 bn 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 bn, from ₱61.2 bn in 2019 to ₱61.5 bn 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 bn, from ₱33.5 bn in 2019 to ₱37.0 bn 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 bn, from ₱2.4 bn in 2019 to ₱1.8 bn 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 bn, from ₱32.7 bn in 2019 to ₱31.5 bn in 2020.

Income Before Income Tax

The Group's income before income tax decreased by 17% or ₱5.8 bn, from ₱34.2 bn in 2019 to ₱28.4 bn 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 bn, from ₱22.0 bn in 2019 to ₱15.4 bn in 2020.

Net income attributable to non-controlling interests for 2020 decreased to ₱5.4 bn from ₱7.4 bn 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 Group's SBUs for 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 bn, a 27% decrease from ₱13.3 bn 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 bn in 2019 to ₱9.2 bn 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 bn in 2019 to ₱2.7 bn 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 bn 2019 to ₱5.9 bn 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 bn, 29% higher YoY, while non-interest income was ₱13.4 bn, 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 bn in 2020, compared to ₱1.6 bn in 2019.

During 2020, the Food Group's Philippine Subsidiaries reported a net income of ₱1.2 bn, a 46% increase compared to ₱0.8 bn 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 bn 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 mn, a 64% decrease from ₱943 mn 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 mn in 2020, compared to ₱483 mn in 2019. The decrease was mainly due to the lower contribution of the Republic Cement Group from ₱612 mn in 2019 to ₱590 mn 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 quarantines.

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 bn, due to the following:

- Cash & Cash Equivalents increased by 42% (₱66.0 bn as of December 31, 2020 compared to ₱46.4 bn 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 bn as of December 31, 2020 compared to ₱37.6 bn as of December 31, 2019) mainly due to increased receivables of the Real Estate Group.
- Land and improvements increased by 18% (₱3.0 bn as of December 31, 2020 compared to ₱2.6 bn 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 bn (₱145.4 bn as of December 31, 2020 compared to ₱140.4 bn as of December 31, 2019) mainly due to AboitizPower's ₱2.3 bn additional infusion into GNPower Dinginin Ltd. Co., AboitizLand's ₱430 mn infusion into Cebu Homegrown Developers, Inc., and the recording of ₱9.0 bn share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱5.7 bn dividends from Associates and Joint Ventures and ₱1.0 bn other comprehensive losses during the period.

The above increases were offset by the following decreases:

- Property Plant and Equipment (PPE) decreased by ₱6.0 bn mainly due to ₱10.6 bn 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 bn as of December 31, 2020 compared to ₱3.1 bn 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 bn due to the following:

- Bank loans increased by 14% (₱29.3 bn as of December 31, 2020 compared to ₱25.7 bn 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 bn as of December 31, 2020 compared to ₱239.6 bn as of December 31, 2019) mainly due to the following: (i) issuance of US dollar bonds by AEV International Pte. Ltd. equivalent to ₱20.4bn, (ii) issuance of retail bonds by AboitizPower amounting to ₱9.6 bn, (iii) availment of ₱10.0 bn long term debt and issuance of ₱7.6 bn retail bonds by AEV, and (iv) additional ₱3.0 bn 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 mn as of December 31, 2020 compared to ₱199 mn as of December 31, 2019) as regular annual payments were made.
- Lease liabilities, which includes current and noncurrent portions, decreased by 12% (₱39.8 bn as of December 31, 2020 compared to ₱45.3 bn 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 bn as of December 31, 2020 compared to ₱43.6 bn 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 bn as of December 31, 2019 to ₱1.0 bn 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 bn as of December 31, 2019 to ₱2.0 bn 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 bn as of December 31, 2019 to ₱5.0 bn 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 bn as of December 31, 2020 compared to ₱2.6 bn 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 bn from ₱176.5 bn to ₱183.1 bn, due to ₱15.4 bn net income recorded during the year. These are partly offset by the following:

- ₱7.3 bn cash dividends paid during the first half of 2020;

- ₱1.5 bn 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 bn to ₱36.2 bn. 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 bn net cash was used in investing activities compared to ₱39.9 bn 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 bn for 2020 compared to ₱15.6 bn 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 bn as of year-end 2019 to ₱66.0 bn 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 (KPI)
(Amounts in thousands except financial ratio data)

	JAN-DEC 2019	JAN-DEC 2018
EQUITY IN NET EARNINGS OF INVESTEES	₱11,502,090	₱7,727,663
EBITDA	60,157,195	60,653,429
CASH FLOW GENERATED:		
Net cash flows from operating activities	42,757,046	38,417,349
Net cash flows used in investing activities	(39,883,146)	(30,762,254)
Net cash flows used in financing activities	(15,617,585)	(13,223,356)
Net 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.

MANAGEMENT

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board. The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The Company currently has nine directors, three of whom are Independent Directors, five are Non- Executive, and one Executive. Below is the profile of each director for 2021-2022 with their corresponding positions, offices and business experience held for the past five (5) years. The directors were elected during AEV's 2021 ASM to serve for a term of one year.

ENRIQUE M. ABOITIZ Chairman – Board Age: 66 Citizenship: Filipino Committee Memberships: Chairman -Board Risk and Reputation Management Committee Member -Board Corporate Governance Committee - Board Executive Committee Date of First Appointment: May 10, 1999 Tenure: 21 years	***Mr. Enrique M. Aboitiz*** was appointed Chairman of the Board on December 11, 2018. He has served as Director of the Company since May 9, 1994, and has been Chairman of the Board Risk and Reputation Management Committee since February 11, 2009, member of the Board ESCG Committee since December 11, 2018, the Executive Committee since May 21, 2018, and the Board Cybersecurity Committee since 26 May 2021. He was also a member of the Board Audit Committee from December 11, 2018 to January 30, 2019. He also served as the Vice Chairman of the Board of Directors of Aboitiz Power Corporation, a publicly-listed company, until 31 December 2019, and is currently Vice-Chairman of ACO. Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any Government agency or instrumentality.
MIKEL A. ABOITIZ Vice Chairman – Board Age: 65 Citizenship: Filipino Committee Memberships: *Member* - Board Risk and Reputation Management Committee - Board Executive Committee Date of First Appointment: May 15, 2017 Tenure: 3 years	***Mr. Mikel A. Aboitiz*** was appointed Vice Chairman of the Board of Directors on December 11, 2018, and has served as Director since May 15, 2017. He is also a member of the Executive Committee since May 21, 2018 and of the Board Risk and Reputation Management Committee since December 11, 2018. Mr. Aboitiz has served as Senior Vice President of the Company from 2004 to 2015, a member of the Company's Board Audit Committee and Board ESCG Committee, positions which he held from May 2017 to 31 December 2019. Mr. Aboitiz has been Director of Aboitiz Power Corporation, a publicly-listed company, since February 13, 1998, and was appointed as its Vice Chairman of the Board of Directors on January 1, 2020. He was formerly Vice Chairman of City Savings Bank, Inc. from 2015 to 2016, and its President and Chief Executive Officer from 2001 to 2014. He is currently Chairman of the Board of ACO; and Trustee and Chairman of Ramon Aboitiz Foundation, Inc Mr. Aboitiz holds a degree in Bachelor of Science in Business Administration from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any Government agency or instrumentality.

ERRAMON I. ABOITIZ Director Age:64 Citizenship: Filipino Committee Memberships: *Member* – Executive Committee - Board Audit Committee - Board Risk and Reputation Management Committee Date of First Appointment: May 9, 1994 Tenure: 26 years	***Mr. Erramon I. Aboitiz*** has been a Director of the Company since May 9, 1994, a member of the Board Risk and Reputation Management Committee since May 18, 2015, a member of the Board Audit Committee since January 1, 2020, and was Chairman of the Executive Committee from May 21, 2018 to December 31, 2019 and its Vice Chairman since January 1, 2020. He served as President and Chief Executive Officer of the Company from January 5, 2009 to December 31, 2019, and Executive Vice President and Chief Operating Officer of the Company from 1994 to December 2008. Mr. Aboitiz is also the Chairman of the Board of Directors of Aboitiz Power Corporation and Union Bank of the Philippines ("UnionBank"), both publicly-listed companies, and Manila-Oslo Renewable Enterprise, Inc. He is a Director of ACO, and Trustee of the Philippine Disaster Recovery Foundation and the Asian Institute of Management. Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year, both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any Government agency or instrumentality.
SABIN M. ABOITIZ Director / President and Chief Executive Officer Age: 56 Citizenship: Filipino Committee Memberships: *Chairman* – Executive Committee *Member* – Board Environmental, Social, and Corporate Governance Committee - Board Risk and Reputation Management Committee Date of First Appointment: May 21, 2018 Tenure: 2 years	***Mr. Sabin M. Aboitiz*** was elected Director of the Company and appointed member of the Board Risk and Reputation Management Committee on 21 May 2018. He has been the Company's President and Chief Executive Officer, Chairman of the Board Executive Committee, and member of the Board ESCG Committee since January 1, 2020. He was previously appointed as the Company's First Vice President from May 2014 to May 2015, Senior Vice President from May to December 2015, and Executive Vice President and Chief Operating Officer from December 2015 to December 2019. Mr.Aboitiz is currently the (i) Chairman of Aboitiz Foundation, Inc., Aboitiz InfraCapital, Inc, Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Gold Coin Management Holdings, Ltd., CRH Aboitiz Holdings, Inc., SN Aboitiz Power-Benguet, Inc., Republic Cement Services, Inc. Filagri Holdings, Inc.; (ii) Director and President of ACO, AEV CRH Holdings, Inc., and AEV Aviation; and (ii) Director of UnionBank, a publicly-listed company, ACO Capital Ltd., Republic Cement & Building Materials, Inc., Metaphil, Inc., Apo Agua Infrastructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., Aboitiz Impact Ventures, Inc., Aboitiz Airports Advisory Services Corporation, AboitizPower International Pte. Ltd., Archipelago Insurance Pte. Ltd., and AEV International Pte. Ltd. Mr. Aboitiz is also a member of the Business Advisory Council of the Asia-Pacific Economic Cooperation.

	He holds a degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any Government agency or instrumentality.
ANA MARIA A. DELGADO Director Age:40 Citizenship: Filipino Committee Memberships: *Member* – Board Audit Committee Date of First Appointment: December 11, 2018 Tenure: 2 years	***Ms. Ana Maria A. Delgado*** was elected Director of the Company on December 11, 2018, and has been a member of the Board Audit Committee since January 28, 2020. She also holds the position of Executive Vice President, Chief Digital Channels Officer and Chief Customer Experience Officer of Unionbank, a publicly-listed company. Ms. Delgado has served UnionBank in various positions: as a Product Manager under the Retail Banking Center, SME Banking Business Head, Cards Business Head and Consumer Finance Center Head. Prior to joining UnionBank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008. Ms. Delgado is currently a Director of Aboitiz Infracapital, Inc., Aboitiz Land, Inc., CitySavings Bank Inc. and Non-Executive Director of Singapore Life (Philippines), Inc. Ms. Delgado graduated with a Bachelor of Arts degree in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any Government agency or instrumentality.
JUSTO A. ORTIZ Non -Executive Director Age: 40 years old Citizenship: Filipino Committee Memberships: Chairman - Board Cybersecurity Committee Member - Board Executive Committee Date of First Appointment: May 9, 1994 Tenure: 23 years (until 2017)	***Mr. Justo A. Ortiz*** has served as Director of AEV from 1994 to 2017, and a member of the Board Audit Committee from 2006 to 2017 and the Board Risk and Reputation Management Committee from 2009 to 2017. He was elected again as Director and appointed as Chairman of the Board Cybersecurity Committee and member of the Board Executive Committee on April 26, 2021. He is currently the Vice Chairman of UnionBank, a publicly-listed company, and has served as its Chairman and Chief Executive Officer from 1993 to 2017. He is also the Chairman and/or Director of various Subsidiaries of UnionBank: PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation, UBX Philippines Corporation. Mr. Ortiz is also the Chairman of the Board of Philippine Payments Management, Inc., Fintech Philippines Association, Inc. and Distributed Ledger Technology Association of the Philippines, Inc. Director of the Concepcion Industrial Corporation. He is a Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Makati Business Club and World Presidents Organization. Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas as he was conferred a Doctor of Humanities degree, Honoris Causa in 2015. He graduated Magna Cum Laude with a degree in the

	Economics Honors Program from Ateneo de Manila University. He is not connected with any Government agency or instrumentality.
ROMEO L. BERNARDO Lead Independent Director Age: 66 Citizenship: Filipino Committee Memberships: Chairman - Board Environmental, Social, and Corporate Governance Committee - Board Related Party Transactions Committee Member - Board Audit Committee - Board Risk and Reputation Management Committee Date of First Appointment: April 26, 2021 Tenure: 0 years	***Mr. Romeo L. Bernardo*** was elected Independent Director of the Company on April 26, 2021. He was appointed as Lead Independent Director; Chairman of the Board Environmental, Social, and Corporate Governance Committee and Related Party Transactions Committee; and Member of the Board Audit Committee and Board Risk and Reputation Management Committee on April 26, 2021. Prior to joining the Company, Mr. Bernardo was elected Lead Independent Director of Aboitiz Power Corporation, a publicly-listed company, on May 15, 2017, and has been its Independent Director since May 19, 2008. He is the Managing Director of Lazaro Bernardo Tiu and Associates, a boutique financial advisory firm based in Manila. He is also an economist of GlobalSource in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund. He is a Director of the following publicly-listed corporations: Globe Telecom, Inc. and Bank of the Philippine Islands, and Independent Director of RFM Corporation and PHINMA, Inc. He is also currently affiliated in various capacities with the Foundation for Economic Freedom, Management Association of the Philippines, FINEX Foundation, and World Bank Philippine Advisory Group. Mr. Bernardo previously served as Undersecretary for International Finance of the Department of Finance, and as Alternate Executive Director of the Asian Development Bank. He has held various positions in the Government, including the National Power Corporation ("NPC") and Philippine National Bank. He was a member of the Board of Trustees of the Philippine Institute for Development Studies from October 2005 until March 2016. He was an Advisor of the World Bank and the International Monetary Fund, and served as Deputy Chief of the Philippine Delegation to the General Agreement on Tariffs and Trade (World Trade Organization) in 1979. In the same year, he was Finance Attaché of the Philippine Mission to the United Nations in Geneva, Switzerland. He was formerly President of the Philippine Economics Society, Chairman of the Federation of ASEAN Economic Societies, and a faculty of the College of Business Administration of the University of the Philippines. Mr. Bernardo holds a Bachelor of Science degree in Business Economics from the University of the Philippines (magna cum laude) and a Master's degree in Development Economics from Williams College in Williamstown, Massachusetts, U.S.A. where he graduated top of the class. He is not connected with any Government agency or instrumentality.
JOANNE G. DE ASIS Independent Director Age: 70 years old	Ms. Joanne G. De Asis was elected as Independent Director of the Company and appointed as member of the Board Risk and Reputation Management Committee, Board Environmental, Social, and Corporate Governance

Citizenship: Filipino Committee Memberships: Member - Board Audit Committee - Board Risk and Reputation Management Committee - Board Environmental, Social, and Corporate Governance Committee - Board Related Party Transactions Committee - Board Cybersecurity Committee Date of First Appointment: April 26, 2021 Tenure: 0 years	Committee, Board Related Party Transactions Committee, and Board Cybersecurity Committee on April 26, 2021 Ms. De Asis is Senior Adviser for Morgan Stanley & Co. ("Morgan Stanley"), an American multinational investment bank and financial services company listed at the New York Stock Exchange. Since she joined Morgan Stanley in 1977, Ms. De Asis rose through the ranks as she worked at the New York and London offices where she was involved in various cross-border strategic alliances, capital markets, and investment banking deals focusing on Asia and Pacific Regions. She was asked back in 2005 as Managing Director at Morgan Stanley, New York. In later years, she was instrumental in setting up the Morgan Stanley business in the Philippines and continues to run it via offices in Hongkong and Singapore. Ms. De Asis is the Founder and Chairman of Globe Capital Partners LLC, a New York-based boutique investment and private equity bank, since 1998. She sits on several advisory boards, locally and globally, including International Institute for Strategic Studies in London; Annenberg Foundation Trust at Sunnylands in California; and Walton's Crystal Bridges Museum in Arkansas; World Economy Council at the Aspen Institute, Colorado; and the Business Advisory Council of the Asia-Pacific Economic Cooperation. Ms. De Asis served as Advisor to the Treasury Department of the Bangko Sentral ng Pilipinas from 1984 to 1985; Director of Dillon Read & Company based in New York from 1986 to 1988; and Managing Director of Credit Suisse First Boston based in New York from 1989 to 1998. In 1999, she was chosen to be Grand Marshall, with then-Mayor Rudy Giuliani, in the tri-state area representing Filipinos. She was Chairman of the Philippine-American Chamber of Commerce in New York City. Ms. De Asis obtained her degree in Bachelor of Arts, Major in Communication Arts, from Maryknoll College, and Master of Business Administration from Columbia University in New York, U.S.A. She also completed the Executive Management Program from Stanford University in Palo Alto California, U.S.A. She is an Independent Director of Easycall Communications Philippines, Inc., a publicly-listed company. She is not connected with any Government agency or instrumentality.
MANUEL R. SALAK III Independent Director Age: 61 Citizenship: Filipino Committee Memberships: *Chairman* – Board Audit Committee *Member* – Board Related Party Transactions Committee	***Mr. Manuel R. Salak III*** was elected Independent Director of the Company and appointed member of the Board Risk and Reputation Management Committee, Board Environmental, Social, and Corporate Governance Committee, Board Related Party Transactions Committee, and Board Audit Committee onMay 21, 2018. He was Chairman of the Board Related Party Transactions Committee from May 21, 2018 to April 26, 2021. He was appointed as the Chairman of the Board Audit Committee on April 26, 2021. Mr. Salak is the Founder and Managing Director of AlphaPrimus Advisors Inc., a Philippine-based firm providing advice on mergers and acquisitions and capital

– Board Risk and Reputation Management Committee - Board Enviromental, Social, and Corporate Governance Committee Date of First Appointment: May 21, 2018 Tenure: 2 years	raising activities for Philippine and Philippine-based clients. Mr. Salak is an adviser for special projects at the Asian Institute of Management and is a board director of the Ateneo Center for Economic Research Department. He is an Independent Director of Maxicare Philippines and a Trustee of World Surgical Foundation Philippines. Mr. Salak previously served as (i) Managing Director, Head of Asia for Clients Coverage and Corporate Finance – ING Bank N.V., based in Singapore and covering 14 countries from 2008 to 2017; (ii) Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2008; and (iii) Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000. Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master's degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the Institut Européen d' Administration des Affaires ("INSEAD") Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School, U.S.A He is not a director of any other publicly-listed company. He is not connected with any Government agency or instrumentality

Officers for 2020–2021

Below is a list of AEV officers for 2020–2021 with their corresponding positions and offices held for the past five years. Unless otherwise indicated, the officers assumed their positions during AEV's organizational meeting in 2020 for a term of one year.

ENRIQUE M. ABOITIZ Chairman – Board of Directors	Refer the profile of Mr. Enrique M. Aboitiz.
MIKEL A. ABOITIZ Vice Chairman - Board of Directors	Refer to the profile of Mr. Mikel A. Aboitiz.
SABIN M. ABOITIZ Director / President and Chief Executive Officer	Refer to It the profile of Mr. Sabin M. Aboitiz.
MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer Ex-officio Member - Board Risk and Reputation Management Committee Ex-officio Member - Executive Committee Age: 50 years old Citizenship: Filipino	Mr. Manuel R. Lozano has been Senior Vice President, Chief Financial Officer and Chief Corporate Information Officer of the Company since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015, and of the Executive Committee since May 21, 2018. Mr. Lozano holds various positions within the Aboitiz Group. He is currently the (i) Chairman of the Board and Chief Executive Officer of Lima Water Corporation; (ii) Treasurer of Aboitiz Construction, Inc., Aboitiz Construction International, Inc., CRH Aboitiz Holdings, Inc., DDLS Aboitiz Inc., and Metaphil, Inc.; (iii) Chief Financial Officer and

	Treasurer of Apo Agua Infrastructura, Inc; (iv) Trustee and Treasurer of Aboitiz Foundation; (v) Director and Treasurer of Aboitiz InfraCapital, Inc., Aboitiz Airports Advisory Services Corporation, AEV CRH Holdings, Inc., AEV Properties, Inc., Seateach Incorporated Aboitiz Impact Ventures, Inc.; (vi) Director and Vice President of AEV Aviation; (vii) Director of Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, Republic Cement and Building Materials, Inc., Union Bank of the Philippines, Cebu Praedia Development Corporation, AEV International Pte Ltd., Archipelago Insurance Pte Ltd.; and (viii) Alternate Director of Pilmico International Pte. Ltd. (Pilmico International), Pilmico Aqua Pte. Ltd. and AboitizPower International. Mr. Lozano was First Vice President, Chief Financial Officer and Corporate Information Officer of AboitizPower from 2014 to 2015; and was First Vice President – Chief Financial Officer of AboitizPower Generation from 2008 to 2013. Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly- listed company, focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance and Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming and CLSA. He earned his Bachelor of Science in Business Administration degree from the University of the Philippines – Diliman and his Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any Government agency or instrumentality.
SUSAN V. VALDEZ Senior Vice President and Chief Corporate Services Officer *Ex-officio* Member - Board ESCG Committee Age: 60 years old Citizenship: Filipino	***Ms. Susan V. Valdez*** has been AEV's Chief Corporate Services Officer since January 2, 2020, and concurrently Chief Human Resource Officer of AEV. She is currently an Ex-Officio member of the Company's Board ESCG Committee, and Board of Trustee of Aboitiz Foundation, Inc. Ms. Valdez has held various executive positions in AEV for the past nine years: as Senior Vice President and Chief Corporate Services Officer, Chief Reputation and Risk Management Officer, and Chief Reputation Officer. Before joining AEV in September 2011, she held various executive positions for 15 years in Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc., a publicly-listed company): as Chief Finance Officer, Chief Information Officer, and Chief Operating Officer of its freight and supply chain business units. Ms. Valdez is a Certified Public Accountant. She graduatedcumlaudewithadegreein Bachelorof Science in Commerce, majoring in Accounting from St. Theresa's College. She earned her Master's degree in Business Management from the University of the Philippines, and

	completed the Management Development Program at Harvard Business School, U.S.A. She is not connected with any Government agency or instrumentality. She is not a director of any publicly-listed company.
MANUEL ALBERTO R. COLAYCO Senior Vice President - Chief Legal and Compliance Officer/ Corporate Secretary *Ex-officio* Member - Board ESCG Committee Age: 51 years old Citizenship: Filipino	***Mr. Manuel Alberto R. Colayco*** was appointed as the Company's Corporate Secretary and Chief Compliance Officer on March 1, 2018. Concurrently, he has been Senior Vice President and Chief Legal Officer of the Company since October 1, 2019, and Corporate Secretary of AboitizPower since March 1, 2018. Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher &Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc& De Los Angeles from 1996 to 2000. Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University, and a Master of Laws degree from the New York University School of Law, U.S.A. He is a member in good standing of the Integrated Bar of the Philippines and the New York State Bar. He is not connected with any Government agency or instrumentality. He is also not a director of any publicly listed company.
MARIA VERONICA C. SO First Vice President - Group Treasurer Age: 48 years old Citizenship: Filipino	***Ms. Maria Veronica C. So*** has been the Company's First Vice President – Group Treasurer since January 1, 2020. She joined the Company as Vice President – Treasury Services in 2017 and was promoted to First Vice President – Deputy Group Treasurer under Treasury Services Group on 1 April 2019. She is also Group Treasurer of AboitizPower, a publicly listed company, since January 1, 2020. Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017. Ms. So holds a Masters degree in Business Management from the Asian Institute of Management and a Bachelor of Science degree in Business Management from the Ateneo de Manila University. She is not connected with any Government agency or instrumentality. She is not a director of any publicly-listed company.
SANTANINA APOLINARIA B. CASTRO First Vice President – Risk Management *Ex-officio* - Board Risk and Reputation Management Committee	***Ms. Santanina Apolinaria B. Castro*** has been the Company's First Vice President – Risk Management since January 1, 2020 and performs the functions of the Company's Chief Risk Officer. Ms. Castro first joined the Aboitiz Group as Assistant Vice

Age: 45 years old Citizenship: Filipino	President for Business Development of Pilmico Foods Corporation in 2011. She became Vice President for Corporate Strategy and Business Development of Pilmico Foods from 2017 and 2019 prior moving to the Company. Prior to joining the Aboitiz Group, she was Corporate Planning Manager of ABS-CBN Corporation from 2007 to 2011, Senior Planning Analyst at San Miguel Purefoods Company from 2002 to 2007, and Senior Associate at Arthur Andersen (SGV & Co) – Corporate Finance from 1996 to 2002. She holds a Masters degree in Business Administration from the University of the Philippines (Diliman) and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University. She is not connected with any Government agency or instrumentality. She is not a director of any publicly-listed company.
MARIA LOURDES Y. TANATE Vice President - Group Internal Audit Head Age: 55 years old Citizenship: Filipino	***Ms. Maria Lourdes Y. Tanate*** has been Vice President and Group Internal Audit Head of AEV since January 2016. She joined the Company in November 2011. Prior to joining the Company, Ms. Tanate was Chief Audit Executive of ATS Consolidated ("ATSC"), Inc. (formerly Aboitiz Transport System (ATSC) Corporation) (now 2GO Group, Inc., a publicly-listed company). She also served as Assistant Vice President for Finance and Senior Manager of ATS. She has extensive experience in internal audit, financial and investment analysis, and corporate finance, with focus on budgeting, financial planning, and control. Ms. Tanate graduated cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman) and subsequently obtained her Masters in Business Administration from the same school. She earned her Master's in Engineering and Technology Management from the University of Queensland, Australia. She is not connected with any Government agency or instrumentality. She is also not a director of any publicly-listed company.
CHRISTINE C. KEMPENEERS Data Privacy Officer Age: 32 years old Citizenship: Filipino	***Ms. Christine C. Kempeneers*** was appointed as AEV's Data Privacy Officer on August 1, 2020. She is currently the Company's Assistant Vice President for Risk Management since April 1, 2019. Ms. Kempeneers held various positions within the Aboitiz Group. She was a Risk Manager for the Risk Management Team of AEV from August 2017 to March 2019. She was Project Manager of Aboitiz InfraCapital, Inc., the AEV's infrastructure Strategic Business Unit, from January 2016 to July 2017. Prior to joining the Aboitiz Group, Ms. Kempeneers was a Management Associate at Citibank in 2015, and a Management Trainee – Manager at Union Bank of the Philippines from 2010 to 2013. Ms. Kempeneers holds a Master of Business Administration, Major in Finance (with Distinction) from the Asian Institute of Management. She obtained her Bachelor of Arts Degree in European Studies, International Business Track from the Ateneo de Manila University. Ms. Kempeneersisa PARIMA-ANZIIFCertified Risk Professional, a Crisis Management Certified Expert from the BCM Institute, holds a Certification from the Business Continuity

	Institute, and a Certification from TUV Rheiland as Data Protection Officer. Ms. Kempeneers is not connected with any Government agency or instrumentality. She is not a director of any publicly-listed company.
MAILENE M. DE LA TORRE Assistant Vice President - Assistant Corporate Secretary Age: 39 years old Citizenship: Filipino	***Ms. Mailene M. de la Torre*** was appointed Assistant Corporate Secretary on November 24, 2016 and Assistant Vice President – Governance and Compliance of the Company effective January 1, 2018. She was previously Senior Associate General Counsel for Governance and Compliance of the Company beginning in November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group. She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment to that role on November 24, 2016. Ms. de la Torre has experience in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member in good standing of the Integrated Bar of the Philippines. She is not connected with any Government agency or instrumentality. She is not a director of a publicly-listed company.
SAMMY DAVE A. SANTOS Assistant Corporate Secretary Age: 36 years old Citizenship: Filipino	Mr. Sammy Dave A. Santos has been Assistant Corporate Secretary since November 5, 2019. He joined the Company as Associate General Counsel for the Governance and Compliance Team in 2017. He is also Assistant Corporate Secretary of AboitizPower, a publicly-listed company, a position he has held since November 5, 2019. Mr. Santos is Corporate Secretary of various Subsidiaries of the Aboitiz Group, and Assistant Corporate Secretary of the Good Governance Advocates and Practitioners of the Philippines. Prior to joining the Aboitiz Group, he was Legal Counsel for Alliance Select Foods International, Inc., a publicly-listed company, from 2016 to 2017. He was also Counsel for the Privatization Group and Office of Special Concerns of the Department of Finance in 2016. He was a Junior Associate at the Law Firm of Quiason Makalintal Barot Torres Ibarra Sison & Damaso from 2014 to 2016. Mr. Santos holds a Juris Doctor degree from the Ateneo Law School in 2013. He also holds a degree of Master of Science in Industrial Economics from the University of Asia and the Pacific. He is a member in good standing of the integrated Bar of the Philippines. He is not connected with any Government agency or instrumentality. He is not a director of a publicly-listed company.

PERIOD IN WHICH THE DIRECTORS SHOULD SERVE

The directors shall serve for a period of one year.

TERM OF OFFICE OF A DIRECTOR

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

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

SIGNIFICANT EMPLOYEES

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

FAMILY RELATIONSHIPS

Messrs. Erramon, Enrique, and Sabin Aboitiz, are brothers. Mr. Mikel A. Aboitiz is the uncle of Ms. Ana Maria A. Delgado. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS AS OF APRIL 30, 2021

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or Government agency in the Philippines or elsewhere for the past five years until April 30, 2021, which would put to question his/her ability and integrity to serve AEV and its stockholders.

CORPORATE GOVERNANCE

The following section discusses updates to Corporate Governance after the most recent date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations" and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement, the Prospectus, and all preceding offer supplements.

The year 2020 marks a historic milestone for the Aboitiz Group with the 100th anniversary of the incorporation of AEV's parent company, ACO. It is also a testament to the Aboitiz Group's unwavering commitment to the practice of sound corporate governance as it faced the challenges of an unprecedented global pandemic, head- on.

At the helm of corporate governance practices in AEV is the Board, which is committed to providing a strategic roadmap towards long-term growth, competitiveness, and building a sustainable enterprise that will continue for another 100 years. With the greater conviction to their role of providing leadership and stewardship to the Company, the AEV Board continued to discharge its duties and responsibilities. Board and committee activities remained business as usual.

Notable accomplishments of the AEV Board for 2020 are as follows:

- Reviewed and affirmed the appropriateness of the Group's purpose and brand promise in addressing the challenges of a global pandemic.
- Reviewed and aligned the Group's short-term and long-term business strategies in response to the impact of COVID-19.
- Reviewed and ensured the sufficiency of the internal controls system and enterprise risk management framework of AEV.
- Reviewed and approved the key amendments to the Articles of Incorporation and By-Laws of AEV.
- Authorized and held the first Virtual Annual Stockholders' Meeting for AEV.
- Approved amendments to the Revised Manual, Board and Committee Charters, and to the Group-wide Data Privacy Policy.
- Established an integrated governance structure to strengthen, promote, monitor, implement, and communicate the Group's ESG-related programs and initiatives.
- Conducted regular virtual learning sessions to strengthen the continuous learning program for the the Company's directors and officers.
- Conducted its annual Board Assessment with the assistance of a third-party facilitator.

BOARD RESPONSIBILITY

Board of Directors

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 2020, the AEV Board had three Independent Directors, five Non-Executive Directors, and one Executive Director. The Chairman of the AEV Board, Mr. Endika 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. The AEV Board appointed Mr. Raphael P.M. Lotilla as Lead Independent Director, a highly qualified professional who is familiar with the operations of AEV, and the industries it does business in. Mr. Lotillla is the Chairman of the ESCG Committee (the functions as the Nomination and Selection Committee) to ensure an independent and transparent nomination, selection, election, and performance assessment process of the Board.

Board Performance

The Board conducts an annual performance assessment of its members and key officers. Each Board member conducts (i) a self-assessment of his/her individual performance as a member of the Board and Board Committees, (ii) a collective performance assessment of the AEV Board and Board Committees, and (iii) an assessment of the performance of the Company's Chairman of the Board, Chief Executive Officer, Group Internal Audit Head, Chief Risk Officer, and the Chief Compliance Officer. In turn, select key officers of AEV are anonymously asked to evaluate the performance of each AEV Director.

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 at the ESCG Committee meetings on February 16, 2021.

Board's Participation

In 2020, the Board held eight meetings (Board and Annual Stockholders Meeting). Board and Board Committees also met in various occasions in the performance of their mandate as indicated in the Revised Manual and relevant Board Charters. Below is a summary of the attendance of the Directors:

ABOITIZ EQUITY VENTURES INC.							
	ASM	Board of Directors/ ORG	Executive Committee	ESCG Committee	Risk & Reputation Management Committee	Audit Committee	RPT Committee
Number of Meetings	1	7	5	2	2	5	2
Enrique M. Aboitiz	C 1/1	C 7/7	M 5/5	M 2/2	C 2/2	-	-
Mikel A. Aboitiz	VC 1/1	VC 5/7	M 2/5	-	M 2/2	-	-
Erramon I. Aboitiz	M 1/1	M 7/7	M 5/5	-	M 2/2	M 5/5	-
Sabin M. Aboitiz	M 1/1	M 7/7	C 5/5	M 2/2	M 2/2	-	-
Ana Maria A. Delgado	M 1/1	M 7/7	-	-		M 5/5	-

ABOITIZ EQUITY VENTURES INC.							
	ASM	Board of Directors / ORG	Executive Committee	ESCG Committee	Risk & Reputation Management Committee	Audit Committee	RPT Committee
Edwin R. Bautista*	M 1/1	M 7/7	M 5/5	-		-	-
Raphael P.M. Lotilla*	M 1/1	M 7/7	-	C 2/2	M 2/2	M 5/5	M 2/2
Jose C. Vitug*	M 1/1	M 7/7	-	M 2/2	M 2/2	C 5/5	M 2/2
Manuel R. Salak III	M 1/1	M 7/7	-	M 2/2	M 2/2	M 5/5	C 2/2

Legend:
C- Chairman; VC – Vice Chairman; M – Member

- *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 Committees

The different Board committees - Audit, Corporate Governance (now ESCG), 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 2020, 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 2020, the ESCG Committee continued to (i) review and monitor the Company's compliance with new laws and regulations (the Revised Corporation Code, various SEC and BIR issuances, among others), (ii) 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 (iii) ensure that the nomination, selection, election, remuneration, and assessment of each Company's Directors and Officers are aligned with the Manual. In the same year, the ESCG Committee amended the Manual and Charters to establish a Board oversight and governance framework to promote and integrate the sustainability and corporate governance initiatives of AEV.

b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise the majority of the members of the Board Audit Committee, including its Chairman. In 2020, 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 2020, the Board Risk and Reputation Committee updated its charter to continually identify, monitor, and manage the Group's top risks.

d. The **Board Related Party Transaction (RPT) Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its Subsidiaries, Affiliates, directors and officers. In 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.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2019 IACGR and Integrated Annual Corporate Governance Report, which will be available at www.aboitiz.com.

EXECUTIVE COMPENSATION

The following section discusses updates to the Executive Compensation after the most recent date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations" and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

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

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS **1. SABIN M. ABOITIZ** President and Chief Executive Officer **2. MANUEL R. LOZANO** Senior Vice President and Chief Financial Officer/Corporate Information Officer **3. SUSAN V. VALDEZ** Senior Vice President and Chief Corporate Services Officer **4. MARIA VERONICA C. SO** First Vice President – Group Treasurer **5. MANUEL ALBERTO R. COLAYCO** Senior Vice President – Chief Legal and Compliance Officer/Corporate Secretary				
All above named officers as a group	**Actual 2020**	**₱124,827,093.00**	**₱12,820,286.00**	**₱12,078,840.00**
	Actual 2019	₱127,938,123.00	₱16,249,280.00	₱15,697,222.00

	Projected 2021	**₱144,279,533.00**	**₱14,684,241.00**	**₱13,617,873.00**
All other directors and officers as a group unnamed	**Actual 2020**	**₱27,379,473.00**	**₱3,937,891.00**	**₱78,437,151.00**
	Actual 2019	₱139,201,104.00	₱17,479,740.00	₱39,845,400.00
	Projected 2021	**₱41,319,658.00**	**₱5,603,529.00**	**₱87,539,173.00**

Amended By-Laws of the Company as approved by the Securities and Exchange Commission ("SEC") on October 1, 2020 defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; the Chief Operating Officer; the Treasurer, the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board.

COMPENSATION OF DIRECTORS

Standard Arrangements

Each of the Company's directors receives a monthly allowance and per diem for every Board and Board Committee meetings attended, as follows:

	Directors	Chairman of the Board
Monthly Allowance*	₱150,000.00	₱200,000.00

	Type of Meeting	Directors / Committee Members	Chairman of the Board
Per Diem	Board Meeting	₱150,000.00*	₱225,000.00**
	Board Committee Meeting (except Audit Committee)	₱100,000.00*	₱150,000.00**
	Board Audit Committee	₱100,000.00*	₱200,000.00**

* Approved during the 2019 ASM on April 22, 2019 / ** Approved during the 2021 ASM on April 26, 2021

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2020 is as follows:

Name of Director	Total Compensation Received by Director[7]
ENRIQUE M. ABOITIZ *Chairman of the Board*	₱5,140,000.00

[7] *Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period January 1 to December 31, 2020.*

Name of Director	Total Compensation Received by Director[7]
MIKEL A. ABOITIZ *Vice Chairman of the Board*	₱3,050,000.00
ERRAMON I. ABOITIZ *Director*	₱4,200,000.00
SABIN M. ABOITIZ* *President and Chief Executive Officer*	₱4,150,000.00
ANA MARIA A. DELGADO* *Director*	₱3,500,000.00
EDWIN R. BAUTISTA* *Director*	₱3,600,000.00
RAPHAEL P.M. LOTILLA *Lead Independent Director*	₱5,160,000.00

**A portion of the director's compensation was paid to their nominating company.*

Note: 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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following section discusses updates to Security Ownership of Certain Beneficial Owners and Management after the most recent date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations" and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% OF THE VOTING SHARES) AS OF APRIL 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)**[8] 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**[9]**(Filipino)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers.[10]	Filipino	955,684,632 (Record)	16.97%
Common	3. **Ramon Aboitiz Foundation, Inc. (RAFI)** 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	**426,804,093** (Record and Beneficial)	7.58%
	4. PCD Nominee				

[8] 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.

[9] 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.

[10] 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 970,167,663 shares held by PCD Nominee Corporation (Filipino), at least 435,394,001 shares or 7.73% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

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	**Corporation[11](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.[12]	Non-Filipino	**358,778,723** (Record)	**6.37**%

SECURITY OWNERSHIP OF MANAGEMENT AS OF APRIL 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		0.21%
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%

[11]*Supra Note 10.*
[12]*Supra Note 11.*

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
Manuel Alberto R. Colayco Senior Vice President – Chief Legal Officer/Corporate Secretary/Chief Compliance Officer	Common	45,087	Direct	Filipino	0.00%
		19,630	Indirect		0.00%
Maria Veronica C. So First Vice President – Group Treasurer	Common	0	Direct	Filipino	0.00%
		9,617	Indirect		0.00%
Santanina Apolinaria B. Castro First Vice President – Risk Management	Common	0	Direct	Filipino	0.00%
		13,414	Indirect		0.00%
Christine C. Kempeneers Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Maria Lourdes Y. Tanate Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		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		229,539,666			4.08%

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

ACO and certain Associates are leasing office spaces from Cebu Praedia Development Corporation (CPDC), a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of one year.

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

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

A wholly-owned construction and steel fabrication Subsidiary of ACO renders its services to the Aboitiz Group for the construction of new power plants.

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

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest. Other than what has been discussed in this Definitive 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 the Company to ensure that potential conflicts of interest are determined and brought to the attention of management.

In 2020, AEV updated the Related Parties Certification for Directors and Officers in compliance with the Bureau of Internal Revenue Regulation ("BIR") 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, within market rates, and with sufficient documentation. Lastly, the RPT Committee ensured that RPTs falling below the SEC-defined materiality threshold are coursed through the appropriate levels of review, reporting, and/or approval process.

For detailed discussion of related party transactions, please refer to Note 35 of the Company's Consolidated Financial Statements.

DESCRIPTION OF DEBT

The following section discusses updates to the Description of Debt after the most recent date of the Prospectus and must be read in conjunction with the Prospectus. This section is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Offer Supplement. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Offer Supplement carefully, including the section entitled "Risk Factors and Other Considerations" and the audited consolidated financial statements and the related notes to those statements included in this Offer Supplement and the Prospectus.

AEV PHP 7.55 Billion Fixed Rate Bonds Due 2023 and 2025

On November 16, 2020, AEV issued fixed-rate bonds (the "2020 Bonds") in two series: (a) Series C 2020 Bonds, with a term of three (3) years from issue date, and (b) Series D 2020 Bonds, with a term of five (5) years from issue date. The Series C 2020 Bonds has a fixed interest rate of 2.8403 % per annum. On the other hand, the Series D 2020 Bonds has a fixed interest rate of 3.3059 % per annum and an optional redemption on the 3rd and 4th anniversary of the Issue Date of the Series D 2020 Bonds, and every quarter thereafter before the Maturity Date of such Series D 2020 Bonds. BDO Capital & Investment Corporation ("BDO Capital"), BPI Capital Corporation ("BPI Capital"), China Bank Capital Corporation ("China Bank Capital"), First Metro Investment Corporation ("First Metro"), and SB Capital Investment Corporation ("SB Capital") were appointed as joint issue managers, joint lead underwriters, and joint bookrunners (collectively, the "Joint Lead Underwriters") while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2020 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2020 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the Philippine Depository & Trust Corporation ("PDTC") as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

The Company is subject to the following negative covenants, among others:

a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:

    i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or

(iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;

iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

vi. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and

vii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;

b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2020 Bonds are current and updated;

c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2020 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

INDEPENDENT AUDITORS AND COUNSEL

LEGAL MATTERS

All legal opinions/matters in connection with the issuance of the Bonds will be passed upon by the Company's Legal Management Services and by Romulo Mabanta Buenaventura Sayoc & de los Angeles ("Romulo") for the Company, and Picazo Buyco Tan Fider and Santos ("Picazo"), for the Joint Underwriters. Picazo and Romulo have no direct interest in the Company.

Romulo and Picazo Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Romulo and Picazo provide such services to its other clients.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at December 31, 2020, 2019, and 2018 and for each of the three years in the period ended December 31, 2020, 2019 and 2018 have been audited by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Offer Supplement.

The partner-in-charge is Maria Veronica Andresa R. Pore.

EXTERNAL AUDIT FEES AND SERVICES

The following table sets out the aggregate fees paid by the Registrant for professional fees rendered by SGV:

Fee Type	Year ended December 31, 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]**	**[₱520,952.00]**

The 2020 audit-related fees include assurance and services that are related to the performance of review of AEV's financial statements pursuant to its bond issuance in 2020.

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.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

BOARD AUDIT COMMITTEE

In giving effect to its duly approved charter, the Audit Committee assisted the Board in fulfilling its oversight responsibility to the Company and its stakeholders by providing advice relating to: (a) the adequacy and efficiency of the Company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; (d) due observance of Applicable Laws that may have financial and other material exposure to the Company; and (e) providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to assist, but not to pre-empt any responsibility in making final audit-related decisions.

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman.

Mr. Manuel R. Salak III, and Independent Director, is the Chairman of the Committee. Other members of the Committee are Mr Romeo L. Bernardo (Lead Independent Director), Ms. Joanne G. De Asis (Independent Director), Mr. Erramon I. Aboitiz (Non-Executive Director), and Ms. Ana Maria A. Delgado (Non-Executive Director).

RECENT DEVELOPMENTS RELEVANT TO BONDHOLDERS CLAIMING TAX TREATY BENEFITS

The statements herein regarding taxation are based on the laws in force as of the date of this Offer Supplement and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following section discusses Recent Developments Relevant to Bondholders Claiming Tax Treaty Benefits occurring after the most recent date of the Prospectus and must be read in conjunction with the Prospectus. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Bonds.

On March 31, 2021, the BIR issued Revenue Memorandum Order No. 14-2021 ("RMO 14-2021"). RMO 14-2021 was issued to streamline the procedures and documents for the availment of the tax treaty benefits. Said issuance will apply to the income derived by the nonresident Bondholder on the interest payments from the Bonds. To avail of the tax treaty relief benefits, the following guidelines and procedures will be observed:

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

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

   ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator (BIR Form No. 2336);

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

For entities claiming tax treaty relief –

1. Submission of the original or certified true copies of the following documents:

   General requirements:

   a. Original Tax Residency Certificate (TRC) duly issued by the tax authority of the foreign country in which the Bondholder is a resident;
   b. Original and duly notarized Special Power of Attorney (SPA) issued by the Bondholder to the Issuer, expressly stating the Issuer's authority to sign the

Application Form for Treaty Purposes (BIR Form No. 0901-I) and to file a request for confirmation with the BIR on behalf of the Bondholder;

Additional requirements for legal persons and arrangements, and individuals:

c. Authenticated copy of the Bondholder's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language;
d. For legal persons and arrangements – original Certificate of Non-Registration or certified true copy of License to Do Business in the Philippines duly issued by the Securities and Exchange Commission (SEC) to the Bondholder;
e. For individuals – original Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry (DTI) to the Bondholder;

Additional requirements for entities:

f. Certified true copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the Bondholder;
g. List of owners/beneficiaries of the Bondholder;
h. Proof of ownership of the Bondholder; and
i. TRC duly issued by the concerned foreign tax authority to the owners or beneficiaries of the Bondholder.

All documents executed in a foreign country must either be authenticated by the Philippine Embassy stationed therein or apostilled if the said foreign country is a signatory to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (HCCH 1961 Apostille Convention) in order to be acceptable to the Issuer.

In addition, for subsequent interests due and subject to the requirements of new or amendatory regulations, the Bondholder shall submit to the Issuer an updated Application Form, a new TRC (if the validity period of the previously submitted TRC has already lapsed), and other relevant documents no later than the last day of the first month of the year when such subsequent interest payment/s shall fall due.

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

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

Failure to submit any of the documents provided under (1), (2) and (3) above, as may be applicable, will result in the application of the normal income tax rate provided under the Tax Code.

The foregoing notwithstanding, the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or Government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold.

GROSS RECEIPTS TAX

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less: 5%
Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax at the rate of 5%. However, gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less: 5%
Maturity period is more than five years: 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of PhP1.50 for each PhP200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

Any gain realized from the sale, exchange or retirement of Bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates. If the Bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the Bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds with an original maturity date of more than 5 years (as measured from the date of issuance of such bonds) shall not be subject to income tax. Any gains realized by a holder on the trading of the Bonds with maturities of 10 years, shall be exempt from income tax. However, any gains realized by a holder through redemption of the Bonds prior to the lapse of 5 years may be subject to income tax. This is in view of the BIR's ruling that one of the conditions for the exemption is that the maturity period must be more than 5 years.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. For transfers through donation, the Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of PhP250,000.00 exempt gift made during the calendar year.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor‘s taxes unless it can be proven that the transfer is made in the ordinary course of business as defined in the Tax Code.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the Bonds, documentary stamp tax is payable anew.

FINANCIAL AND OTHER INFORMATION

1. Interim Financial Statements for the period ended 31 March 2021, Annex A
2. Audited Financial Statements for the fiscal year ended 31 December 2020, Annex B

ISSUER

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

TRUSTEE

BDO Unibank, Inc. - Trust and Investments Group
15th Floor, South Tower BDO Corporate Center. 7899 Makati Avenue, Makati City

REGISTRAR AND PAYING AGENT

Philippine Depository & Trust Corp.
29th floor, BDO Equitable Tower
8751 Paseo de Roxas
Makati City, 1226, Philippines

LEGAL ADVISERS

To the Issuer

Romulo Mabanta Buenaventura Sayoc & de los Angeles
21st floor, Philamlife Tower
8767 Paseo de Roxas
Makati City, 1226, Philippines

To the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners

Picazo Buyco Tan Fider & Santos
Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City

INDEPENDENT AUDITORS OF THE ISSUER

SyCip, Gorres, Velayo & Co.
6760 Ayala Avenue,
Makati City, 1226, Philippines

JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS

BDO Capital & Investment Corporation
20th floor, South Tower, BDO Corporate Center, 7899 Makati Avenue
Makati City 0726, Philippines

BPI Capital Corporation
11th Floor, Ayala North Exchange (Tower 1)
6796 Ayala Avenue, cor. Salcedo St.
Makati City 1229, Philippines

China Bank Capital Corporation
28th floor, BDO Equitable Tower,
8751 Paseo de Roxas,
Makati City 1226, Philippines

First Metro Investment Corporation
45th Floor, GT Tower International
6813 Ayala Avenue cor. H.V. Dela Costa St.
Makati City 1229, Philippines

SB Capital Investment Corporation
18th Floor, Security Bank Centre
6776 Ayala Avenue
Makati City 1226, Philippines

aboitiz

May 20, 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 (1st 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	**(02) 8-886-2338**
Contact Person	Company Telephone Number

	1st Quarterly Report 2021	**4th Monday of April**
12 31	**17-Q**	**04 26**
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

SEC	
Dept. Requiring this Doc	Amended Articles Number/Section

	x	
Total No. of Stockholders	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 **March 31, 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 (March 31, 2021)	**₱337,150,100,000.00**

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.) Infrastructure, 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-MAR 2021	**JAN-MAR 2020**
EQUITY IN NET EARNINGS OF INVESTEES	**₱6,983,948**	₱1,820,405
EBITDA	**17,950,810**	11,756,046
CASH FLOW GENERATED:		
Net cash flows from operating activities	**10,359,588**	11,226,370
Net cash flows from (used in) investing activities	**2,628,647**	(4,123,779)
Net cash flows from (used in) financing activities	**(6,111,599)**	23,343,830
Net Increase in Cash & Cash Equivalents	**6,876,636**	30,446,421
Cash & Cash Equivalents, Beginning	**65,966,411**	46,424,663
Cash & Cash Equivalents, End	**72,751,430**	76,796,662
	31 MARCH 2021	**31 DECEMBER 2020**
CURRENT RATIO	**1.6**	1.6
DEBT-TO-EQUITY RATIO	**1.7**	1.7

Equity earnings in investees increased by 284% from ₱1.8 billion (bn) during the first three months of 2020 to ₱7.0 bn during the first three months of 2021. The increase was due to: (i) higher output of SN Aboitiz Power-

Magat, Inc. (SN AboitizPower-Magat) and SN Aboitiz Power-Benguet, Inc. (SN AboitizPower-Benguet) hydro power plants resulting from higher water inflows, (ii) higher earnings of Union Bank of the Philippines (UnionBank, or the "Bank"), and (iii) GNPower Dinginin Ltd. Co.'s (GNPD) recognition of income on liquidated damages for the delay in the construction of its power plant.

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, fund additional investments into associates, and pay dividends and interest.

With the recorded increase in both total liabilities and equity during the first three months of 2021, Debt-to-Equity ratio remained at the end-2020 level of 1.7x. Current Ratio likewise remained at the end-2020 level of 1.6x, as both current assets and current liabilities grew during the first three months of 2021.

REVIEW OF JANUARY-MARCH 2021 OPERATIONS COMPARED TO JANUARY-MARCH 2020

RESULTS OF OPERATIONS

For the three-month period ended 31 March 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 ₱8.6 bn, a 322% increase year-on-year (YoY). This translated to earnings per share of ₱1.52 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 54%, followed by the Banking and Financial Services, Infrastructure, Food, and Real Estate Groups at 26%, 10%, 7%, and 3%, respectively.

During the first three months of 2021, the Group generated non-recurring losses of ₱219 million (mn) (compared to ₱262 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 three months of 2021 was ₱8.8 bn, 283% higher YoY. AEV recorded a 53% increase in consolidated EBITDA for the first three months of 2021 compared to the same period in 2020, from ₱11.8 bn to ₱18.0 bn.

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 three months ended 31 March 2021 compared to the three months ended 31 March 2020.

Revenues

Sale of Power

The Group's revenue from sale of power by the Power Group decreased by 4% or ₱1.0 bn, from ₱27.8 bn in the three months ended 31 March 2020 to ₱26.8 bn in the three months ended 31 March 2021. The decrease was primarily attributable to lower demand resulting from government imposed community quarantines to control the spread of COVID-19. The decrease was partly offset by (i) higher output of hydro power plants resulting from higher water inflows, (ii) higher availability of thermal power plants, and (iii) higher sales to the Wholesale Electricity Spot Market (WESM). The Group's sale of power comprised 61% and 58% as a percentage of total revenues in the three months ended 31 March 2020 and 31 March 2021, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 12% or ₱2.0 bn, from ₱16.9 bn in the three months ended 31 March 2020 to ₱18.8 bn in the three months ended 31 March 2021. The increase was primarily due to higher feeds volume and selling prices. The Group's sale of goods comprised 37% and 40% as a percentage of total revenues in the three months ended 31 March 2020 and 31 March 2021, respectively.

Real Estate

The Group's revenue from real estate increased by 15% or ₱76 mn, from ₱508 mn in the three months ended 31 March 2020 to ₱584 mn in the three months ended 31 March 2021. The increase was primarily attributable to AboitizLand's higher revenue recognition from increased construction activities of its residential business segment, as well as increased sales of high value lots. As a percentage of total revenues, the Group's revenue from real estate comprised 1% in both the three months ended 31 March 2020 and 31 March 2021.

Other Revenues

The Group's combined revenue from the fair value of swine, service fees, and other sources decreased by 16% or ₱62mn, from ₱377 mn in the three months ended 31 March 2020 to ₱316 mn in the three months ended 31 March 2021. As a percentage of total revenues, the Group's other revenues comprised 1% in both the three months ended 31 March 2020 and 31 March 2021.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power decreased by 15% or ₱2.4 bn, from ₱15.6 bn in the three months ended 31 March 2020 to ₱13.3 bn in the three months ended 31 March 2021. The decrease was due to lower volume of purchased power resulting from better plant availability. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 40% and 34% in the three months ended 31 March 2020 and 31 March 2021, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 15% or ₱2.1 bn, from ₱14.3 bn in the three months ended 31 March 2020 to ₱16.5 bn in the three months ended 31 March 2021. The increase was primarily attributable to higher cost of raw materials of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 37% and 43% in the three months ended 31 March 2020 and 31 March 2021, respectively.

Operating Expenses

The Group's operating expenses decreased by 2% or ₱0.2 bn, from ₱8.7 bn in the three months ended 31 March 2020 to ₱8.5 bn in the three months ended 31 March 2021. The decrease was primarily attributable to lower personnel-related costs and travel expenses. As a percentage of total costs and expenses, the Group's operating expenses comprised 22% in both the three months ended 31 March 2020 and 31 March 2021.

Other Costs and Expenses

For the three months ended 31 March 2021, the Group's other costs and expenses, which consist primarily of the cost of real estate sales and overhead expenses, remained at ₱0.3 bn, compared to the same period in 2020. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% in both the three months ended 31 March 2020 and 31 March 2021.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 21% or ₱1.4 bn, from ₱6.6 bn in the three months ended 31 March 2020 to ₱8.0n in the three months ended 31 March 2021.

Income Before Income Tax

The Group's income before income tax increased by 177% or ₱7.0bn, from ₱3.9 bn in the three months ended 31 March 2020 to ₱10.9 bn in the three months ended 31 March 2021. The increase was due to higher operating profit and equity earnings.

Net Income

As a result of the foregoing, the Group's Net Income to Equity Holders of AEV increased by 322% or ₱6.5 bn, from ₱2.0 bn in the three months ended 31 March 2020 to ₱8.6 bn in the three months ended 31 March 2021.

Net income attributable to non-controlling interests for the three months ended 31 March 2021 increased to ₱2.0 bn, from ₱1.0 bn in the three months ended 31 March 2020. The increase was primarily due to higher consolidated net income of AboitizPower during the first three months of 2021.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of the Group's SBUs for the three months ended 31 March 2021 compared to the three months ended 31 March 2020, before taking into account the adjustments arising from the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act.

Power

For the three months ended 31 March 2021, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱4.8 bn, a 200% increase from ₱1.6 bn in the three months ended 31 March 2020.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply Groups to Net Income to Equity Holders of AEV increased by 225%, from ₱1.5 bn in the three months ended 31 March 2020 to ₱4.7 bn in the three months ended 31 March 2021. The variance was primarily due to higher water inflows, improved availability of thermal plants, higher spot sales, and other income from liquidated damages and recoveries from business interruption claims.

Capacity sold increased from 3,445 megawatts (MW) during the three months ended 31 March 2020 to 3,558 MW in the three months ended 31 March 2021. Energy sold during the three months ended 31 March 2021 increased by 8% to 6,130 gigawatt-hours (GWh) from 5,675 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 6% from ₱789 mn in the three months ended 31 March 2020 to ₱839 mn in the three months ended 31 March 2021. The increase was mainly due to lower income tax provision. Energy sales decreased by 8% to 1,308 GWh during the three months ended 31 March 2021 from 1,429 GWh in the three months ended 31 March 2020.

Banking & Financial Services

UnionBank's contribution to Net Income to Equity Holders of AEV increased by 79% YoY, from ₱1.3 bn in the three months ended 31 March 2020 to ₱2.4 bn in the three months ended 31 March 2021. The increase was primarily due to higher net interest income attributable to the robust growth of Current Account and Savings Account (CASA) deposits, and the increase in non-interest income mainly driven by higher 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 262% to ₱630 mn in the three months ended 31 March 2021, compared to ₱174 mn in the three months ended 31 March 2020.

For the three months ended 31 March 2021, the Food Group's Philippine subsidiaries reported a net income of ₱538 mn compared to a ₱29 mn net loss in the three months ended 31 March 2020. The recovery was mainly due to the (i) improved pricing of the Farms business segment as the spread of the African Swine Fever (ASF) lowered the supply of pork in the market, and (ii) improved per unit gross profit and volume of the Flour business segment.

Before elimination of transactions within the Group, Pilmico International and its subsidiaries, recorded a net income of ₱92 mn in the three months ended 31 March 2021, a 55% decrease compared to the three months ended 31 March 2020. This was due to increased raw material costs.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV during the three months ended 31 March 2021, before elimination of transactions within the Group, amounted to ₱101 mn, an improvement from ₱110 mn net loss in the three months ended 31 March 2020. This increase was mainly due to higher revenue recognition from increased construction activities of AboitizLand's residential business segment, as well as increased sales of high value lots.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group increased by 838% to ₱318 mn during the three months ended 31 March 2021, compared to ₱34 mn in the three months ended 31 March 2020. This mainly came from the contribution of

Republic Cement and Building Materials, Inc. and its subsidiaries which increased from ₱61 mn in the three months ended 31 March 2020 to ₱334 mn in the three months ended 31 March 2021. This was mainly due to the ramp up in sales volume resulting from new cement production capacities in Bulacan and Iligan, reduced costs, and increased overall production efficiency.

CREATE Tax Adjustments

The Group reflected the changes in the current and deferred income taxes for the three-month period ended 31 March 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 bn.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of 31 March 2021 compared to 31 December 2020) increased by 2% to ₱620.8 bn, due to the following:

- Cash & Cash Equivalents increased by 10% (₱72.8 bn as of 31 March 2021 compared to ₱66.0 bn as of 31 December 2020) mainly due to the receipt of proceeds from the issuance of retail bonds of AboitizPower, and cash dividends from associates and joint ventures.
- Inventories increased by 6% (₱22.9 bn as of 31 March 2021 compared to ₱21.6 bn as of 31 December 2020) mainly due to higher spare parts and supplies 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 ₱2.3 bn (₱147.7 bn as of 31 March 2021 compared to ₱145.4 bn as of 31 December 2020) mainly due to AboitizPower's ₱952 mn additional infusion into GNPD, and the recording of ₱7.0bn share in net earnings of associates and joint ventures. This increase was partially reduced by the ₱5.9 bn dividends from associates and joint ventures during the period.
- Deferred Income Tax Assets (DTA) decreased by 7% (₱1.9 bn as of 31 March 2021 compared to ₱2.0 bn as of 31 December 2020) mainly due to the revaluation of DTA arising from the CREATE Act.
- Other Noncurrent Assets (ONCA) increased by 6% (₱15.3 bn as of 31 March 2021 compared to ₱14.6 bn as of 31 December 2020) primarily due to additional investments in financial assets.

Liabilities

Total Liabilities (as of 31 March 2021 compared to 31 December 2020) increased by 2% to ₱392.7 bn, due to the following:

- Bank loans increased by 9% (₱32.0 bn as of 31 March 2021 compared to ₱29.3 bn as of 31 December 2020) mainly due to short-term debt availments by the Power Group.
- Long-term debt, which includes both current and non-current portions, increased by 2% (₱266.7 bn as of 31 March 2021 compared to ₱261.0 bn as of 31 December 2020) mainly due to the following: (i) the issuance of retail bonds by AboitizPower amounting to ₱8.0 bn, and (ii) the ₱780 mn availment by Therma Marine, Inc.
- Derivative liabilities (net of Derivative assets, current and noncurrent) decreased by 45% from ₱2.0 bn as of 31 December 2020 to ₱1.1 bn as of 31 March 2021. This was mainly due to the Power Group's hedging gains.

- Deferred income tax liabilities (DTL) decreased by 14% from ₱2.4 bn as of 31 December 2020 to ₱2.1 bn as of 31 March 2021. This was mainly due to the revaluation of DTL arising from the CREATE Act.
- Pension Liabilities (net of Pension assets) increased by 6% to ₱487mn as of 31 March 2021 compared to ₱459mn 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 31 March 2021 compared to 31 December 2020) increased by ₱4.1bn, from ₱183.1 bn to ₱187.1 bn, due to the following:

- ₱8.6 bn net income recorded during the relevant period; and
- ₱0.7 bn movement in cumulative translation adjustments mainly from hedging gains.

These were partly offset by the ₱5.1 bn cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the three months ended 31 March 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 three months ended 31 March 2020, consolidated cash generated from operating activities in the three months ended 31 March 2021 decreased by ₱0.9 bn to ₱10.4 bn. This was mainly due to higher working capital requirements and taxes paid, which were partly offset by higher earnings before interest, depreciation and amortization.

As of 31 March 2021, ₱2.6 bn net cash was generated from investing activities compared to ₱4.1 bn used during the three months ended 31 March 2020. This was mainly due to higher cash dividends received from associates and joint ventures compared to the same period in 2020.

Net cash used in financing activities was ₱6.1 bn for the three months ended 31 March 2021 compared to ₱23.3 bn generated in the three months ended 31 March 2020. The decrease was largely attributed to payment of cash dividends in the first quarter of 2021 and the proceeds from the $400 mn bond issuance in the first quarter of 2020.

For the three months ended 31 March 2021, net cash inflows surpassed cash outflows, resulting in a 10% increase in cash and cash equivalents from ₱66.0 bn as of year-end 2020 to ₱72.8 bn as of 31 March 2021.

FINANCIAL RATIOS

The Group's financial ratios remained healthy in the three months ended 31 March 2021. Current Ratio remained the same as the end-2020 level of 1.6x, as both current assets and current liabilities grew. Debt-to-Equity ratio likewise remained at year-end 2020's 1.7:1, with total liabilities and equity both increasing during the first three 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's Economic Research Unit, the Company expects the Philippines' GDP to grow by 4.0% in 2021 and 6.4% 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 company believes that there is no single technology that completely addresses the country's energy requirements; and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, AboitizPower believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of six (6) new power generation projects: (1) the GNPD project; (2) the SN AboitizPower-Magat Floating Solar project; (3) the AP Renewables Inc. (APRI) steam drilling project; (4) the Therma Marine, Inc.'s (TMI) Hybrid Battery Energy Storage System (BESS) project; (5) the SN AboitizPower-Magat BESS project; and (6) the Pangasinan Solar project.

The GNPD 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 and is targeted for commercial operations in August 2021. For Unit 2, recent COVID-19 developments have affected the travel and mobility of foreign technical experts required to commission certain equipment and systems. It is currently expected to start commercial operations in the first quarter of 2022.

In June 2019, SN AboitizPower-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 AboitizPower Group, which was looking at other renewables and complementary technologies to expand its portfolio. The SN AboitizPower-Magat floating solar project has proven its technical and commercial viability. The project is currently in the detailed feasibility study stage which is expected to run for 10 to 12 months. 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 2022. The first Steam Production Enhancement Campaign (SPEC) make-up well for APRI's MakBan Plant has been completed and started flowing into the system since April 10, 2021, providing added steam to Makban Plant B. Evaluation of the incremental steam is ongoing with additional two wells expected to be completed by May and July this year. A total of three new make-up wells are expected to be online and contribute to around 15 MW of MakBan's generation within 2021. APRI is also developing a 14 MW Binary power plant project in Tiwi, Albay. After a round of technical clarifications, APRI has evaluated updated bids from binary power plant vendors. Negotiations with top ranked bidders for design optimization and final contracting are currently ongoing. APRI is expected to award the project by year-end, while commissioning is targeted by 2023. These projects are significant because it 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 ("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 TMI BESS project is targeted to commence commercial operations 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 company is targeting to develop in the next 10 years. It will serve as a model for future battery investments, as well as hybrid renewable energy projects.

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. Site survey works have been completed as part of the pre-construction. The project is in the middle of the early works phase with tendering still in process and necessary permits being secured from various agencies and the LGU. Construction will commence in the second half of this year, while commercial operations will commence 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, battery energy storage system and proposed expansion in the floating solar.

AboitizPower is also aiming to start the construction of a 73 MW solar project, in Pangasinan, within the second half of 2021.

AboitizPower's plan is to double its net attributable capacity by the end of the decade, with a target of more than 9,000 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities.

AboitizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by the Department of Energy (DOE) starting in 2021. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The company will continue to pursue international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments. With all of these combined, the company aspires to achieve a 50:50 balance between its Cleanergy and thermal portfolios.

AboitizPower fully supports the DOEs' coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. The company 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 alloted ₱23 bn for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for the GNPD's construction, as well as for the company's battery energy storage system projects.

Despite the challenges posed by the global pandemic and the currently challenging business situation, the company continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the government's community quarantine. 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 100 of the Company's 2020 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. Over a 10-year period, the majority of the Bank's revenues are already recurring in nature as its loan portfolio continues to grow above industry. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: (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 intends to build a comprehensive animal nutrition platform in Asia to capitalize on the global trend of rising protein consumption. The strategy is to build a balanced portfolio of products and services that will serve both existing and future customers and markets, while it sustains and strengthens the profitability of existing businesses.

The acquisition of Gold Coin Management Holdings Pte. Ltd. and its subsidiaries (the "Gold Coin Group") was a major to fulfill this objective by the Food Group to expand its customer base and geographic reach. Following the acquisition, the Company 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 ASF head on. 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 quarter 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 find and capitalize on opportunities amidst the challenges of ASF in the swine farming industry. It is believed that ASF has wiped out over a third of the Philippines' pig stocks and is now threatening the country's food security. The lingering effect of the disease has resulted in a severe shortage of pork, an important part of the Filipino diet, resulting in a rise in prices 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". 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 (5) 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. An additional fish feed line located in Malaysia (West Port, Malaysia) with a capacity of five (5) tons per hour ("TPH") to expand its position in fish, commenced operations in April 2021. 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.

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

Aboitiz InfraCapital aims to scale the growth of its industrial-anchored mixed-use estates to capitalize on emerging market opportunities. It's strategy is to (i) on time completion of construction activities within the Integrated Economic Centers (IEC), and (ii) the completion of critical land banking activities. During the first 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 50% of its current inventory already reserved and a healthy pipeline of prospective locators as of first quarter of 2021. Acquisition, planning, and design developments of its expansion are ramping up to cater to the increasing demand for industrial lots in Batangas. Furthermore, West Cebu Industrial Park - the industrial zone in Balamban, Cebu - is set to break ground on its expansion by the first quarter of 2022 and is expected to be completed in 18 months. 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.

The demand for industrial lots remains strong despite challenges brought upon by the pandemic. The investment climate is expected to improve as fiscal incentives from the recently passed CREATE Law have become clear. Under the CREATE Law, incentives such as Income Tax Holidays and Special Corporate Income Tax to Enhanced Deductions will be enjoyed by both exporters and domestic enterprises.

Commercial

LIMA Land is launching the next phase of its commercial zone's transformation, with the introduction of commercial lots. This new offering presents a unique investment opportunity for developers and investors who wish to take part in LIMA's growth and locate in Batangas, a fast-growing economic hub in Calabarzon. Lot cuts range from 1,800 to 5,000 sqm, ideal for BPO buildings, offices, dormitories, condominiums, schools, hospitals, hotels, civic centers, and other commercial uses.
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. In January 2021, Lima Water started implementing its newly approved tariff rates.

Water demand during the first quarter of 2021 posted an increase of 7% YoY, with the continuous operations of locators despite the restrictions implemented during community quarantine. 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 and ensure 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

On 7 February 2019, Aboitiz InfraCapital signed a Memorandum of Understanding (MOU) with the DICT. In line with the DICT's Department Circular No. 8, Aboitiz InfraCapital received the Independent Tower Company (ITC) Certificate of Registration for its towers subsidiary on 24 February 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.

To date, Aboitiz InfraCapital has signed separate MOUs with Globe Telecom, Smart Communications, Dito Telecommunity, and NOW Telecom and are 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, although progress has slowed down due to COVID-19.

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.

On 28 April 2021, Aboitiz InfraCapital agreed to form a joint venture with leading global private markets firm, Partners Group, 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.

Regional Airports

The Department of Transportation (DOTr) granted Aboitiz InfraCapital the Original Proponent Status for its unsolicited proposals to operate, maintain, and expand the new Bohol-Panglao International Airport on 3 September 2018. The same status was received from the Civil Aviation Authority of the Philippines (CAAP) for Laguindingan Airport on 26 February 2019. On 29 November 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 20 December 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 (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. (RCBM)

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 recent surge in COVID-19 cases in NCR and neighboring areas prompted the government to impose more stringent lockdowns in these areas. Although cement manufacturing was allowed to operate fully, construction activities were impacted by the lockdown.

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.

The Department of Trade and Industry has started investigation on the possible imposition of anti-dumping duty on cement imports from Vietnam. If imposed, this will hopefully stop dumping of imported cement to the country.

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 (MTPA) capacity to serve the market needs. Production costs are anticipated to remain under control following the implementation of operational excellence initiatives. In addition, RCBM has put in place several cost cutting and cash optimization measures.

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.

The infrastructure group has allotted ₱15 bn for capital expenditures in 2021 across all its businesses.

Land SBU

Aboitiz Land, Inc. (AboitizLand)
AboitizLand continues to improve its operations in 2021 and is optimistic that it will perform strongly by the end of the year. AboitizLand continues to strengthen its presence online but will complement this with a 360 digital strategy that will meet its vecinos both online and offline. AboitizLand will also continue to develop its digitization and are committed to the creation of the first fully online buying platform that will streamline the customer journey.

Based on its performance in the first three months of 2021, AboitizLand is optimistic that it will end the year strongly. AboitizLand attributes this surge in sales to its new marketing strategies as well as the change in preference to be situated outside the central business districts.

AboitizLand has allotted ₱3 bn for capital expenditures in 2021.

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	**May 20, 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	**May 20, 2021**

Aboitiz Equity Ventures, Inc. and Subsidiaries

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱72,751,430**	₱65,966,411
Trade and other receivables (Note 6)	**39,391,412**	38,026,254
Inventories	**22,863,723**	21,645,913
Land and improvements	**2,935,860**	3,039,972
Derivative asset (Note 24)	**13,920**	—
Other current assets (Note 7)	**18,214,181**	18,702,683
Total Current Assets	**156,170,526**	147,381,233
Noncurrent Assets		
Property, plant and equipment	**218,200,216**	219,538,095
Investments and advances (Note 8)	**147,747,426**	145,416,644
Intangible assets (Note 9)	**69,136,572**	67,776,489
Investment properties	**10,989,892**	10,937,685
Deferred income tax assets	**1,896,878**	2,041,497
Trade and other receivables - net of current portion (Note 6)	**1,140,841**	1,398,791
Net pension assets	**115,892**	115,023
Other noncurrent assets (Note 10)	**15,400,446**	14,550,470
Total Noncurrent Assets	**464,628,163**	461,774,694
TOTAL ASSETS	**₱620,798,689**	₱609,155,927

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱36,895,766**	₱35,611,592
Bank loans (Note 12)	**32,020,304**	29,330,883
Current portions of:		
Long-term debts (Notes 13 and 14)	**21,222,311**	17,417,474
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Lease liabilities (Note 15)	**7,445,564**	7,283,183
Derivative liability (Note 24)	**501,815**	982,348
Income tax payable	**1,034,715**	1,006,445
Total Current Liabilities	**₱99,160,475**	₱91,671,925

(Forward)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Notes 13 and 14)	**₱245,473,102**	₱243,623,606
Lease liabilities (Note 15)	**30,988,819**	32,485,663
Trade and other payables (Note 11)	**1,463,185**	1,657,982
Long-term obligation on PDS	**148,960**	143,436
Customers' deposits	**7,121,166**	6,990,008
Decommissioning liability	**5,061,933**	5,008,033
Deferred income tax liabilities	**2,067,370**	2,399,529
Net pension liability	**603,145**	574,217
Derivative liability - net of current portion (Note 24)	**601,685**	1,001,529
Total Noncurrent Liabilities	**293,529,365**	293,884,003
Total Liabilities	**392,689,840**	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)	**(3,302,751)**	(3,959,403)
Retained earnings (Notes 16 and 25)		
Appropriated	**9,200,000**	9,200,000
Unappropriated	**169,403,879**	165,976,675
Treasury stock at cost	**(647,672)**	(647,672)
	187,146,227	183,062,371
Non-controlling Interests (Note 25)	**40,962,622**	40,537,628
Total Equity	**228,108,849**	223,599,999
TOTAL LIABILITIES AND EQUITY	**₱620,798,689**	₱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 three-month period ended March 31	
	2021	2020 (As restated; Note 3)
REVENUES (Note 18)	**₱46,535,050**	₱45,589,162
COSTS AND EXPENSES (Note 19)	**38,575,768**	39,025,604
FINANCIAL INCOME (EXPENSE)		
Interest income (Notes 5 and 6)	**129,695**	342,661
Interest expense (Note 23)	**(4,398,963)**	(4,681,418)
	(4,269,268)	(4,338,757)
OTHER INCOME - NET		
Share in net earnings of associates and joint ventures (Note 8)	**6,983,948**	1,820,405
Other income (expense) - net (Note 20)	**214,908**	(111,113)
	7,198,856	1,709,292
INCOME BEFORE INCOME TAX	**10,888,870**	3,934,093
PROVISION FOR INCOME TAX	**328,940**	935,828
NET INCOME	**₱10,559,930**	₱2,998,265
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱8,550,709**	₱2,028,009
Non-controlling interests	**2,009,221**	970,256
	₱10,559,930	₱2,998,265
EARNINGS PER SHARE (Note 21)		
Basic and diluted, for net income for the period attributable to ordinary equity holders of the parent	**₱1.52**	₱0.36

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 three-month period ended March 31	
	2021	2020
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱8,550,709**	₱2,028,009
Non-controlling interests	**2,009,221**	970,256
	10,559,930	2,998,265
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17)		
Items that will be reclassified to the consolidated statements of income:		
Net movement in cumulative translation adjustments	**945,189**	(701,756)
Share in movement in cumulative translation adjustments of associates and joint ventures	**(2,154)**	36,850
Share in movement in net unrealized mark-to-market gains on FVOCI investments of associates, net of tax	**—**	2
Net movement in net unrealized mark-to-market losses on FVOCI investments, net of tax	**(1,594)**	(5,196)
	941,441	(670,100)
Items that will not be reclassified to the consolidated statements of income:		
Share in movement in net actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(1,072)**	654
Movement in net actuarial gains on defined benefit plans, net of tax	**1,319**	—
	247	654
TOTAL COMPREHENSIVE INCOME	**₱11,501,618**	₱2,328,819
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱9,207,361**	₱1,401,359
Non-controlling interests	**2,294,257**	927,460
	₱11,501,618	₱2,328,819

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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	—	—	—	—	—	—	—	**8,550,709**	—	**8,550,709**	**2,009,221**	**10,559,930**
Other comprehensive income	—	—	—	—	—	**656,652**	—	—	—	**656,652**	**285,036**	**941,688**
Total comprehensive income for the period (Note 17)	—	—	—	—	—	**656,652**	—	**8,550,709**	—	**9,207,361**	**2,294,257**	**11,501,618**
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)	—	—	—	—	—	—	—	—	—	—	**(1,889,980)**	**(1,889,980)**
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	**20,717**	**20,717**
Balances at March 31, 2021	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,727,718)**	**(₱3,302,751)**	**₱9,200,000**	**₱169,403,879**	**(₱647,672)**	**₱187,146,227**	**₱40,962,622**	**₱228,108,849**
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	—	—	—	—	—	—	—	2,028,009	—	2,028,009	970,256	2,998,265
Other comprehensive loss	—	—	—	—	—	(626,650)	—	—	—	(626,650)	(42,796)	(669,446)
Total comprehensive income (loss) for the period (Note 17)	—	—	—	—	—	(626,650)	—	2,028,009	—	1,401,359	927,460	2,328,819
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)	—	—	—	—	—	—	—	—	—	—	(1,149,192)	(1,149,192)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(82,445)	(82,445)
Balances at March 31, 2020	**₱5,694,600**	**₱13,013,197**	**₱5,043,152**	**₱469,540**	**(₱11,590,375)**	**(₱3,274,672)**	**₱9,200,000**	**₱152,571,070**	**(₱647,672)**	**₱170,478,840**	**₱40,409,727**	**₱210,888,567**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	For the three-month period ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱10,888,870**	₱3,934,093
Adjustments for:		
Interest expense (Notes 15 and 23)	**4,398,963**	4,681,418
Depreciation and amortization	**3,087,317**	3,048,044
Net unrealized foreign exchange gains	**179,449**	90,658
Loss (gain) on sale/disposal of:		
Property, plant and equipment (Note 20)	**(38,236)**	47,074
Fair value through profit or loss (FVTPL) and Fair value through other comprehensive income (FVOCI) investments (Note 20)	**(3,319)**	145
Unrealized mark-to-market losses (gains) on derivatives	**(13,920)**	18,767
Unrealized mark-to-market losses (gains) on FVTPL investments (Note 20)	**(18,388)**	99,031
Dividend income (Note 20)	**(904)**	(1,193)
Interest income	**(129,695)**	(342,661)
Share in net earnings of associates and joint ventures (Note 8)	**(6,983,948)**	(1,820,405)
Operating income before working capital changes	**11,366,189**	9,754,971
Decrease (increase) in operating assets	**(1,829,120)**	44,525
Increase in operating liabilities	**2,294,232**	1,874,022
Net cash generated from operations	**11,831,301**	11,673,518
Income and final taxes paid	**(1,471,713)**	(447,148)
Net cash flows from operating activities	**10,359,588**	11,226,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received (Note 8)	**6,643,134**	2,579,525
Interest received	**134,770**	322,739
Sale of or additions to FVTPL and FVOCI investments	**(1,031,384)**	110,034
Additions to:		
Property, plant and equipment and investment properties	**(1,283,852)**	(735,887)
Investments in and advances to associates (Note 8)	**(1,262,141)**	(1,488,820)
Increase in intangibles (Note 9)	**(1,128,650)**	(765,752)
Decrease (increase) in other noncurrent assets	**556,770**	(4,145,618)
Net cash flows from (used in) investing activities	**2,628,647**	(4,123,779)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from long-term debts (Notes 13 and 14)	**5,112,369**	17,345,513
Net proceeds from bank loans (Note 12)	**2,689,421**	13,513,302
Acquisition of treasury shares	**—**	(82,426)
Cash dividends paid to non-controlling interest (Note 25)	**(1,889,980)**	(1,149,192)
Cash dividends paid to equity holders of the parent (Note 16)	**(5,123,505)**	—
Interest paid	**(4,240,193)**	(4,085,111)
Payments of lease liabilities, including interest accretion (Note 15)	**(2,659,711)**	(2,198,256)
Net cash flows from (used in) financing activities	**(6,111,599)**	23,343,830
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,876,636**	30,446,421
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(91,617)**	(74,422)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**65,966,411**	46,424,663
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱72,751,430**	₱76,796,662

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure. The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

2. Group Information

The 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 March 31, 2021 and December 31, 2020:

			Percentage of Ownership			
			March 31, 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

	Nature of Business	Place of Incorporation	March 31, 2021 Direct	March 31, 2021 Indirect	December 31, 2020 Direct	December 31, 2020 Indirect
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.*	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
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
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	–
Lima Land, Inc. (LLI)	Real estate	Philippines	**–**	**100.00**	–	100.00

			Percentage of Ownership			
			March 31, 2021		December 31, 2020	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
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)	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**	–	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
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	**–**	**100.00**	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	**–**	**70.00**	–	70.00

	Nature of Business	Place of Incorporation	Percentage of Ownership **March 31, 2021** **Direct**	 **Indirect**	 December 31, 2020 Direct	 Indirect
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
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
Aboitiz Airports Advisory Services, Inc. *	Services	Philippines	**–**	**100.00**	–	100.00

[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
** No commercial operations as of March 31, 2021.*

Interest in Joint Operations
On May 15, 2014, the Group entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through 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

Basis of Preparation
The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, 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 May 18, 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.

The Group has previously issued unaudited interim condensed consolidated financial statements as of March 31, 2020. Subsequent to this, the Group made a reclassification in the interim unaudited consolidated income statement to align the presentation with the audited December 31, 2020 consolidated financial statements. An adjustment was made to reduce revenue and cost of goods sold amounting to ₱3.0 billion.

- 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

	March 31, 2021	December 31, 2020
Cash on hand and in banks	**₱27,725,674**	₱22,224,763
Short-term deposits	**45,025,756**	43,741,648
	₱72,751,430	₱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

	March 31, 2021	December 31, 2020
Trade receivables		
Power	**₱19,148,370**	₱17,726,379
Real estate	**7,446,103**	7,593,207
Food manufacturing	**8,101,290**	7,901,937
Holding and others	**582,344**	1,096,632
	35,278,107	34,318,155
Nontrade receivables	**7,220,702**	6,521,500
Dividends receivable	**768,858**	1,498,000
Advances to contractors	**553,914**	234,799
Others	**285,030**	276,282
	44,106,611	42,848,736
Less allowance for expected credit losses	**3,574,358**	3,423,691
	40,532,253	39,425,045
Less noncurrent portion	**1,140,841**	1,398,791
	₱39,391,412	₱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 ₱7.1 billion and ₱304.2 million, respectively, as of March 31, 2021, and ₱7.3 billion and ₱301.4 million, respectively, as of December 31, 2020.

7. Other Current Assets

	March 31, 2021	December 31, 2020
Restricted cash	**₱3,984,911**	₱5,324,213
Input value added tax (VAT)	**3,469,881**	3,452,005
Prepaid expenses	**2,671,927**	2,239,858
Insurance assets	**2,134,394**	2,227,427
Deposits for land acquisition	**1,058,123**	885,788
Short term cash deposits	**970,600**	960,460
Biological assets	**860,993**	800,264
Advances to (National Grid Corporation of the Philippines (NGCP)	**716,805**	1,167,296
Advances to suppliers	**156,006**	106,870
Others	**2,190,541**	1,538,502
	₱18,214,181	₱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:

	Nature of Business	Percentage of ownership March 31, 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
Cebu Homegrown Developers, Inc. (CHDI) [1]**	Real estate	**50.00**	50.00
Union Bank of the Philippines (UBP)	Banking	**49.34**	49.34
Hijos de F. Escaño, Inc.	Holding	**46.73**	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84
LFEI [4]**	Power generation	**—**	40.00
STEAG State Power Inc. (STEAG)	Power generation	**34.00**	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00
Western Mindanao Power Corporation (WMPC)	Power distribution	**20.00**	20.00
Gold Coin Feed Mills (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

[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.
***No commercial operations as of March 31, 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:

	March 31, 2021	December 31, 2020
UBP	**₱55,627,823**	₱55,369,791
GNPD/AA Thermal	**45,419,866**	41,859,316
AEV CRH	**24,837,896**	24,297,741
MORE	**8,445,766**	10,653,803
CEDC	**3,585,935**	3,409,799
STEAG	**3,191,352**	3,855,162
CDPEI	**1,725,922**	1,417,499
CRH ABOITIZ	**1,449,203**	1,146,868
SFELAPCO/PEVI	**962,303**	928,495
CHDI	**652,132**	652,257
BWSI	**584,073**	580,523
RP Energy	**521,647**	522,347
WMPC	**185,696**	168,244
SPPC	**51,090**	53,246
Others	**486,195**	481,026
	₱147,726,899	₱145,396,117

	March 31, 2021	December 31, 2020
Acquisition cost:		
Balance at beginning of period	**₱102,434,357**	₱99,669,607
Additions during the period	**1,262,141**	2,764,750
Newly consolidated subsidiary	**(67)**	—
Balance at end of period	**103,696,431**	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	**6,983,948**	9,019,033
Newly consolidated subsidiary	**1,074**	—
Cash dividends received and receivable	**(5,913,088)**	(5,662,025)
Balance at end of period	**45,657,272**	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	**(701,584)**	(699,430)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(1,384,237)**	(1,383,165)
	148,407,630	146,076,848
Less allowance for impairment losses	**680,731**	680,731
	147,726,899	145,396,117
Advances to associates	**20,527**	20,527
	₱147,747,426	₱145,416,644

9. Intangibles

Set out below is the carrying amount of the Group's intangible assets as of March 31, 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	—	1,150,442	—	18,950	—	11,180	1,180,572
Exchange differences /Others	250,052	8,370	—	(1,560)	—	(977)	255,885
Balances at end of period	55,420,063	13,227,567	3,078,431	1,046,811	99,746	953,649	73,826,267
Accumulated amortization:							
Balances at beginning of period	—	3,403,951	583,620	—	88,835	536,915	4,613,321
Amortization	—	25,655	19,240	—	992	30,487	76,374
Balances at end of period	—	3,429,606	602,860	—	89,827	567,402	4,689,695
Net book values	₱55,420,063	₱9,797,961	₱2,475,571	₱1,046,811	₱9,919	₱386,247	₱69,136,572

10. Other Noncurrent Assets

	March 31, 2021	December 31, 2020
Prepaid taxes	**₱3,622,526**	₱3,559,354
Input VAT and tax credit receivable	**3,092,818**	3,076,027
Financial assets at FVOCI	**2,240,426**	2,215,044
Advances to contractors and projects	**1,591,603**	2,030,652
Debt investments at amortized cost	**1,072,248**	101,161
Financial assets at FVTPL	**1,046,195**	1,009,554
Receivable from NGCP	**920,682**	920,682
Prepaid rent and other deposits	**437,995**	845,586
Biological assets	**134,388**	133,440
Others	**1,241,565**	658,970
	₱15,400,446	₱14,550,470

Prepaid taxes are composed of creditable withholding taxes.

11. Trade and Other Payables

	March 31, 2021	December 31, 2020
Trade payables	**₱22,686,782**	₱21,245,087
Output VAT	**4,405,391**	3,583,387
Nontrade and other payables	**2,918,928**	2,236,388
Accrued expenses		
Interest	**1,941,673**	2,880,135
Taxes and fees	**984,304**	941,214
Others	**1,940,147**	1,795,287
Amounts due to contractors and other third parties	**2,396,423**	3,501,864
PSALM deferred adjustment	**1,042,861**	1,042,861
Unearned revenue	**42,442**	43,351
	38,358,951	37,269,574
Less noncurrent portion	**1,463,185**	1,657,982
	₱36,895,766	₱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

	March 31, 2021	December 31, 2020
Philippine peso loans	**₱27,504,500**	₱25,582,500
Vietnamese dong loans	**2,351,750**	2,022,115
Chinese yuan loans	**1,165,696**	1,074,805
US dollar loans	**436,770**	192,092
Indonesia rupia loans	**192,995**	—
Other foreign currency-denominated loans	**368,593**	459,371
	₱32,020,304	₱29,330,883

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 0.81% to 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

	March 31, 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%**	**32,975,095**	LIBOR + 1.70% - 4.00%	33,711,803
Therma Marine				
Financial institutions - secured	**4.54 %**	**780,000**	—	—
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%**	**14,559,000**	LIBOR + 1.20%	14,406,900
TSI				
Financial institutions - secured	**5.26 %**	**18,729,025**	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%**	**3,702,401**	4.63% - 5.42%	3,702,401
PFC				
Financial institutions - unsecured	**4.18% - 5.16%**	**2,877,500**	4.18% - 5.16%	2,877,500
PANC				
Financial institutions - unsecured	**4.50 %**	**2,570,000**	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%**	**274,194**	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%**	**1,500,000**	3.32% - 5.06%	1,500,000
AESI				
Financial institution - secured	**4.87 %**	**600,000**	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%**	**10,822,191**	3.26% - 3.72%	10,709,129
US Dollar bonds Foreign currency - unsecured	**4.20 %**	**19,412,000**	4.20 %	19,209,200
GCMH				
Financial institution - unsecured	**LIBOR + 1.44%**	**1,941,200**	LIBOR + 2.55%	1,920,920
PTAYAM				
Financial institution - unsecured	**JIBOR + 3.48%**	**117,923**	JIBOR + 3.48%	119,082
GCFHN				
Financial institution - unsecured	**4.00% - 4.90%**	**82,064**	4.00% - 4.90%	89,112
TCP				
Financial institution - unsecured	**6.50 %**	**228,850**	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		**268,782,818**		263,135,588
Deferred financing costs		**(2,087,405)**		(2,094,508)
		266,695,413		261,041,080
Less current portion		**21,222,311**		17,417,474
Noncurrent portion		**₱245,473,102**		₱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 March 31, 2021 and December 31, 2020.

14. Debt Securities

As of March 31, 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 March 31, 2021 and the movements for the three-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	34,999	—	67,684	102,982	102,683
Amortization expense	(50,948)	(42,456)	(258,669)	(4,025)	(356,098)	—
Capitalized amortization	(539)	—	—	—	(539)	—
Interest expense	—	—	—	—	—	1,028,662
Payments	—	—	—	—	—	(2,659,711)
Others	(452)	9,106	—	2,910	11,564	193,903
As of March 31	₱3,361,769	₱391,357	₱32,245,895	₱158,642	₱36,157,663	₱38,434,383

Set out below are the amounts recognized in the consolidated statement of income for the three month period ended March 31, 2021:

Amortization expense of right-of-use assets	₱356,098
Interest expense on lease liabilities	1,028,662
Rent expense - low-value assets	1,785
Rent expense - short-term leases	43,743
	₱1,430,288

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 ₱144.7 billion and ₱143.6 billion as of March 31, 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

	March 31, 2021	December 31, 2020
Cumulative Translation Adjustments		
Balance at beginning of period	**(₱474,733)**	(₱944,486)
Movements	**657,723**	469,753
Balance at end of period	**182,990**	(474,733)
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of period	**(1,468,919)**	(861,868)
Movements	**1,319**	(607,051)
Balance at end of period	**(1,467,600)**	(1,468,919)
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		
At beginning of period	**3,009**	3,135
Movements	**(1,594)**	(126)
Balance at end of period	**1,415**	3,009
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of period	**(765,424)**	(137,020)
Movements	**(796)**	(628,404)
Balance at end of period	**(766,220)**	(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	**—**	(536,156)
Balance at end of period	**(1,356,084)**	(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
	(₱3,302,751)	(₱3,959,403)

Tax Effects Relating to Each Component of Other Comprehensive Income

	January - March 2021		
	Before Tax Amount	**Tax Expense**	**Net of Tax Amount**
Net unrealized mark-to-market losses on FVOCI investments	**(₱1,594)**	**₱—**	**(₱1,594)**
Movement in cumulative translation adjustments	**945,189**	**—**	**945,189**
Share in movement in cumulative translation adjustment of associates and joint ventures	**(2,154)**	**—**	**(2,154)**
Movement in actuarial gains on defined benefit plans	**1,884**	**(565)**	**1,319**
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	**₱941,793**	**(₱105)**	**₱941,688**

	January - March 2020		
	Before Tax Amount	Tax Expense	Net of Tax Amount
Net unrealized mark-to-market losses on FVOCI investments	(₱5,196)	₱—	(₱5,196)
Share in net unrealized mark-to-market gains on FVOCI investments of associates and joint ventures	2	—	2
Movement in cumulative translation adjustments	(701,756)	—	(701,756)
Share in movement in cumulative translation adjustment of associates and joint ventures	36,850	—	36,850
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	(₱669,166)	(₱280)	(₱669,446)

18. Revenues

	Jan - Mar 2021	Jan - Mar 2020 (As restated; see Note 3)
Sale of:		
Power	**₱26,800,135**	₱27,834,442
Goods	**18,835,162**	16,869,378
Real estate	**584,128**	508,216
Service fees	**202,606**	193,208
Sale of swine at fair value	**31,314**	126,692
Others	**81,705**	57,226
	₱46,535,050	₱45,589,162

19. Costs and Expenses

	Jan - Mar 2021	Jan - Mar 2020 (As restated; see Note 3)
Cost of goods sold	**₱16,479,309**	₱14,330,774
Cost of purchased power	**7,472,717**	9,116,234
Cost of generated power	**5,777,366**	6,531,641
Cost of real estate sales	**288,947**	331,170
Operating expenses	**8,540,057**	8,703,080
Overhead expenses	**17,372**	12,705
	₱38,575,768	₱39,025,604

20. Other Income (Expense)

	Jan - Mar 2021	Jan - Mar 2020
Net foreign exchange losses	**(₱272,212)**	(₱292,347)
Surcharges	**151,163**	113,642
Gain (loss) on disposal of:		
Property, plant and equipment	**38,236**	(47,074)
Financial assets at FVTPL	**3,319**	(145)
Non-utility operating income	**35,236**	86,669
Rental income	**25,071**	12,599
Unrealized valuation gains (losses) on financial assets	**18,388**	(80,264)
Dividend income	**904**	1,193
Others - net	**214,803**	94,614
	₱214,908	(₱111,113)

"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 - Mar 2021	Jan - Mar 2020
a.	Net income attributable to equity holders of the parent	**₱8,550,709**	₱2,028,009
b.	Weighted average number of common shares issued and outstanding	**5,630,225**	5,630,225
c.	Earnings per common share (a/b)	**₱1.52**	₱0.36

There are no dilutive potential common shares for the three-month periods ended March 31, 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 - March 2021								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱26,824,386	₱—	₱18,866,476	₱680,351	₱30,885	₱132,952	₱—	₱46,535,050
Inter-segment	24,995	—	4,155	20,562	—	153,707	(203,419)	—
Total revenue	₱26,849,381	₱—	₱18,870,631	₱700,913	₱30,885	₱286,659	(₱203,419)	₱46,535,050
RESULTS								
Segment results	₱6,865,078	₱—	₱1,016,162	₱132,945	(₱38,524)	(₱24,659)	₱8,280	₱7,959,282
Unallocated corporate income (expenses) - net	111,908	—	(24,069)	8,375	8,722	118,252	(8,280)	214,908
INCOME FROM OPERATIONS								8,174,190
Interest expense	(3,556,051)	—	(198,227)	(16,852)	(141)	(634,465)	6,773	(4,398,963)
Interest income	88,460	—	16,618	450	1,341	29,599	(6,773)	129,695
Share in net earnings (losses) of associates and joint ventures	3,773,858	2,360,818	5,281	(1,702)	850,823	5,399,357	(5,404,487)	6,983,948
Benefit from (provision for) income tax	(431,206)	—	(140,925)	152,889	1,403	88,899	—	(328,940)
NET INCOME (LOSS)	₱6,852,047	₱2,360,818	₱674,840	₱276,105	₱823,624	₱4,976,983	(₱5,404,487)	₱10,559,930
Depreciation and amortization	₱2,703,274	₱—	₱312,678	₱18,674	₱7,598	₱45,094	₱—	₱3,087,318
OTHER INFORMATION (as of March 31, 2021)								
Segment assets	₱85,720,345	₱—	₱27,360,643	₱20,001,202	₱3,993,194	₱19,716,289	(₱621,147)	₱156,170,526
Investments and advances	62,741,775	55,627,823	75,182	2,378,054	26,871,172	129,468,097	(129,414,677)	147,747,426
Unallocated corporate assets	256,967,846	—	40,176,809	8,166,894	9,087,701	3,055,362	(573,875)	316,880,737
Consolidated total assets								₱620,798,689
Segment liabilities	₱268,227,144	₱—	₱27,807,926	₱12,421,757	₱10,008,628	₱71,688,659	(₱1,169,504)	₱388,984,610
Unallocated corporate liabilities	1,687,924	—	31,093,934	792,514	14,304	(29,883,446)	—	3,705,230
Consolidated total liabilities								₱392,689,840

January - March 2020								
	Power	Financial Services	Food Manufacturin g	Real Estate	Infrastructur e	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱27,844,109	₱—	₱16,996,070	₱508,216	₱22,487	₱218,280	₱—	₱45,589,162
Inter-segment	32,041	—	—	—	—	62,500	(94,541)	—
Total revenue	₱27,876,150	₱—	₱16,996,070	₱508,216	₱22,487	₱280,780	(₱94,541)	₱45,589,162
RESULTS								
Segment results	₱6,049,296	₱—	₱756,217	(₱80,762)	(₱41,555)	(₱119,638)	₱—	₱6,563,558
Unallocated corporate income (expenses) - net	172,331	—	(27,822)	19,389	360	(275,371)	—	(111,113)
INCOME FROM OPERATIONS								6,452,445
Interest expense	(3,762,090)	—	(270,673)	(15,428)	—	(644,451)	11,224	(4,681,418)
Interest income	232,179	—	17,033	4,178	4,664	95,831	(11,224)	342,661
Share in net earnings (losses) of associates and joint ventures	464,473	1,318,240	3,429	(10,780)	45,115	1,447,611	(1,447,683)	1,820,405
Benefit from (provision for) income tax	(640,803)	—	(283,579)	(6,144)	(1,448)	(3,854)	—	(935,828)
NET INCOME (LOSS)	₱2,515,386	₱1,318,240	₱194,605	(₱89,547)	₱7,136	₱500,128	(₱1,447,683)	₱2,998,265
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	(126,838,34	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	
	March 2021	March 2020	**March 2021**	December 2020	**March 2021**	December 2020
Philippines	**₱34,861,115**	₱34,963,188	**₱177,156,642**	₱178,347,621	**₱13,626,697**	₱12,503,579
Rest of Asia	**14,460,405**	13,739,466	**4,885,911**	4,790,720	**89,812**	102,899
	₱49,321,520	₱48,702,654	**₱182,042,553**	₱183,138,341	**₱13,716,509**	₱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 March 31, 2021, 18.70% of the Group's long-term debt had annual floating interest rates ranging from 2.00% to 8.26%, and 81.30% are with fixed rates ranging from 2.84% to 8.51%. 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:

March 31, 2021

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱6,250,488**	**₱26,802,860**	**₱16,718,151**	**₱49,771,499**

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 - Mar 2021	Jan - Mar 2020
Long-term debts	**₱3,137,326**	₱3,260,656
Lease liabilities	**1,028,662**	1,127,404
Bank loans	**170,137**	228,582
Other long-term obligations	**62,816**	63,933
Customers' deposits	**22**	843
	₱4,398,963	₱4,681,418

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 March 31, 2021 and 2020:

	Increase (decrease) in basis points	Effect on income before tax
March 31, 2021	**200**	**(₱248,176)**
	(100)	**124,088**
March 31, 2020	200	(₱211,597)
	(100)	105,799

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first three 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 March 31, 2021 and December 31, 2020, foreign currency denominated borrowings account for 30.65% and 31.15%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	March 31, 2021		December 31, 2020	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$580,105**	**₱28,152,496**	$618,093	₱29,682,701
Short-term deposits	**20,000**	**970,600**	20,000	960,460
Trade and other receivables	**22,891**	**1,110,900**	111,091	5,334,947
Investments in FVTPL and FVOCI	**42,472**	**2,061,166**	21,789	1,046,395
Total financial assets	**665,468**	**32,295,162**	770,973	37,024,503
Financial liabilities				
Bank loans	**93,052**	**4,515,814**	78,054	3,748,384
Trade and other payables	**233,582**	**11,335,734**	240,418	11,545,608
Long-term debts	**663,273**	**32,188,639**	963,243	46,257,829
Lease liabilities	**395,657**	**19,201,234**	400,786	19,246,931
Total financial liabilities	**1,385,564**	**67,241,421**	1,682,501	80,798,752
Net foreign currency denominated liabilities	**($720,096)**	**(₱34,946,259)**	($911,528)	(₱43,774,249)

[1]$1= ₱48.53
[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
March 31, 2021	**US dollar strengthens by 5%**	**(₱1,747,312)**
	US dollar weakens by 5%	**1,747,312**
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 March 31, 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 March 31, 2021 and December 31, 2020 is summarized in the following table:

	March 31, 2021	December 31, 2020
Power distribution:		
Industrial	**₱4,709,314**	₱4,005,713
Residential	**1,700,660**	1,922,998
Commercial	**1,014,363**	1,144,382
City street lighting	**648,316**	764,702
Power generation:		
Power supply contracts	**9,185,227**	8,066,769
Spot market	**1,890,490**	1,821,815
	₱19,148,370	₱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 March 31, 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 9.18% 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 and trade and other receivables, which are all short-term in nature, have balances of ₱72.8 billion and ₱39.4 billion as of March 31, 2021, respectively and of

₱66.0 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.

March 31, 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*	₱34,080,795	₱34,080,795	₱1,585,194	₱31,644,941	₱850,660	₱—
Customers' deposits	7,121,166	7,121,166	—	171	423,903	6,697,092
Financing						
Bank loans	32,020,304	32,020,304	—	32,020,304	—	—
Long-term debts	266,695,413	276,825,427	—	22,921,230	139,965,674	113,938,523
Lease liabilities	38,434,383	55,730,556	—	10,761,489	40,170,526	4,798,541
Long-term obligation on PDS	188,960	320,000	—	40,000	200,000	80,000
Others						
Derivative liabilities	1,103,500	1,103,500	—	501,815	601,685	—
	₱379,644,521	₱407,201,748	₱1,585,194	₱97,889,950	₱182,212,448	₱125,514,156

**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 March 31, 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 March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
Bank loans	**₱32,020,304**	₱29,330,883
Long-term obligations	**305,129,796**	300,809,926
Cash and cash equivalents (including restricted cash and short-term cash deposits)	**(77,706,941)**	(72,251,084)
Net debt (a)	**259,443,159**	257,889,725
Equity	**228,108,849**	223,599,999
Equity and net debt (b)	**₱487,552,008**	₱481,489,724
Gearing ratio (a/b)	**53.21%**	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.

	March 31, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱1,879,512**	**₱1,712,677**	₱2,140,226	₱1,939,398
Financial liabilities:				
Lease liabilities	**38,434,383**	**35,807,880**	39,768,846	38,413,752
Long-term debt - fixed rate	**216,923,913**	**229,355,206**	220,498,037	245,613,118
PSALM deferred adjustment	**1,879,512**	**1,712,677**	2,140,226	1,939,398
Long-term obligation on PDS	**188,960**	**162,164**	183,436	162,164
	₱257,426,768	**₱267,037,927**	₱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:

	March 31, 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	**703,039**	877,257
Net changes in fair value of derivatives not designated as accounting hedges	**13,920**	(4,848)
Fair value of settled instruments	**177,338**	(521,349)
At end of period	**(₱1,089,580)**	(₱1,983,877)

<u>Fair Value Hierarchy</u>
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 March 31, 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	₱1,046,195	₱1,046,195	₱—	₱—
At FVOCI	2,240,426	2,240,426	—	—
Derivative liability	1,103,500	—	1,103,500	—
Disclosed at fair value:				
Lease liabilities	35,807,880	—	—	35,807,880
Long-term debt - fixed rate	229,355,206	—	—	229,355,206
Long-term obligation on PDS	162,164	—	—	162,164

During the three-month period ended March 31, 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 three-month period ended March 31, 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. <u>Dividends to Non-Controlling Interests</u>
The Company's material partly-owned subsidiary, AP and its subsidiaries, paid cash dividends amounting to ₱1.9 billion and ₱1.1 billion to non-controlling interests during the three-month periods ended March 31, 2021 and 2020, respectively.

e. <u>Material Events and Changes</u>
1. <u>₱8.0 billion AP bond issuance</u>
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. <u>Aboitizland sale of its 50% equity stake in CHDI</u>
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.

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	March 31, 2021	December 31, 2020
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.6**	1.6
Acid test ratio	(Cash + Marketable securities + Accounts receivable + Other liquid assets) / Current liabilities	**1.2**	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	**1.1**	1.2
Gearing ratio	(Debt - Cash & cash equivalents) / (Total equity + (Debt - Cash & cash equivalents))	**53.2%**	53.6%
Interest coverage ratio	EBIT / Interest expense	**3.6**	2.7
PROFITABILITY RATIOS			
Operating margin	Operating profit / Total revenues	**17.1%**	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**

1The 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.) <u>₱8.0 billion bonds issued in 2013</u>

	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 : MARCH 31, 2021

(amounts in thousand pesos)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	12,885,433	1,663,461	557,132	4,042,344	19,148,370
Food Manufacturing	6,048,382	448,441	242,777	1,361,690	8,101,290
Real Estate	1,790,491	1,474,501	670,969	3,510,142	7,446,103
Holding and Others	490,064	43,348	8,165	40,767	582,344
	21,214,370	**3,629,751**	**1,479,042**	**8,954,943**	**35,278,107**
Others	**6,828,754**	**194,626**	**520,048**	**1,285,076**	**8,828,505**
	28,043,124	**3,824,377**	**1,999,090**	**10,240,019**	**44,106,612**
Less Allowance for Expected Credit Losses					**3,574,358**
					40,532,253

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

C E 0 2 5 3 6

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.

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
OPQA 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 17 2021 2021.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT NO. M-312 UNTIL DEC. 31, 2021
ROLL NO. 68402/ MCLE COMPLIANCE NO. VI-0021336/3-29-2019
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
RECEIVED
APR 13 2021
OPQA SECTION INITIAL

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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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
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
OPQA SECTION INITIAL

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.

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											
	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)	Retained Earnings: Appropriated (Note 24)	Retained Earnings: 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

	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)	Retained Earnings: Appropriated (Note 24)	Retained Earnings: Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
	Attributable to equity holders of the parent											
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.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2021
DPQA SECTION INITIAL

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)

	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.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission (SEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply, 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:

	Nature of Business	Place of Incorporation	Percentage of Ownership 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)

	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	Percentage of Ownership 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
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 noncontrolling 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.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for a least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

<u>Fair Value Measurement</u>

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.

<u>Derivative Financial Instruments</u>
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.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash- settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the 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.

Impairment of Financial Assets

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.

<u>Financial Guarantee Contracts and Loan Commitments</u>
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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Land	10-50
Building	2-50
Power plant	20-25
Manufacturing plant, equipment and others	2-20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the 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.

<u>Intangible Asset</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right
The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties
Investment properties, which pertain to land, land improvements and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

<u>Impairment of Nonfinancial Assets</u>

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.

<u>Borrowing Costs</u>
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.

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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
l	₱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
	452,224	416,501	–	158,599	144,300	269,838	68,193	10,015	5,593,097	214,673	7,327,440
	(163,304)	(98,178)	–	(40,933)	(201,752)	(61,831)	(12,372)	(1,610)	–	(15,311)	(595,291)
tions 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
r 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
d depreciation and amortization											
l	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
n 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
	(11,234)	(24,237)	(23)	(39,798)	(159,133)	(55,510)	(11,988)	–	–	(2,708)	(304,631)
ions and Others	(36,564)	2,648,308	–	(95,756)	(12,951)	9,280	20,530	(687)	–	(259,503)	2,272,657
r 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
(see Note 31)	–	599,963	–	–	2,088	792	251	–	2,645,029	–	3,248,123
lues	₱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
	₱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
f subsidiaries	274	–	–	17,525	2,110	29,132	–	–	–	–	49,041
	273,584	1,032,129	–	181,900	314,534	243,057	9,528	209,599	9,435,565	42,696	11,742,592
	(8,045)	(413,521)	(29,432)	(22,586)	(194,668)	(47,422)	(170)	–	(4,763)	(1,510)	(722,117)
ons 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)
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
l depreciation and amortization											
	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
f subsidiaries	249	–	–	2,469	1,653	5,216	–	–	–	–	9,587
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
	(6,475)	(70,556)	(29,432)	(22,353)	(157,806)	(46,794)	(141)	–	–	(2,072)	(335,629)
ons and Others	(311,387)	(11,181,920)	(58,465)	(98,304)	(6,631)	425,031	(45,250)	(289)	–	(114,030)	(11,391,245)
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
see Note 31)	–	486,280	–	–	2,088	792	251	–	2,645,029	–	3,134,440
ues	₱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.

<u>APRI</u>
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.

<u>Hedcor Bukidnon</u>
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 2020	Purchases 2019	Purchases 2018	Payable 2020	Payable 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			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		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				
	High grade	Standard grade	Sub-standard grade	Past due or individually impaired	Total
Cash and cash equivalents	₱46,424,663	₱—	₱—	₱—	₱46,424,663
Restricted cash	9,121,747	—	—	—	9,121,747
Trade and other receivables					
Trade receivables					
Power	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 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 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 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱72,121,361	₱13,152,429	₱—	₱85,273,790
Standard grade	—	1,339,555	—	1,339,555
Substandard grade	—	3,711,021	—	3,711,021
Default	—	4,886,173	2,009,360	6,895,533
Gross carrying amount	72,121,361	23,089,178	2,009,360	97,219,899
Loss allowance	—	768,866	2,009,360	2,778,226
Carrying amount	₱72,121,361	₱22,320,312	₱—	₱94,441,673

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

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Cash and cash equivalents	₱46,424,663	₱46,424,663	₱–	₱–	₱–	₱–	₱–
Restricted cash	9,121,747	9,121,747	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	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.

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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. Coal Supply Agreements (CSA)

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. Joint Venture Agreement

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.

Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.

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. Renewable Energy Act of 2008
   On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of

renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for

Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2020, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and

December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

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. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month. On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 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. <u>PSALM deferred adjustment</u>

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.

I. COVID-19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (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.
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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
QA 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

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
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March 5, 2021

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2021
OPQA 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	-
Kasikom 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	-
TOTAL		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)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	P 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		Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts			
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)

Related Party	Balances			Volume				Terms
	Trade	Non-trade	Total	Sales	Rental	Interest	Advances	
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)

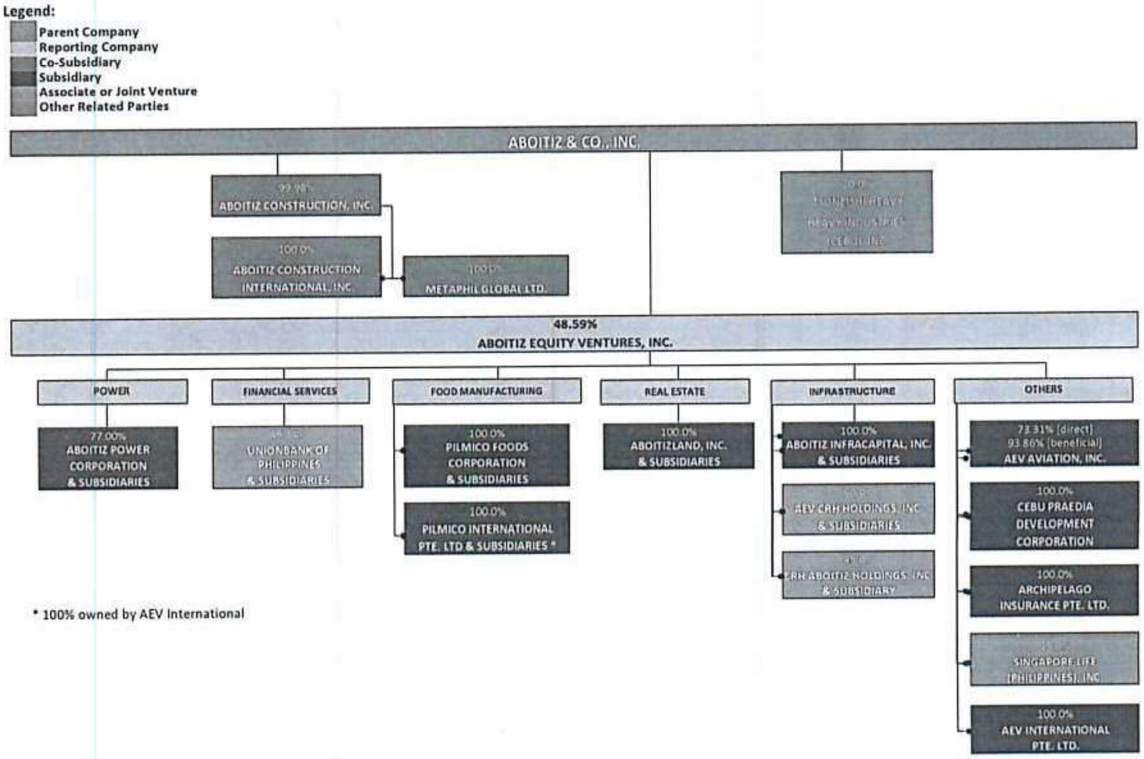
Unappropriated Retained Earnings, beginning	**27,627,456**
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Effects of adoption of new accounting standard	-
Adjustments directly made to retained earnings:	
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%**

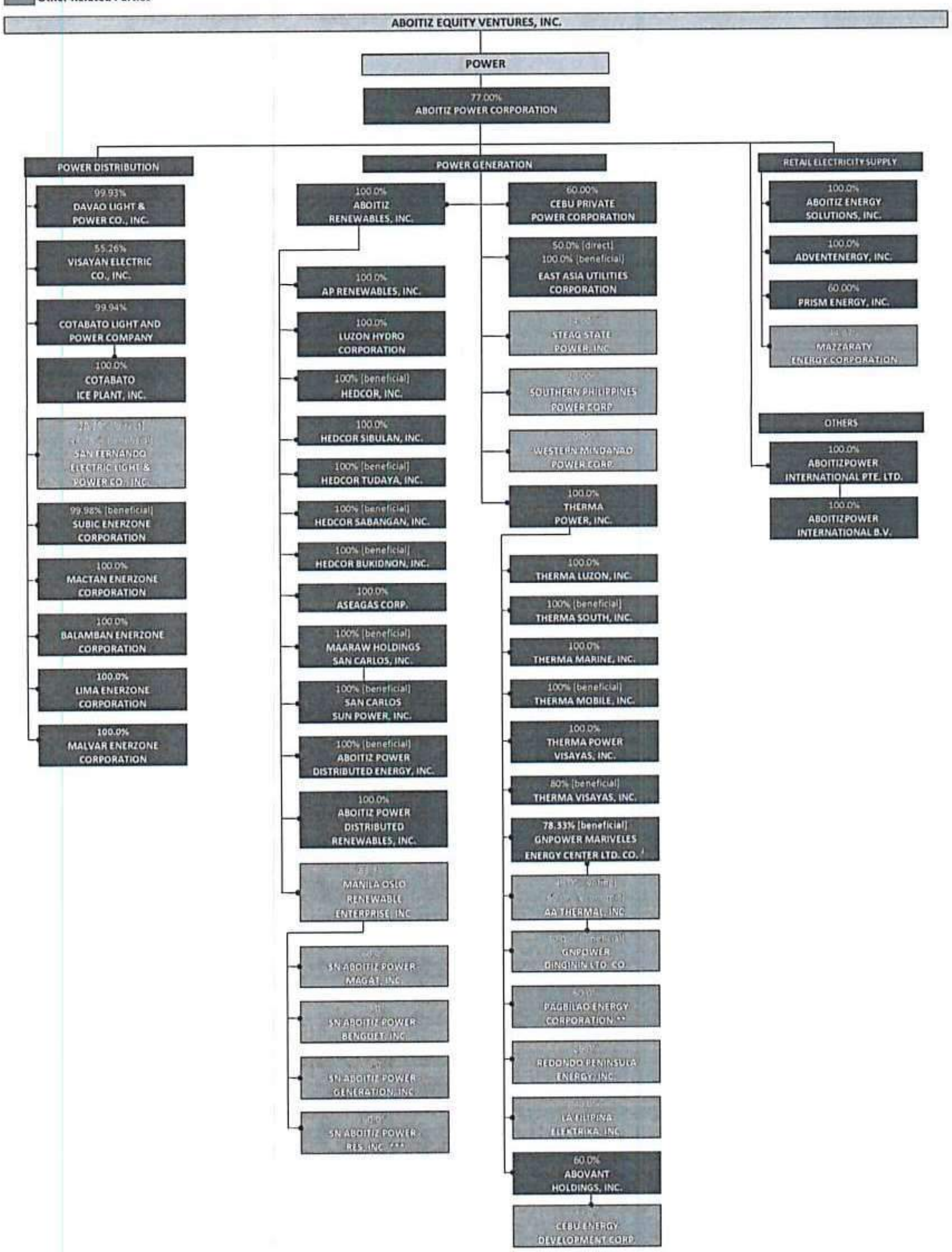
ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2020



* 100% owned by AEV International

ABOITIZ EQUITY VENTURES, INC. - POWER
CONGLOMERATE MAPPING
As of December 31, 2020

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.

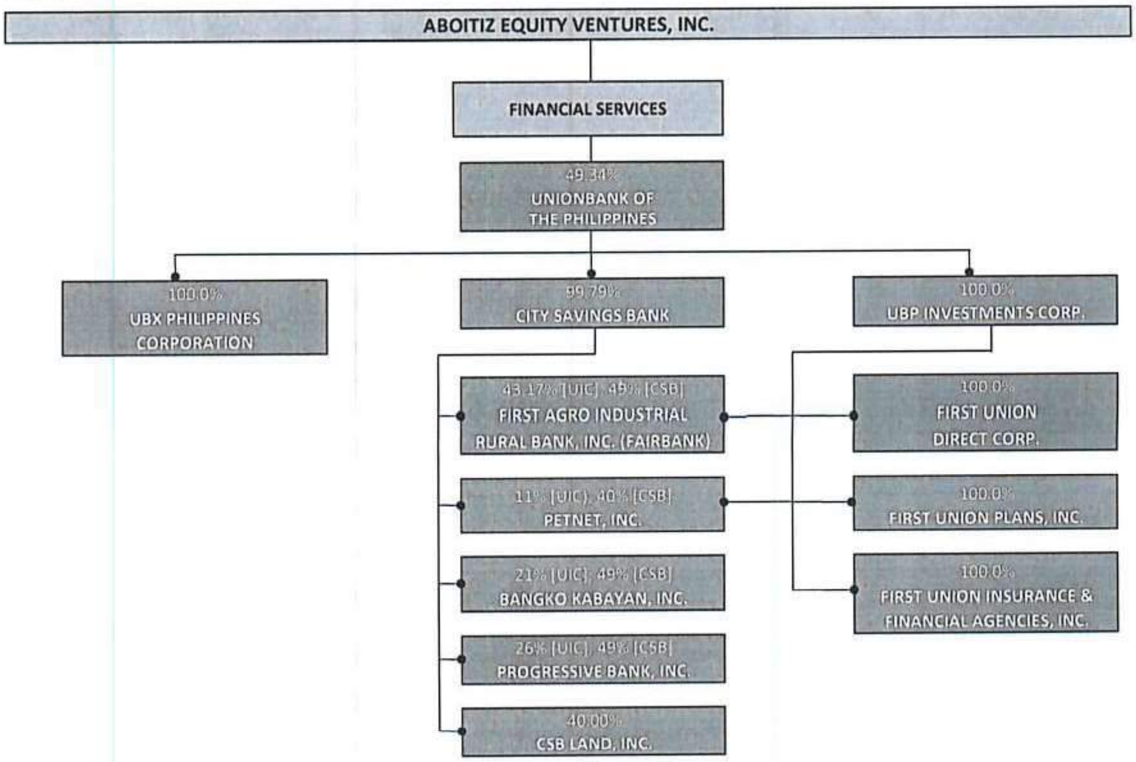
ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES

CONGLOMERATE MAPPING

As of December 31, 2020

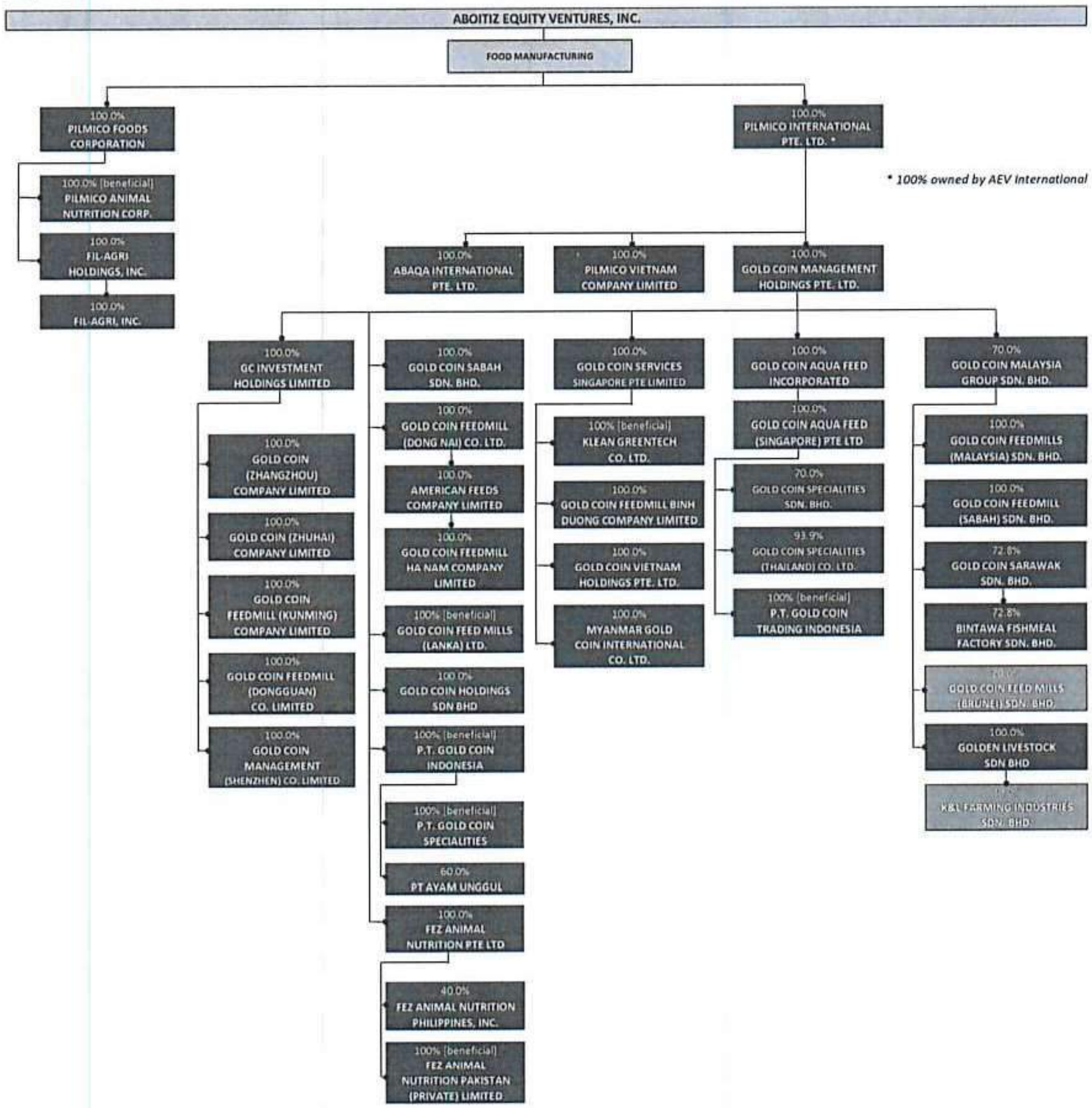
Legend:

- Reporting Company
- Subsidiary
- Associate or Joint Venture

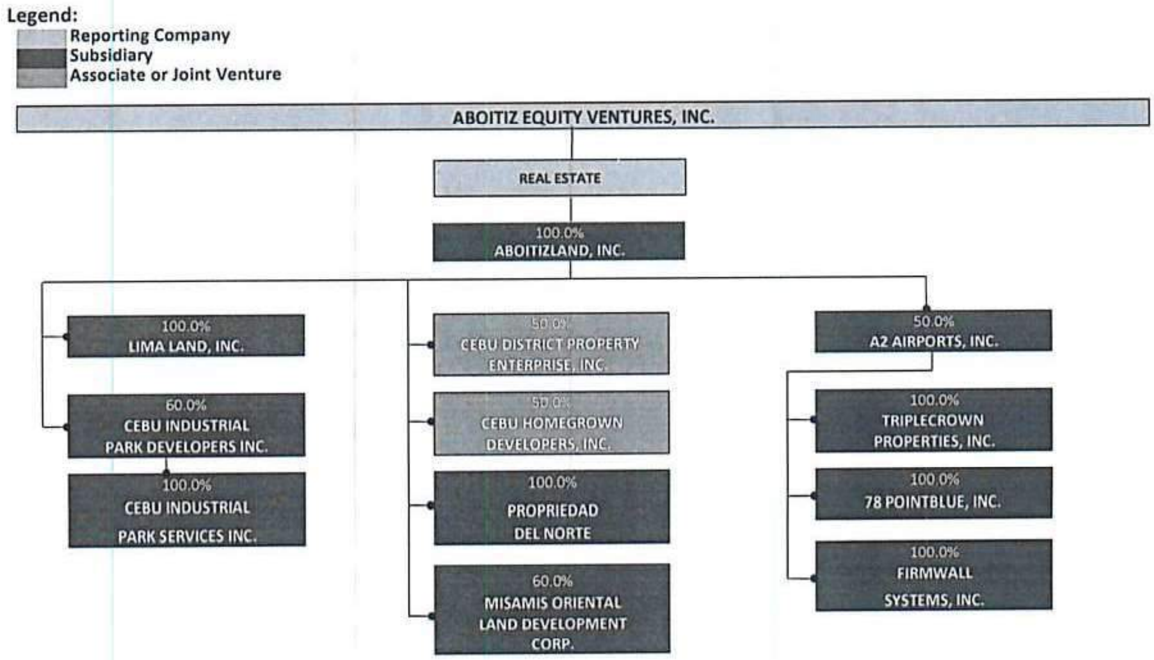


ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING
CONGLOMERATE MAPPING
As of December 31, 2020

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