

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.

# abotiz

## Equity Ventures

32<sup>nd</sup> 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



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 July 2, 2021.

# aboitiz

## Equity Ventures

(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<sup>th</sup>) year from the Issue Date and every Interest Payment Date thereafter until before the fifth (5<sup>th</sup>) anniversary, on the fifth (5<sup>th</sup>) year from the Issue Date and every Interest Payment Date thereafter until before the sixth (6<sup>th</sup>) anniversary, and the sixth (6<sup>th</sup>) 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 starting on [November 9, 2021] as the first Interest Payment Date, and on [February 9], [May 9], [August 9], and [November 9] 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 ₱27.89 Billion 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 ₱ [4,925,216,412.50] for a ₱5,000,000,000.00 issue size, or ₱ [9,860,659,225.00] 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 partially finance Aboitiz Infracapital, Inc.’s (“Aboitiz Infracapital”) 2021 equity contributions to Apo Agua Infraestructura, Inc. (“Apo Agua”) to fund its requirements for the construction of its water treatment facility project up to an amount of ₱750,000,000.00, and to finance future funding requirements of Aboitiz Infracapital in 2022 for its towers project up to an amount of ₱643,629,225.00, 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 49 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://abotiz.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 32<sup>nd</sup> 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 his 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.*

<b>2015 Series B Bonds</b>	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.
<b>Aboitiz InfraCapital</b>	Aboitiz InfraCapital, Inc.
<b>Apo Agua</b>	Apo Agua Infraestructura, Inc.
<b>AEV, the Company, or the Issuer</b>	Aboitiz Equity Ventures Inc.
<b>Applicable Law</b>	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
<b>Applicant</b>	Any person who submits a duly accomplished Application to Purchase together with all requirements set forth therein
<b>Application or Application to Purchase</b>	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.
<b>Banking Day</b>	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
<b>Bakun AC Hydro AC Plant</b>	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
<b>BDO Capital</b>	BDO Capital & Investment Corporation
<b>Board</b>	Board of Directors of AEV, unless context clearly provides otherwise
<b>Bond Agreements</b>	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.
<b>Bondholder</b>	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”.
<b>Bonds</b>	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.
<b>BPI Capital</b>	BPI Capital Corporation
<b>China Bank Capital</b>	China Bank Capital Corporation
<b>Consolidated Equity</b>	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
<b>CSP</b>	Competitive Selection Process
<b>Distribution Companies or Distribution Utilities</b>	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.
<b>Debt Securities Program</b>	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.
<b>Enerzone Companies</b>	Collectively, BEZ, LEZ, MALVEZ, MEZ and SEZ and other Distribution Utilities of the AboitizPower Group operating within special economic zones
<b>ESG</b>	Environmental, social and corporate governance
<b>e-SIP</b>	e-Securities Issue Portal established and maintained by the PDTC
<b>Events of Default</b>	Those events defined as such in the Trust Agreement and listed under "Description of the Offer" - "Events of Default" under this Offer Supplement.
<b>First Metro</b>	First Metro Investment Corporation
<b>Government</b>	The Government of the Republic of the Philippines
<b>Indebtedness</b>	<p>(1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements;</p> <p>(2) All indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and</p> <p>(3) Capitalized lease obligations of the Issuer</p>
<b>Interest Payment Date</b>	Shall mean [February 9], [May 9], [August 9], and [November 9] of each year commencing on [November 9, 2021] 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.

<b>Issue Date</b>	[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;
<b>Issue Management and Underwriting Agreement</b>	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
<b>Issue Price</b>	One hundred percent (100%) of the face value of the Bonds
<b>Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners</b>	BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital
<b>Majority Bondholders</b>	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
<b>MALVEZ</b>	Malvar Enerzone Corporation
<b>Master Certificates of Indebtedness</b>	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
<b>Material Adverse Effect</b>	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
<b>Maturity Date</b>	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
<b>Net Debt</b>	The interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer

<b>Net Debt to Consolidated Ratio</b>	The ratio of Net Debt to Consolidated Equity
<b>Offer</b>	The offering of the Bonds by the Issuer under the Terms and Conditions
<b>Offer Period</b>	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
<b>Oversubscription Option</b>	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
<b>PAGASA</b>	Philippine Atmospheric, Geophysical and Astronomical Services Administration
<b>Paying Agent</b>	The Philippine Depository & Trust Corp. acting as paying agent in accordance with the Registry and Paying Agency Agreement
<b>PDEX</b>	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed- income securities
<b>PDTC</b>	Philippine Depository and Trust Corp.
<b>Person</b>	An individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
<b>Philippine Pesos, PhP or ₱</b>	The lawful currency of the Republic of the Philippines
<b>PhilRatings</b>	Philippine Rating Services Corporation
<b>PHIVOLCS</b>	Philippine Institute of Volcanology and Seismology
<b>Prospectus</b>	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
<b>Record Date</b>	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;
<b>Register of Bondholders</b>	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
<b>Registrar and Paying Agent</b>	Philippine Depository & Trust Corp. acting as the registrar in accordance with the Registry and Paying Agreement

<b>Registry and Paying Agency Agreement</b>	Registry and Paying Agency Agreement dated [●] entered into between the Issuer and the Registrar and Paying Agent in relation to the Bonds
<b>SB Capital</b>	SB Capital Investment Corporation
<b>SEC</b>	The Securities and Exchange Commission of the Philippines
<b>Series E Bonds</b>	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
<b>Series F Bonds</b>	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
<b>Shelf Period</b>	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
<b>SN Power</b>	SN Power Philippines, Inc.
<b>Subsidiary</b>	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
<b>Terms and Conditions</b>	The terms and conditions of the Bonds as herein contained.
<b>Trustee</b>	BDO Unibank, Inc. - Trust and Investments Group
<b>Trust Agreement</b>	Trust Agreement dated [●] entered into between the Issuer and the Trustee in relation to the Bonds
<b>Visayan Electric</b>	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 May 31, 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 billion, 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 (compared to ₱262 million 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 billion, 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 billion to ₱18.0 billion.

### SUMMARY HISTORICAL FINANCIAL INFORMATION

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)
<b>ASSETS</b>				
<b>Current Assets</b>				
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
<b>Total Current Assets</b>	<b>156,170,526</b>	<b>147,381,233</b>	<b>124,425,292</b>	<b>137,488,355</b>
<b>Noncurrent Assets</b>				
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 - net	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
<b>Total Noncurrent Assets</b>	<b>464,628,163</b>	<b>461,774,694</b>	<b>463,960,809</b>	<b>417,005,714</b>
<b>TOTAL ASSETS</b>	<b>₱620,798,689</b>	<b>₱609,155,927</b>	<b>₱588,386,101</b>	<b>₱554,494,069</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
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
<b>Total Current Liabilities</b>	<b>₱99,160,475</b>	<b>₱91,671,925</b>	<b>₱98,012,776</b>	<b>₱76,419,691</b>

(Forward)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)
<b>Noncurrent Liabilities</b>				
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 - net	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	—
<b>Total Noncurrent Liabilities</b>	<b>293,529,365</b>	<b>293,884,003</b>	<b>273,178,245</b>	<b>259,596,540</b>
<b>Total Liabilities</b>	<b>392,689,840</b>	<b>385,555,928</b>	<b>371,191,021</b>	<b>336,016,231</b>
<b>Equity Attributable to Equity Holders of the Parent</b>				
Capital stock	5,694,600	5,694,600	5,694,600	5,694,600
Additional paid-in capital	13,013,197	13,013,197	13,013,197	13,013,197
<i>Other equity reserves:</i>				
Gain on dilution	5,043,152	5,043,152	5,043,152	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	469,540	469,540	469,540	469,540
Acquisition of non-controlling interests	(11,727,718)	(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)
	<b>187,146,227</b>	<b>183,062,371</b>	<b>176,481,176</b>	<b>174,690,528</b>
<b>Non-controlling Interests</b>	<b>40,962,622</b>	<b>40,537,628</b>	<b>40,713,904</b>	<b>43,787,310</b>
<b>Total Equity</b>	<b>228,108,849</b>	<b>223,599,999</b>	<b>217,195,080</b>	<b>218,477,838</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱620,798,689</b>	<b>₱609,155,927</b>	<b>₱588,386,101</b>	<b>₱554,494,069</b>

**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
<b>REVENUES</b>					
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
	<b>46,535,050</b>	<b>45,589,162</b>	<b>186,725,828</b>	<b>201,157,468</b>	<b>186,942,820</b>
<b>COSTS AND EXPENSES</b>					
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
	<b>38,575,768</b>	<b>39,025,604</b>	<b>155,252,038</b>	<b>168,502,578</b>	<b>147,780,877</b>
<b>OPERATING PROFIT</b>	<b>7,959,282</b>	<b>6,563,558</b>	<b>31,473,790</b>	<b>32,654,890</b>	<b>39,161,943</b>
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
<b>INCOME BEFORE INCOME TAX</b>	<b>10,888,870</b>	<b>3,934,093</b>	<b>28,392,247</b>	<b>34,200,692</b>	<b>35,137,995</b>
<b>PROVISION FOR INCOME TAX</b>	<b>328,940</b>	<b>935,828</b>	<b>7,583,258</b>	<b>4,758,404</b>	<b>3,899,198</b>
<b>NET INCOME</b>	<b>₱10,559,930</b>	<b>₱2,998,265</b>	<b>₱20,808,989</b>	<b>₱29,442,288</b>	<b>₱31,238,797</b>
<b>ATTRIBUTABLE TO:</b>					
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
	<b>₱10,559,930</b>	<b>₱2,998,265</b>	<b>₱20,808,989</b>	<b>₱29,442,288</b>	<b>₱31,238,797</b>
<b>EARNINGS PER SHARE</b>					
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	<b>₱10,359,588</b>	₱11,226,370	₱36,221,065	₱42,757,046	₱38,417,349
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	<b>2,628,647</b>	(4,123,779)	(11,504,383)	(39,883,146)	(30,762,254)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	<b>(6,111,599)</b>	23,343,830	(4,345,939)	(15,617,585)	(13,223,356)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>6,876,636</b>	30,446,421	20,370,743	(12,743,685)	(5,568,261)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<b>(91,617)</b>	(74,422)	(828,995)	135,319	(268,924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>65,966,411</b>	46,424,663	46,424,663	59,033,029	64,870,214
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱72,751,430</b>	₱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.

## **RECENT DEVELOPMENTS**

On June 22, 2021, the National Commission on Indigenous Peoples in the Cordillera Administrative Region (“NCIP-CAR”) issued a cease and desist order (“CDO”) to Hedcor’s three run-of-river hydropower plants in Bakun Benguet due to alleged irregularities regarding the Free Prior Informed Consent-Memorandum of Agreement between Hedcor and the Bakun Indigenous Tribes Organization, which was signed on October 15, 2019. The CDO ordered Hedcor to cease operations of the Lower Albay Hydro, FLS Hydro, and Lon-oy Hydro five days after receipt of the CDO. The total affected net sellable capacity is 12.15MW, which is approximately 0.3% of AboitizPower’s total net sellable capacity. On June 25, 2021, the DOE sent a letter to Hedcor, directing it to continue operating its FLS Hydro, Lon-ou Hydro, and Lower Labay Hydro Plants citing the “shortage of available capacity from the grid”.

On June 30, 2021, members of the Bakun local government unit (“Bakun LGU”), together with representatives from the NCIP-CAR and the Bakun Indigenous Tribes Organization physically implemented a forced shutdown of Hedcor’s Lower Labay, Lon-oy, and FLS hydropower plant facilities in Bakun citing instructions of the NCIP Regional Office in relation to the CDO.

AboitizPower believes that this is in breach of the standing Status Quo Ante Order issued by the Regional Trial Court of Bugulas, following mutual commitment between Hedcor and the Bakun LGU to maintain uninterrupted operations of the plants. In the interest of the safety of its employees, Hedcor decided to close its Lower Labay, Lon-oy, and FLS hydropower plant facilities until further notice.

On July 1, 2021, the DOE sent another letter to Hedcor directing it to reconnect to the grid as soon as possible to ensure reliable and stable electric power supply especially since the Luzon grid is experiencing Yellow and Red Alert status.

AboitizPower and Hedcor are consulting relevant stakeholders and advisors to determine and take the appropriate next steps.

## 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:

	<b>As of March 31, 2021 (Unaudited)</b>	<b>As adjusted for a ₱5 billion issue (Unaudited)</b>	<b>As adjusted for a ₱10 billion issue (Unaudited)</b>
	(in ₱ millions)	(in ₱ millions)	(in ₱ millions)
<b>Short-term debt</b>			
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
<b>Long-term debts – net of current portion</b>			
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	—	4,925	9,861
Total long-term debts	276,462	281,387	286,323
<b>Equity</b>			
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	570,184	575,120

## 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.

<b>Issuer</b>	:	Aboitiz Equity Ventures Inc.
<b>Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners</b>	:	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")
<b>Trustee</b>	:	BDO Unibank, Inc. - Trust and Investments Group
<b>Registrar and Paying Agent</b>	:	Philippine Depository & Trust Corp.
<b>Issue / Issue Amount</b>	:	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.

<b>Use of Proceeds</b>	:	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 ₱8,467,030,000.00, to partially finance Aboitiz InfraCapital’s 2021 equity contributions to Apo Agua to fund its requirements for the construction of its water treatment facility project up to an amount of ₱750,000,000.00, and to finance future funding requirements of Aboitiz InfraCapital in 2022 for its towers project up to an amount of ₱643,629,225.00, as described further in the section entitled “Use of Proceeds” on page [41] of this Offer Supplement.
<b>Issue Price</b>	:	100% face value
<b>Manner of Distribution</b>	:	Public Offering
<b>Offer Period</b>	:	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.
<b>Issue Date</b>	:	[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.
<b>Maturity Date or Redemption Date</b>	:	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.
<b>Interest Rate</b>	:	Series E Bonds: [●]% per annum Series F Bonds: [●]% per annum
<b>Interest Payment Date</b>	:	The Interest shall be paid quarterly in arrear on [February 9], [May 9], [August 9], and [November 9] of each year commencing on [November 9, 2021] 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:

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

<b>Series F Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
4 <sup>th</sup> year from Issue Date and every Interest	102.00%

Payment Date thereafter before the 5th anniversary of the Issue Date	
5 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 6th anniversary of the Issue Date	101.00%
6 <sup>th</sup> 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 thirty (30) 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 5.2.a 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 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.

**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: 15<sup>th</sup> Floor, South Tower BDO Corporate Center. 7899 Makati Avenue, Makati City  
Contact Number: 8878-4218  
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## **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**

There are risks of loss of, and/or damage to, facilities caused by natural calamities such as earthquakes, typhoons, and floods may result in significant business interruptions within the Aboitiz Group. Interruptions may also be caused by other factors such as critical equipment breakdown, IT and OT security breaches, fires and explosions, hazardous waste spills, workplace injuries and fatalities,

terrorism, and other serious risks, including actions taken by local government units and indigenous communities that have rights and local autonomy in the areas where the Aboitiz Group operates. See “Recent Developments” on page [19] and “Strategic Business Units – Power” on pages [96-97].

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

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

The Business Continuity Management Program follows the Plan – Do – Check - Act Cycle which aims to continuously improve and ensure its alignment to the evolving needs of the Business. Existing business interruption scenarios and continuity plans for each of these scenarios are reviewed regularly, evaluated, and updated through Business Continuity plan exercises and “lessons learned” sessions. These practices 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.



## **Emerging Risks**

The current risk environment is rapidly shifting as a result of events that many times are not within the Company's control, often as a result of global events. Such emerging risks cannot yet be fully assessed due to high uncertainty, but could have a major impact on an organization in the future. Climate change risk is one area in which the risk managers have focused their attention to, particularly those that would have potential impact to the facilities, operations, labor, supply chain, customers and the community where the business units operate. To mitigate such risks, the Risk Management Council and the Board Risk and Reputation Management Committee include such risks in their regular discussions and continue to identify and monitor emerging risks especially in the following areas: political, economic, social, technology, legal and environment.

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

## **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 million 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 million customers out of the total 7.1 million SAP recipients. It also played a key role in the historical launch of the first in Asia app-based blockchain-enabled distribution of retail treasury bonds by the Bureau of the Treasury. 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 million cash assistance program to households; (2) LIGHT Microfinance – for the disbursement of loan proceeds to 150,000 customers; (3) Public Safety Savings & Loan Association, Inc. – 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's ways of working and alternative channels to pursue service offerings while mitigating the risks associated with COVID-19. In light of the COVID-19 crisis and its potential impact on UnionBank's credit portfolio, UnionBank deemed it prudent to further increase its provisions for loan losses to ₱ 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 setups 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 2020 Fitch

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

Historically, the demand for power for the past ten (10) years, has shown an increasing trend. This has been the case despite the volatility in the economic, financial, and political conditions of the country. It may be attributable to the inelasticity of electricity at certain levels wherein essential appliances

and industries need to operate. The rising population and remittances from overseas workers will likewise provide a minimum growth in the demand for power.

### **Any political instability in the Philippines may adversely affect the Company**

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

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

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

In July 2020, the application for franchise renewal of ABS-CBN Broadcasting Corporation (“ABS-CBN”) was denied by the House Committee on Legislative Franchises. ABS-CBN repeatedly applied for the renewal of their congressional franchise since 2014 but these remained pending in the House of Representatives until its congressional franchise expired in May 2020 and the network was ordered to cease and desist from operating all of its free TV and radio broadcasting. Various advocacy groups and the international press have labeled the franchise denial as a direct attack to press freedom and Philippine democracy. The franchise denial has resulted in the closure of some of ABS-CBN’s business operations and the retrenchment of thousands of workers. As distribution utilities, certain subsidiaries of AEV may not operate without a legislative franchise, which can only be granted through the passage of law duly passed by the Philippine Congress and approved by the Philippine President. The Aboitiz Group currently has four valid and subsisting legislative franchises: RA No. 9339, RA 11515, RA 10637, RA 9967, which will expire in 2050, 2030, 2039, and 2035, respectively, unless renewed by the Congress. There can be no assurance that the Aboitiz Group will continue to be able to secure or renew, as the case may be, its franchise or the necessary licenses, permits and other authorizations for the Aboitiz Group’s operations as necessary or that such licenses, permits and other authorizations will not be revoked. If the Aboitiz Group is unable to obtain or renew them or are only able to do so on unfavorable terms, the Aboitiz Group may lose its authority to offer services, which would materially and adversely affect the Aboitiz Group’s business, financial condition and results of operations.

There is no assurance that any political instability will affect any governmental and regulatory processes and that opposition from public officials will not affect the Company and its operations. In general, political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Company. The Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. In addition, perceptions over human rights and geopolitical issues may affect the overall sentiment on the Philippines and the business environment. The Company can provide no assurance against such systemic risk.

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

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

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

## **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 [₱4,925,216,412.50] for an issue size of up to ₱5,000,000,000.00 or, assuming full exercise of the Oversubscription Option, ₱ [9,860,659,225.00] 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 <sup>1</sup>	[24,500,000.00]
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]
<b>Estimated net proceeds of the Issue</b>	<b>[₱4,925,216,412.50]</b>

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

Documentary Stamp Tax	[75,000,000.00]
Issue Management and Underwriting Fees <sup>2</sup>	[49,000,000.00]
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]
<b>Estimated net proceeds of the Issue</b>	<b>₱ [9,860,659,225.00]</b>

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

<sup>1</sup> Inclusive of GRT; For purposes of illustration, the maximum fees that the Joint Lead Underwriters may receive have been assumed.

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

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

The allocation of the proceeds of the Offer and the schedule of disbursements shall be as follows, 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	₱ 4,175,216,412.50	Aug 2021	85%
Partially finance Aboitiz InfraCapital's 2021 equity contributions to Apo Agua to fund its requirements for the construction of a hydroelectric-powered bulk water treatment facility in Davao	₱750,000,000.00	2021	15%
	₱ 4,925,216,412.50		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%
Partially finance Aboitiz InfraCapital's 2021 equity contributions to Apo Agua to fund its requirements for the construction of a hydroelectric-powered bulk water treatment facility in Davao	₱750,000,000.00	2021	8%
Finance future funding requirements of Aboitiz InfraCapital in 2022 for its towers project	₱ 643,629,225.00	2022	6%
	₱9,860,659,225.00		

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, approximately up to ₱750,000,000.00 to partially finance 2021 equity contributions of Aboitiz InfraCapital in Apo Agua to fund its requirements for the construction of its water treatment facility project, and approximately up to ₱643,629,225.00 to finance future funding requirements of Aboitiz InfraCapital in 2022 for its towers project.

#### **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 amounting to ₱10,461,620,000.00; (b) Series B 2015 Bonds, with a term of seven (7) years amounting to ₱8,467,030,000.00; and (c) Series C 2015

Bonds, with a term of twelve (12) years from issue date amounting to ₱5,071,350,000.00. 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, AAll, AseaGas, and PETNET to fund planned investments, and for other general corporate purposes pursuant to its operations as a holding company.

To fund the early redemption of ₱8,467,030,000.00 in principal amount of outstanding Series A 2015 Bonds that will be redeemed prior to the Issue Date, the Issuer will be using a mix of its available cash and short-term facilities. The actual proportion of cash and short term debt to be determined by the Issuer based on best available terms at the relevant time for such bridge financing. Any amount used for the redemption that will be raised from such short term facilities will be repaid from the proceeds of the Series E and F bonds. The Issuer expects to avail of such short term facilities from its relationship banks, including those affiliated with the Joint Lead Underwriters.

#### **Partially finance the 2021 equity contributions of Aboitiz InfraCapital to Apo Agua to fund its requirements for the construction of the hydroelectric powered bulk water treatment facility in Davao**

Apo Agua is the project company owned by the Company and J.V. Angeles Construction Corp. (“JVACC”), organized to design, construct and operate a hydroelectric powered-raw water treatment facility and a conveyance system which will deliver a minimum contracted annual volume of 109.5 million cubic meters (equivalent to 300 million liters per day) of treated bulk water to Davao City over a 30-year period. In 2018, Apo Agua signed an omnibus notes facility and security agreement with a consortium of lender-banks for a PhP9 billion loan to fund the construction of the bulk water facility and a 2.5-megawatt hydro-electric power plant. The remainder of the PhP12.6 billion project will be funded through equity infusions from the shareholders of Apo Agua. In 2019, Apo Agua began its 3-year construction phase and delivery of first drop of water is expected to commence by the end of 2021. AEV and its wholly-owned subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua. AEV expects to realize returns on its equity contributions from the operation of the water treatment facility upon its completion which will generate additional cash flows that will allow Apo Agua to distribute profits to its shareholders in the form of dividends.

#### **Finance future funding requirements of Aboitiz InfraCapital in 2022 for its towers project**

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

Unity requires capital contributions of approximately ₱1.5 billion in 2022 to fund the rollout of its towers project, 50% of which will be funded by the Company through a mix of the proceeds of the Series E and F bonds and existing available cash.

The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital. 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 centers.

Partners Group is a leading global private markets firm. Since 1996, it has invested over USD 145 billion in private equity, private debt, private real estate, and private infrastructure on behalf of its clients globally. It seeks to generate strong returns through capitalizing on thematic growth trends and transforming attractive businesses and assets into market leaders. It is a committed, responsible investor and aims to create sustainable returns with lasting, positive impact for all our stakeholders.

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, to finance 2021 funding requirements of Apo Agua for its water treatment facility project, and finance future funding requirements of Aboitiz InfraCapital in 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.

The interest rate of the **Series E Bonds** was based on the simple average of the 4-year PHP BVAL Reference Rate as published on the website of the Philippine Dealing System Group (or its successor) for the three (3) consecutive Banking Days immediately preceding and ending on the interest rate setting date, and a spread of [●] basis points, as determined via a book building process.

The interest rate of the **Series F Bonds** was based on the simple average of the 7-year PHP BVAL Reference Rate as published on the website of the Philippine Dealing System Group (or its successor) for the three (3) consecutive Banking Days immediately preceding and ending on the interest rate setting date, and a spread of [●] basis points, as determined via a book building process.

## 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]
<b>Total</b>	<b>[₱5,000,000,000.00]</b>

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

### **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, with the consent of the Issuer, may opt to exercise the Oversubscription Option which shall be distributed and allocated to investors at the discretion of the Joint Lead Underwriters exercising the Oversubscription Option, with the consent of the Issuer. 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 Register of Bondholders. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder, in the mode elected by such Bondholder in the Application to Purchase or the Registration Form, a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the 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](http://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 [November 9, 2021] for the first interest payment date, and [February 9], [May 9], [August 9], and [November 9], of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Banking Day, without adjustment, if such Interest Payment Date is not a Banking Day. 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, without any adjustment in the amount of interest as originally computed (the "Early Redemption Date").

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:

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

<b>Series F Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of early redemption premium)</b>
4 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 5 <sup>th</sup> anniversary of the Issue Date	102.00%
5 <sup>th</sup> year from Issue Date and every Interest Payment Date thereafter before the 6 <sup>th</sup> anniversary of the Issue Date	101.00%
6 <sup>th</sup> 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 or the Series F Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series E or the Series F Bonds 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 thirty (30) days' notice to the Trustee) at par or 100% of the face value 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 for the Issuer, 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 on the income of the Bondholder, 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 early redemption premium 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 premium that is imposed under an Early Redemption.

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

### **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	3.6	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 gross 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 two (2) Banking Days from the relevant due date]; provided, further, that such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

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

- 2. Representation Default.** Except for clerical or typographical error, any representation or warranty made by the Issuer in the Trust Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or



misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect.

3. **Other Provisions Default.** The Issuer fails to perform or comply with any other term, obligation, or covenant contained in the Trust Agreement or in any other document or instruments related or otherwise in connection therewith in any material respect and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by the Trustee; Provided, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default.
4. **Cross Default.** The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within thirty (30) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of at least 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.
5. **Insolvency Default.** The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, 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, 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 a 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; 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 or such longer period as the Majority Bondholders may approve.
6. **Closure Default.** The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default.
7. **Judgment Default.** Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of 20% of the Issuer's Fair Market Value of Assets or its



equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, and any extension thereof, shall have expired without being satisfied, discharged, or stayed within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the Applicable Law or agreement.

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

## **CONSEQUENCES OF DEFAULT**

### **Declaration by the Trustee or the Majority 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. 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 or a confirmation stating that the relevant Bondholder is included in the list of Bondholders in the Register of Bondholders.

### **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. The Issuer shall authorize the Registrar and Paying Agent to provide the Trustee with the list of Bondholders for purposes of calling a meeting of the Bondholders.

### **Notice of Meetings**

The Trustee may at any time call a meeting of the Bondholders, as 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, including the cost of the venue and other related expenses for the meeting, shall be advanced by or 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, in accordance with Section 11.2 of the Trust Agreement, 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 as provided in Section 11.2 of the Trust Agreement, 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 as provided in 11.3 of the Trust Agreement, 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-two (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**

### **Notice**

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

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

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

As of May 31, 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 June 30, 2021, AEV had a market capitalization of ₱237.3 billion, with a common share price of ₱42.15 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 June 30, 2021, AboitizPower had a market capitalization of ₱179.9 billion, with a common share price of ₱24.45 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 ₱93.34 billion, with a common share price of ₱76.5500 as of June 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 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.

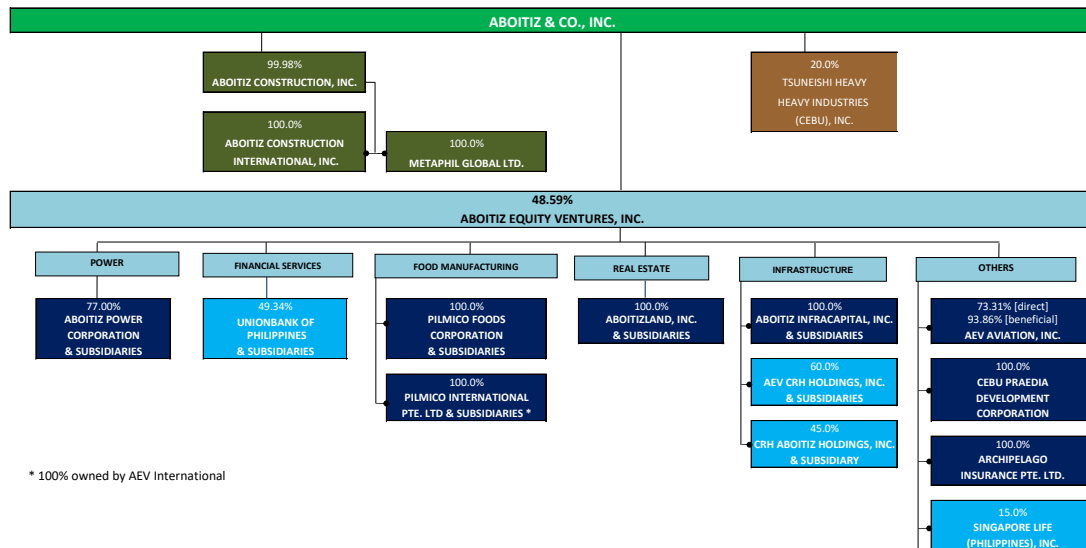
**Others.** AEV's other investments include holdings in: (a) aviation through AEV Aviation, Inc. ("AEV Av"), (b) insurance through Archipelago Insurance Pte. Ltd. ("Archipelago Insurance"), and (c) portfolio investments abroad through AEV International.

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

**Legend:**

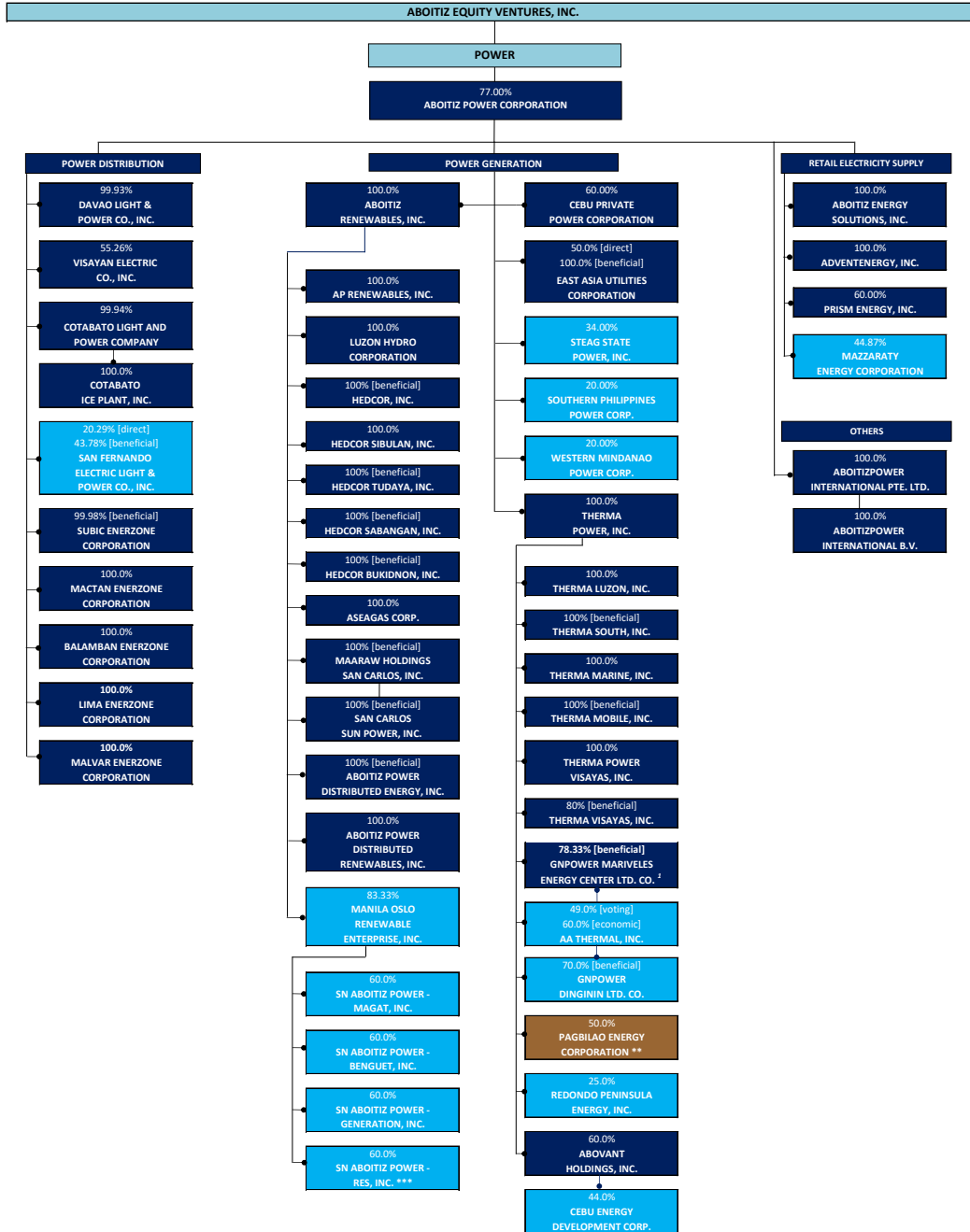
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



\* 100% owned by AEV International

**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, GNPpower Mariveles Coal Plant Ltd. Co.

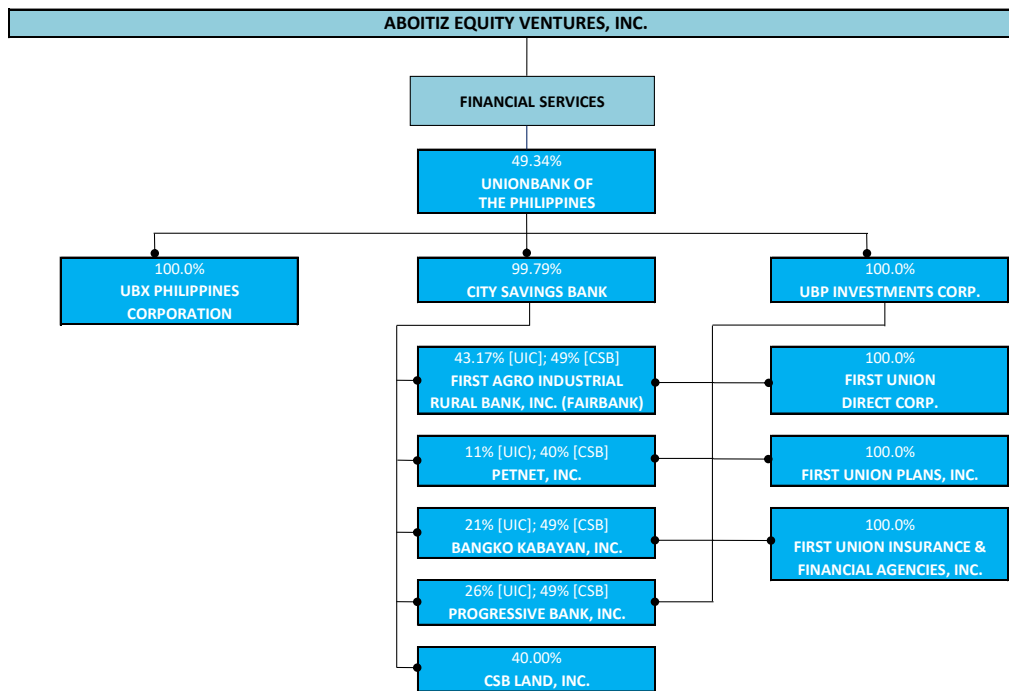
**ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES**

**CONGLOMERATE MAPPING**

As of March 31, 2021

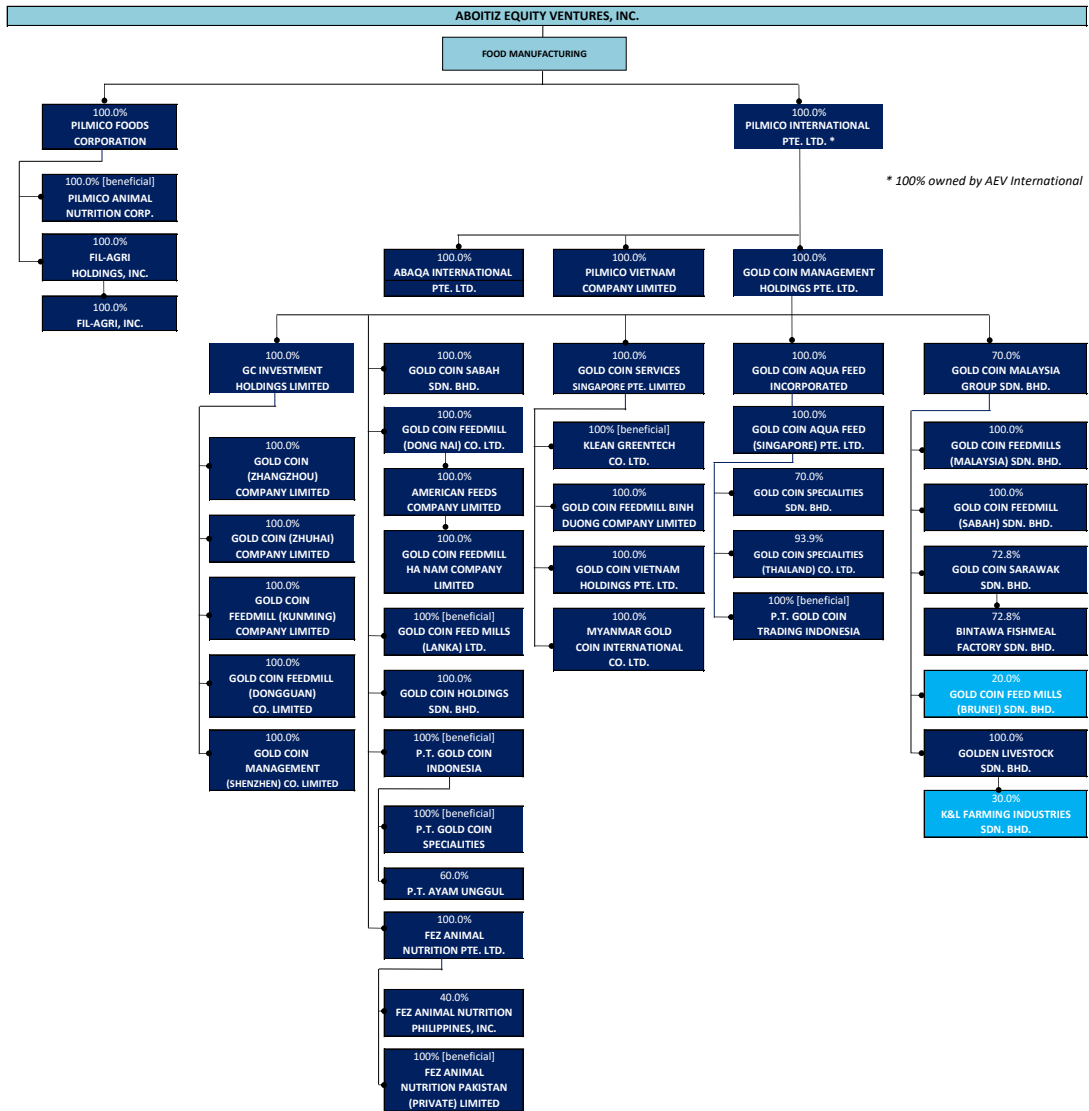
**Legend:**

- Reporting Company
- Subsidiary
- Associate or Joint Venture



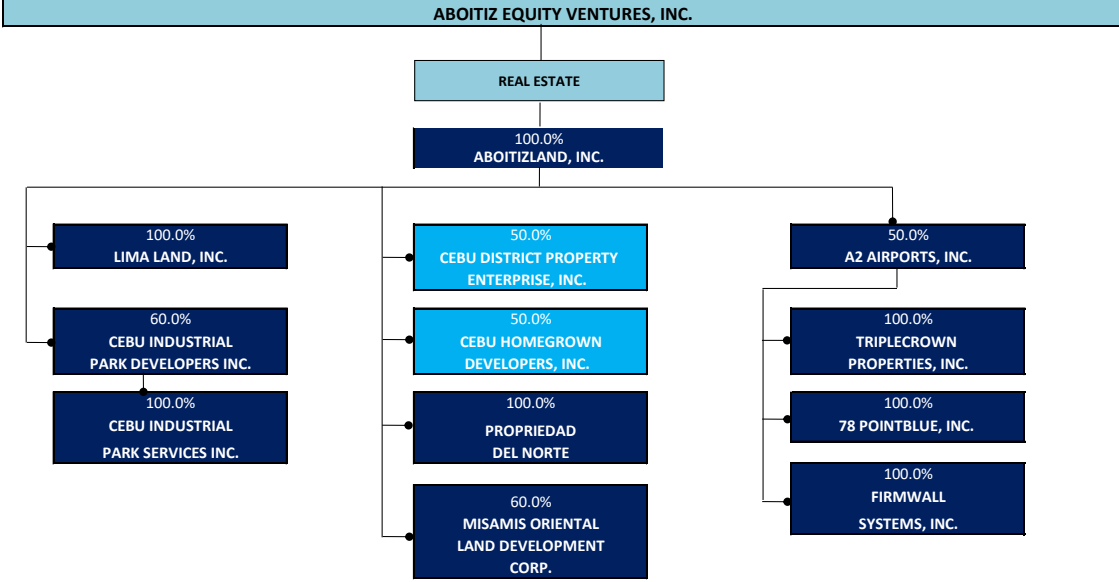
**ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING**  
**CONGLOMERATE MAPPING**  
 As of March 31, 2021

**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

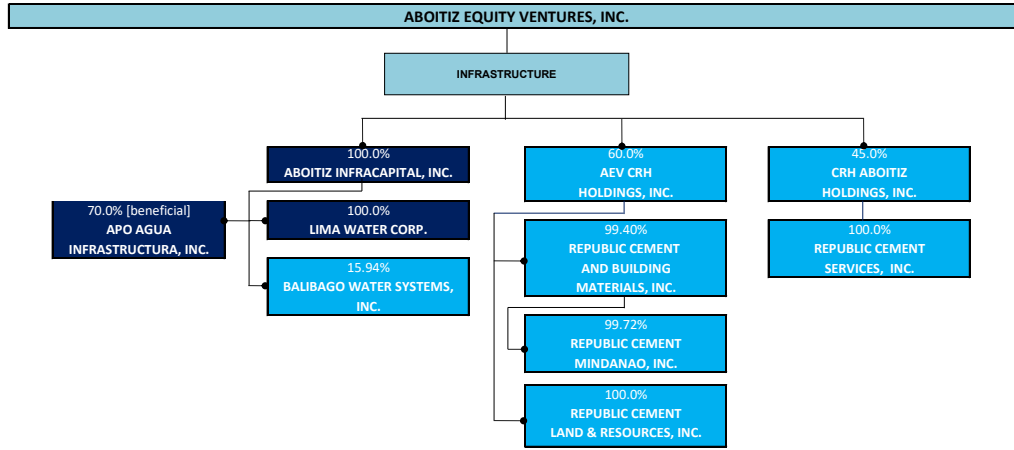




**ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE**  
**CONGLOMERATE MAPPING**  
 As of March 31, 2021

**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 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 partnered with leading global private markets firm, Partners Group, acting on behalf of its clients, to establish a telecommunications infrastructure platform called

Unity Digital Infrastructure, Inc. (“Unity”). Through Unity, Aboitiz InfraCapital and Partners Group will build and operate telecommunication towers and supporting infrastructure across the country. This supports the Government’s vision to improve the country’s internet connectivity in local communities by increasing the number of cell sites of 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 Cleanenergy and thermal portfolios.

### **Sustainability and ESG**

#### **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 million customers out of the total 7.1 million SAP recipients. It also played a key role in the historical launch of the first in Asia app-based blockchain-enabled distribution of retail treasury bonds by the Bureau of the Treasury. 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 million cash assistance program to households; (2) LIGHT Microfinance – for the disbursement of loan proceeds to 150,000 customers; (3) Public Safety Savings & Loan Association, Inc.– 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<sup>3</sup> 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.

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<sup>3</sup> <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)	1Q 2021 (Unaudited)	1Q 2020 (Unaudited)	2020 (Audited)	2019 (Audited)	2018 (Audited)
Revenue	₱46,535	₱45,589	₱186,726	₱201,157	₱186,943
Operating Income	₱7,959	₱6,564	₱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 %	₱154,000	77 %	₱163,984	88 %
Rest of Asia	₱56,660	30 %	₱47,157	23 %	₱22,959	12 %
<b>Total</b>	<b>₱186,726</b>	<b>100 %</b>	<b>₱201,157</b>	<b>100 %</b>	<b>₱186,943</b>	<b>100 %</b>

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 %
<b>Total</b>	<b>₱15,434</b>	<b>100 %</b>	<b>₱22,036</b>	<b>100 %</b>	<b>₱22,233</b>	<b>100 %</b>

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

### Contribution to Revenue

	1Q 2021 (Unaudited)		1Q 2020 (Unaudited)		2020		2019		2018	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Power	26,849	57 %	27,876	61 %	110,377	59 %	125,635	62 %	131,572	70 %
Food	18,871	40 %	16,997	37 %	72,597	38 %	71,155	35 %	50,253	27 %
Financial Services	—	0 %	—	0 %	—	0 %	—	0 %	645	0 %
Real Estate	701	2 %	508	1 %	3,618	2 %	4,196	2 %	4,001	2 %

Infrastructure	31	0 %	22	0 %	96	0 %	96	0 %	96	0 %
Others	287	1 %	281	1 %	1,450	1 %	1,550	1 %	1,819	1 %
	46,739	100 %	45,684	100 %	188,138	100 %	202,632	100 %	188,386	100 %
Eliminations	(204)		(95)		(1,412)		(1,475)		(1,443)	
<b>Total</b>	<b>46,535</b>	<b>100 %</b>	<b>45,589</b>	<b>100 %</b>	<b>186,726</b>	<b>100 %</b>	<b>201,157</b>	<b>100</b>	<b>186,943</b>	<b>100 %</b>

*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	Registered.



			services under Class Nos. 36 and 37.	
Advancing Business and Communities Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021743 November 7, 2019	Application for the device mark "Advancing Business and Communities", with color claim.	Registered.
Aboitiz Equity Ventures word mark (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021492 March 3, 2020	Application for the word mark "Aboitiz Ventures".	Registered.
Aboitiz Equity Ventures Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021742 October 6, 2019	Application for the device mark "Aboitiz Equity Ventures", with color claim.	Registered.
A Future Built By You (Class No. 35)	Aboitiz Equity Ventures Inc.	4-2019-003834 August 8, 2019	Application for the mark "A Future Built By You".	Registered.
Aboitiz & Device – Black (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012408 September 24, 2007 (Trademark has been renewed and will expire on September 24, 2027.)	Application for the device mark "Aboitiz (Black)".	Registered.
Aboitiz & Device – Red (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012409 September 24, 2007 (Trademark has been renewed and will expire on September 24, 2027.)	Application for the device mark "Aboitiz (Red)".	Registered.
Passion for better ways word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012413 September 24, 2007 (Trademark has been renewed and will expire on September 24, 2027.)	Application for the word mark "Passion for better ways".	Registered.

#### International Trademarks Application (Non-Madrid)

Trademarks	Owner	Country of Application	Status
Aboitiz (Word Mark) (Class No. 30)	Aboitiz Equity Ventures, Inc.	Malaysia	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 million and with total assets (excluding land on which the particular business entity’s office, plant and equipment are situated) of not more than ₱100 million;
- 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) <sup>9</sup>	New Threshold (effective 15 September 2020) <sup>10</sup>
Size of Person Test	₱6 billion	₱50 billion
Size of Transaction Test	₱2.4 billion	₱50 billion

This means that the value of the assets or revenues of the UPE of at least one of the parties must exceed ₱50 billion instead of ₱6 billion. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired, target or merged entity must exceed ₱50 billion 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 Cleanenergy 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 June 30, 2021, AboitizPower had a market capitalization of ₱179.9 billion, with a common share price of ₱24.45per 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 1,308GWh for the three months ended March 31, 2021. Combined, 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 or a total market share of 22.69% as of March 31, 2021.

As of May 31, 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			
	Q1 2021	2020	2019	2018	Q1 2021	2020	2019	2018
	(in GWh)				(in million Pesos)			
APRI	808	3,055	2,968	2,857	2,546	11,253	12,542	12,518
SacaSun	11	44	49	41	53	250	269	197
Hedcor	16	161	226	172	73	697	881	694
LHC	14	266	262	291	36	761	787	970
Hedcor Sibulan	64	201	191	213	444	1,399	1,286	1,385
Hedcor Tudaya	10	33	29	32	57	261	172	191
Hedcor Sabangan	12	49	51	53	68	395	300	315
Hedcor Bukidnon	62	261	284	115	326	1,418	1,608	573
SN Aboitiz Power-Magat	420	1,891	2,054	2,379	1,840	5,352	6,607	7,182
SN Aboitiz Power-Benguet	338	1,936	1,975	2,085	1,478	5,668	6,065	6,070
TLI	1,467	6,686	6,812	6,808	6,313	20,505	25,410	26,603
TSI	364	1,531	1,393	1,959	2,466	8,276	9,099	11,141
TVI	293	2,232	1,710	269	2,186	8,490	6,254	702
Cebu Energy	88	2,025	1,900	1,978	1,910	7,719	8,578	9,728
STEAG Power	44	1,845	1,840	1,840	847	4,022	4,791	4,373
GMEC	633	5,003	3,909	5,498	2,924	17,821	19,373	23,492

WMPC	4	819	638	438	312	1,390	1,158	1,393
SPPC	0	0	0	161	0	0	0	161
CPPC	9	540	550	551	304	998	1,685	1,253
EAUC	8	226	383	368	209	571	1,013	819
TMI	186	743	1,200	1,432	274	990	1,865	2,016
TMO	324	381	938	814	258	672	1,970	1,694
TPVI*	3	3	-	-	36	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.

\* Sum figures will differ due to rounding effect.

\*\*The 60% equity is owned by MORE.

## 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.
		Manolo Fortich 1& 2(Mindanao)	Run-of-river hydro	68.80	68.80	MF 1 - FIT; MF 2 - Host DU
Hedcor Bukidnon, Inc.						
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
<b>Total</b>				<b>1,248.27*</b>	<b>927.52*</b>	

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 Cleanenergy, 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 five hydro facilities in Davao City and four hydro facilities in Davao del Sur owned by Hedcor, Hedcor Sibulan, and Hedcor Tudaya, respectively, can be operated remotely in a single control room. This is a significant milestone as part of the organization's multi-year digitization and integration projects which aims to connect all of Hedcor's hydro facilities to a single National Operations Control Center by 2024.

On June 22, 2021, the National Commission on Indigenous Peoples in the Cordillera Administrative Region ("NCIP-CAR") issued a cease and desist order ("CDO") to Hedcor's three run-of-river hydropower plants in Bakun Benguet due to alleged irregularities regarding the Free Prior Informed Consent-Memorandum of Agreement between Hedcor and the Bakun Indigenous Tribes Organization, which was signed on October 15, 2019. The CDO ordered Hedcor to cease operations of the Lower Albay Hydro, FLS Hydro, and Lon-oy Hydro five days after receipt of the CDO. The total affected net sellable capacity is 12.15MW, which is approximately 0.3% of AboitizPower's total net sellable capacity. On June 25, 2021, the DOE sent a letter to Hedcor, directing it to continue operating its FLS Hydro, Lon-ou Hydro, and Lower Labay Hydro Plants citing the "shortage of available capacity from the grid."

On June 30, 2021, members of the Bakun local government unit ("Bakun LGU"), together with representatives from the NCIP-CAR and the Bakun Indigenous Tribes Organization physically implemented a forced shutdown of Hedcor's Lower Labay, Lon-oy, and FLS hydropower plant facilities in Bakun citing instructions of the NCIP Regional Office in relation to the CDO.

AboitizPower believes that this is in breach of the standing Status Quo Ante Order issued by the Regional Trial Court of Bugulas, following mutual commitment between Hedcor and the Bakun LGU to maintain uninterrupted operations of the plants. In the interest of the safety of its employees, Hedcor decided to close its Lower Labay, Lon-oy, and FLS hydropower plant facilities until further notice.

On July 1, 2021, the DOE sent another letter to Hedcor directing it to reconnect to the grid as soon as possible to ensure reliable and stable electric power supply especially since the Luzon grid is experiencing Yellow and Red Alert status.

AboitizPower and Hedcor are consulting relevant stakeholders and advisors to determine and take the appropriate next steps.

## **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 million. 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 million, significantly higher than 2019’s ₱275 million. 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 upgrading, 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 billion, compared to ₱5.29 billion in 2019. SN Aboitiz Power-Benguet's BCQ revenue for 2020 was ₱973 million, which was significantly lower than 2019's BCQ revenue loss of ₱359 million. 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
<b>Coal Group</b>						
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)
<b>Oil Group</b>						
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 ("IPPA"), 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	<b>2,476,991</b>	2,633,920	2,468,192	<b>452</b>	454	421	<b>440,304</b>	420,666	404,574
Cotabato Light	<b>170,363</b>	173,114	165,409	<b>32</b>	31	31	<b>45,044</b>	43,449	41,681

Visayan Electric	<b>3,119,850</b>	3,500,781	3,159,032	<b>583</b>	601	547	<b>462,699</b>	450,088	437,823
SFELAPCO	<b>686,694</b>	714,948	665,425	<b>134</b>	140	134	<b>116,293</b>	112,091	107,536
Subic EnerZone	<b>262,393</b>	329,633	423,939	<b>56</b>	62	100	<b>3,477</b>	3,473	3,343
Mactan Enerzone	<b>99,927</b>	117,433	123,276	<b>21</b>	22	22	<b>87</b>	87	85
Balamban Enerzone	<b>92,771</b>	101,885	100,554	<b>28</b>	27	27	<b>29</b>	34	31
Lima Enerzone	<b>242,455</b>	249,394	224,175	<b>49</b>	44	39	<b>882</b>	834	755
Malvar Enerzone	<b>158</b>	51	N/A	<b>0.12</b>	0.06	N/A	<b>5</b>	4	N/A
<b>Total</b>	<b>7,151,601</b>	<b>7,821,159</b>	<b>7,330,002</b>	<b>1,355</b>	<b>1,382</b>	<b>1,320</b>	<b>1,068,820</b>	<b>1,030,726</b>	<b>995,828</b>

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 million 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 million 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 million 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:

	Q1 2021	2020	2019	2018
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Revenue	₱26,849	₱110,377	₱125,635	₱131,572
Operating Income	6,865	26,880	28,856	36,497
<b>Total Assets</b>	<b>₱405,597</b>	<b>₱397,925</b>	<b>₱410,469</b>	<b>₱389,662</b>

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:

	Q1 2021		2020		2019		2018	
Power Generation	₱18,556	55%	₱74,647	55%	₱84,379	53%	₱85,580	54%
Power Distribution	10,414	31%	42,991	32%	47,448	30%	46,399	29%
Retail Electricity Supply	4,550	13%	16,477	12%	24,566	15%	26,191	16%
Services	204	1%	1,308	1%	1,965	1%	1,688	1%
<b>Total Revenue</b>	<b>33,724</b>	<b>100%</b>	<b>135,423</b>	<b>100%</b>	<b>158,358</b>	<b>100%</b>	<b>159,858</b>	<b>100%</b>
Less: Eliminations	-6,874		-25,046		-32,723		(28,286)	
<b>Net Revenue</b>	<b>₱26,849</b>		<b>₱110,377</b>		<b>₱125,635</b>		<b>₱131,572</b>	

### 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%,<sup>4</sup> with contracted capacity of 846.57 MW<sup>5</sup> 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.

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<sup>4</sup>Excluding SFELAPCO which is 20.284% owned by AboitizPower.

<sup>5</sup> Excluding SFELAPCO which is 20.284% owned by AboitizPower.

## 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.

### 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						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	



COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 – November 4, 2023	December 11, 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	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
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	La Trinidad, Benguet	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. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	1 year from PAO issuance	September 28, 2021
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 Corporati on	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 Corporati on	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 Mindana o Power Corporati on	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 Philippin es Power Corporati on	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		
		Magat Hydroelectric Power Plant – Unit 1			90 MW			

COC No. 15-11-M-2860L	SN Aboiti Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 2	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	November 11, 2015*
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN 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		
		Ambuklao Hydroelectric Power Plant – Unit 1			34.85 MW			

COC No. 16-08-M-00087L	SN Aboiti Power – Benguet, Inc.	Ambuklao Hydroelectric Power Plant – Unit 2	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 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2016 - August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	March 25, 2015*
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geothermal 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	Geothermal 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	Geothermal 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	Geothermal Steam	25 years	November 26, 2015**
		Plant A, Unit 2			60 MW			November 26, 2015**
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geothermal Steam	25 years	November 26, 2015**
		Plant C, Unit 6			57 MW			November 26, 2015**
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017

COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
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 Generating 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			
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 - September 19, 2024	September 20, 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	\ February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No.	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles,	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			

17-11-M-00282L		N/A	Blackstart	Bataan	1.68 MW	Diesel		
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\*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	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on February 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated 31 August 2010, ERC Case No. 2010-029 MC)	25 years, or from March 24, 2010 to March 23, 2035	
Subic Enerzone	Distribution Management Service Agreement (“DMSA”) between Subic Enerzone and joint venture of AEV- Davao Light	Notarized on May 15, 2003. Term of the DMSA is 25 years	Valid until May 15, 2028

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone which operate the power distribution utilities in MEPZ II, WCIP, LIMA Technology Center, and LISP IV respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.




## 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 on November 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 on November 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 on January 13, 2016.	Registered
"Cleanergy" word mark for the additional goods and services (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019	Registered
"Cleanergy Get It and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010 Trademark has been renewed on November 11, 2020.	Registered
"Cleanergy Got It and Device" device mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11, 2010 Trademark has been renewed on November 11, 2020.	Registered

"AboitizPower and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011 Trademark has been renewed on February 10, 2021.	Registered
Subic EnerZone Corporation and Logo trademark (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/August 20, 2007 Trademark has been renewed on August 20, 2017.	Registered
Subic EnerZone Corporation and Logo Word mark and device (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/August 20, 2007 Trademark has been renewed on August 20, 2017.	Registered
"Subic EnerZone Corporation" word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007 Trademark has been renewed on June 4, 2017.	Registered
"Cotabato Light" Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ 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
"SNAP ABOITIZ POWER-MAGAT, INC." Logo	SN Aboitiz Power-Magat, Inc.	4-2014-00005208/ March 9, 2017	Registered

 Logo	SN Aboitiz Power-Magat, Inc.	4-2017-00018969/ June 26, 2018	Registered
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### 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 15<sup>th</sup> 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 million, which is a 10% increase compared with previous year at ₱65 million. This is composed of ₱9.7 million for APRI, ₱13million for Hedcor, ₱15.7 million for the Coal Group, ₱9.8 million for the SN Aboitiz Power Group; ₱7.8 million for the Oil Group, and a total of ₱15.3 million for the Distribution Utilities.

Of the ₱71.8 million total environmental management expenses, ₱24.9 million 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<sub>2</sub>S 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 ₱4.729 million;
- Total consolidated resources was ₱747,311 million;

- Total loan portfolio was ₱344,882 million; and
- Total deposits was ₱500,252 million.

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](http://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.

<i>Branch Network</i>	<p>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.</p> <p>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.</p> <p>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).</p>
<i>ATM Networks</i>	<p>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.</p>
<i>Call Center</i>	<p>UnionBank's 24-hour ISO-certified call center handles retail customer relationships and care, catering to deposit and card product queries, among others.</p>
<i>Customer Service Chatbot</i>	<p>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.</p>
<i>Mobile and E-Banking</i>	<p>UnionBank Online is designed with an omni-channel user experience across various touchpoints (website and mobile app), operating systems (Android or IOS), and device types. UnionBank Online enables customers to perform banking transactions such as digital account opening, mobile check deposit, fund transfer, pay bills, and many more without visiting the branch.</p> <p>UnionBank introduced the upgraded version of its cash management platform for corporates called The Portal. Unique features include single sign-on for customers with multi-org access, a fully-featured mobile app, real-time fund transfers, and many more.</p> <p>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.</p>
<i>EON</i>	<p>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.).</p>

### 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 i2", 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
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 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 partnered with the leading global private markets firm, Partners Group, acting on behalf of its clients, to establish a telecommunications infrastructure platform called Unity Digital Infrastructure, Inc. (“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 Infraestructura, 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 partnered with leading global private markets firm, Partners Group, acting on behalf of its clients, to establish a telecommunications infrastructure platform called Unity Digital Infrastructure, Inc. (“Unity”). Through Unity, Aboitiz InfraCapital and Partners Group will build and operate telecommunication towers and supporting infrastructure across the country. This supports the Government’s vision to improve the country’s internet connectivity in local communities by increasing the number of cell sites of 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 million liters per day, provides industrial and potable water to over one hundred industrial locators at the Lipa, Batangas based LIMA Technology Center.

##### **B. Republic Cement Group**

In 2020, the cement sales of the Republic Cement Group were primarily made through distributors and dealers, with other sales made directly to contractors, developers, 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
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
7	MINDANAO CEMENT	January 1, 2021

**(i) Government Approval**

Aboitiz Infracapital 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/Nm<sup>3</sup> which not only passed but is way below the Philippine standard limit of 150 mg/Nm<sup>3</sup>. 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 Committee 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 Subsidiaries, Associates and joint ventures are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These standard laws and regulations that govern AEV’s business operations include the Philippine Clean Air Act (RA No. 8749), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. 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
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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
<b>TOTAL</b>	<b>213</b>	<b>7,014</b>	<b>712</b>	<b>200</b>	<b>2,363</b>	<b>210</b>	<b>815</b>	<b>3,831</b>
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

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

## 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 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 ₱218.20 billion, ₱219.54 billion and ₱225.56 billion as of March 31, 2021, December 31, 2020 and 2019, respectively. The breakdown of the Company's Property, Plant and Equipment as of December 31, 2020 and 2019 is as follows:

Property, Plant and Equipment as of 31 December	2020	2019
Power Plant Equipment and Steam Field Assets	₱138,325,267	₱141,948,261
Construction in progress	7,287,650	8,094,853
Buildings, Warehouses and Improvements	47,509,690	45,258,069
Transmission, Distribution and Substation Equipment	23,002,108	21,295,812
Machinery & Equipment	9,930,653	9,630,900
Office Furniture, Fixtures and Equipment	13,317,976	12,659,004
Leasehold Improvements	3,216,534	3,055,878
Land and Land Improvements	3,677,559	3,754,564
Transportation Equipment	6,446,901	2,796,330
Tools and Others	5,980,779	2,344,094
Less: Accumulated Depreciation and Amortization	72,308,653	59,728,438
Accumulated Impairment	3,248,123	3,134,440
<b>TOTAL PPE</b>	<b>183,138,341</b>	<b>187,974,887</b>
Right-Of-Use Assets	36,399,754	37,583,878
<b>TOTAL</b>	<b>₱219,538,095</b>	<b>₱225,558,765</b>

Note: Values for the above table are in thousand Philippine Pesos

Property, plant and equipment with carrying amount 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. 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
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## 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.

### AEV PHP 5 Billion Fixed Rate Bonds Due 2024 and 2029

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 3<sup>rd</sup> 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 June 28, 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<sup>6</sup>, 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

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<sup>6</sup> The Must-Offer Rule (“MOR”) under the WESM Rules states that a Generation Company must, at all times, offer the maximum available capacity in the market. The Maximum Available Capacity is defined as the registered maximum capacity (PMax) of the (aggregate) unit less – forced unit outages; scheduled unit outages; de-rated capacity due to technical constraints which include –plant equipment-related failure and ambient temperature, hydro constraints which pertain to limitation on the water elevation/turbine discharge and MW output of the plant and geothermal constraints which pertain to capacity limitation due to steam quality (chemical composition, condensable and non-condensable gases), steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system.

Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals (“CA”) which sought to reverse and set aside the Decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC’s Petition for Review and affirming the April 1, 2015 Decision of the RTC in favour of TMO.

On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the December 14, 2015 CA Decision. On November 14, 2016, TMO filed its Comment to PEMC’s Petition for Review. In its Motion for Leave to File Reply to Comment dated 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 June 28, 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 June 28, 2021, ERC's and MERALCO's Petitions are still pending before the Supreme Court.

## 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	43.70	34.00	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 June 30, 2021 is ₱42.15 per share.

### HOLDERS

As of May 31, 2021, AEV has 8,355 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 May 31, 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	968,315,039	17.20%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	354,803,303	6.30%
5	Sanfil Management Corporation	Filipino	120,790,211	2.15%

6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	43,136,359	0.77%
9	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	Dominus Capital Inc.	Filipino	11,600,000	0.21%
	FMK Capital Partners Inc.	Filipino	11,600,000	0.21%
17	Arrayanes Corporation	Filipino	10,750,070	0.19%
18	UnionBank TISG For IMA#PH3Q201 692	Filipino	8,709,900	0.15%
19	Les Folatieres Holdings Inc.	Filipino	8,056,119	0.14%
20	Ramjay Management & Development Corporation	Filipino	7,826,493	0.14%
	<b>SUB-TOTAL</b>		5,019,658,991	89.16%
	<b>Other Stockholders</b>		610,566,466	10.84%
	<b>TOTAL SHARES</b>		<b>5,630,225,457</b>	<b>100.00%</b>
	<b>NET ISSUED AND OUTSTANDING SHARES</b>		<b>5,630,225,457</b>	<b>100.00%</b>

#### DIVIDENDS

The cash dividends declared by AEV to common stockholders for the first quarter of 2021, 2020, and 2019 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2021 (regular)	₱0.91	03/05/2021	₱5.12 billion	03/19/2021	03/31/2021
2020 (regular)	₱1.30	03/06/2022	₱7.32 billion	03/20/2020	04/03/2020
2019 (regular)	₱1.32	03/07/2019	₱7.44 billion	03/21/2019	04/05/2019



There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of May 31, 2021.

**RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION**

AEV does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures Inc. (AEV, the "Company", or the "Parent Company") and its subsidiaries (collectively, the "Group") should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying disclosures set forth elsewhere in this report.*

*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").*

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

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

*Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto set forth elsewhere in this report.*

### **TOP FIVE KEY PERFORMANCE INDICATORS**

Management uses the following indicators to evaluate the performance of 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)**

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

Equity earnings in investees increased by 284% from ₱1.8 billion during the first three months of 2020 to ₱7.0 billion 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) GNPow Power 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 billion, 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 (compared to ₱262 million 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 billion, 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 billion to ₱18.0 billion.

### **MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME**

The following discussion describes material changes in the line items of the Company's statement of income and of comprehensive income for the 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 billion, from ₱27.8 billion in the three months ended March 31, 2020 to ₱26.8 billion 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 billion, from ₱16.9 billion in the three months ended March 31, 2020 to ₱18.8 billion 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 million, from ₱508 million in the three months ended March 31, 2020 to ₱584 million 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 ₱62million, from ₱377 million in the three months ended March 31, 2020 to ₱316 million 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 billion, from ₱15.6 billion in the three months ended March 31, 2020 to ₱13.3 billion 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 billion, from ₱14.3 billion in the three months ended March 31, 2020 to ₱16.5 billion 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 billion, from ₱8.7 billion in the three months ended March 31, 2020 to ₱8.5 billion 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 billion, 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 billion, from ₱6.6 billion in the three months ended March 31, 2020 to ₱8.0 billion in the three months ended March 31, 2021.

#### **Income Before Income Tax**

The Group's income before income tax increased by 177% or ₱7.0 billion, from ₱3.9 billion in the three months ended March 31, 2020 to ₱10.9 billion 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 billion, from ₱2.0 billion in the three months ended March 31, 2020 to ₱8.6 billion 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 billion, from ₱1.0 billion 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 billion, a 200% increase from ₱1.6 billion 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 billion in the three months ended March 31, 2020 to ₱4.7 billion 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 million in the three months ended March 31, 2020 to ₱839 million 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 billion in the three months ended March 31, 2020 to ₱2.4 billion 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 million in the three months ended March 31, 2021, compared to ₱174 million 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 million compared to a ₱29 million 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 million 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 million, an improvement from ₱110 million 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 million during the three months ended March 31, 2021, compared to ₱34 million 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 million in the three months ended March 31, 2020 to ₱334 million 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 billion.

## 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 billion, due to the following:

- Cash & Cash Equivalents increased by 10% (₱72.8 billion as of March 31, 2021 compared to ₱66.0 billion 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 billion as of March 31, 2021 compared to ₱21.6 billion 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 billion (₱147.7 billion as of March 31, 2021 compared to ₱145.4 billion as of December 31, 2020) mainly due to AboitizPower's ₱952 million additional infusion into GNPD, and the recording of ₱7.0 billion share in net earnings of associates and joint ventures. This increase was partially reduced by the ₱5.9 billion dividends from associates and joint ventures during the period.
- Deferred Income Tax Assets (DTA) decreased by 7% (₱1.9 billion as of March 31, 2021 compared to ₱2.0 billion as of December 31, 2020) mainly due to the revaluation of DTA arising from the CREATE Act.
- Other Noncurrent Assets (ONCA) increased by 6% (₱15.4 billion as of March 31, 2021 compared to ₱14.6 billion 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 billion, due to the following:

- Bank loans increased by 9% (₱32.0 billion as of March 31, 2021 compared to ₱29.3 billion 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 billion as of March 31, 2021 compared to ₱261.0 billion as of December 31, 2020) mainly due to the following: (i) the issuance of retail bonds by AboitizPower amounting to ₱8.0 billion, and (ii) the ₱780 million availment by Therma Marine, Inc.
- Derivative liabilities (net of Derivative assets, current and noncurrent) decreased by 45% from ₱2.0 billion as of December 31, 2020 to ₱1.1 billion 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 billion as of December 31, 2020 to ₱2.1 billion 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 ₱487million as of March 31, 2021 compared to ₱459million 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 ₱4.1billion, from ₱183.1 billion to ₱187.1 billion, due to the following:

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

These were partly offset by the ₱5.1 billion 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 billion to ₱10.4 billion. 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 billion net cash was generated from investing activities compared to ₱4.1 billion 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 billion for the three months ended March 31, 2021 compared to ₱23.3 billion 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 million 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 billion as of year-end 2020 to ₱72.8 billion 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 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.

AEV, together with our partners, allocated PHP48.3 billion in capital expenditure for 2021, 69% higher than the PHP28.5 billion used in 2020. This will be funded by a mix of debt and equity with a ratio of 70:30. Details will be discussed per SBU.

## 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, the Company 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 GNPowder Dinginin project; (2) the SN AboitizPower-Magat Floating Solar project; (3) the APRI steam drilling project; (4) the TMI Hybrid Battery Energy Storage System ("BESS") project; (5) the SNAP Magat BESS project; and (6) the Pangasinan Solar project.

The GNPowder Dinginin project is in the final stages of construction, with Unit 1 achieving first synchronization last February 5, 2021. The commissioning and testing of Unit 1 is currently ongoing, and Unit 1 is targeted for commercial operations (including the issuance of the appropriate ERC Certificate of Compliance/authority) in August 2021. While progress is being made on Unit 2, the achievement of the next critical milestones has been and continues to be severely impacted by travel bans and slow processing of travel authorizations for foreign experts and personnel. Accordingly, the target date for Unit 2's commercial operations (including the issuance of the appropriate ERC COC/authority) was moved from the first quarter to the second quarter of 2022.

In June 2019, SN Aboitiz Power-Magat, Inc. (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 AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of additional steam capacity by 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. Therma Marine, Inc.'s (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.

The Company is also aiming to start the construction of a 73 MW solar project, in Pangasinan, within the second half of 2021.

The Company'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.

The Company 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.

The Company 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 allotted ₱23 billion for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for the GNPDP'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. The Company will continue to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 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 Bank's 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 billion 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 million 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 billion for capital expenditures in 2021. This is mainly for feedmill expansions.

## **Infrastructure SBU**

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. Its 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 Infraestructura, 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 million 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 partnered 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 an 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 million 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 billion for capital expenditures in 2021 across all its businesses. This is mainly for the completion of Apo Agua and its entry into the telecommunications tower business.

## **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 billion for capital expenditures in 2021. This is for land banking and the completion of its residential projects.

## **REVIEW OF JAN-DEC 2020 OPERATIONS COMPARED TO JAN-DEC 2019**

### **KEY PERFORMANCE INDICATORS**

(Amounts in thousands except financial ratio data)

	<b>JAN-DEC 2020</b>	<b>JAN-DEC 2019</b>
<b>EQUITY IN NET EARNINGS OF INVESTEEES</b>	<b>₱9,019,033</b>	<b>₱11,502,090</b>
<b>EBITDA</b>	<b>57,720,482</b>	<b>60,157,195</b>
<b>CASH FLOW GENERATED:</b>		
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
	<b>DECEMBER 31, 2020</b>	<b>DECEMBER 31, 2019</b>
<b>CURRENT RATIO</b>	<b>1.6</b>	<b>1.3</b>
<b>DEBT-TO-EQUITY RATIO</b>	<b>1.7</b>	<b>1.7</b>

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. These inflows, coupled with dividends received from Associates and Joint Ventures are the main source of internally-generated funds, which are then used to finance capital expenditures, additional investments into Associates, dividends and debt service payments.

With total liabilities and equity both increasing during the 12 months of 2020, Debt-to-Equity ratio as of December 31, 2020 remained at end-2019's 1.7x. Current Ratio increased to 1.6x as of December 31, 2020 (compared to end-2019's 1.3x), mainly due to higher cash balances.

## **REVIEW OF JANUARY-DECEMBER 2020 OPERATIONS COMPARED TO JANUARY-DECEMBER 2019**

### **RESULTS OF OPERATIONS**

For the 12-month period ended December 31, 2020, AEV and its Subsidiaries posted a net income attributable to the equity holders of Parent Company ("Net Income to Equity Holders of AEV") of ₱15.4 billion, a 30% decrease year-on-year ("YoY"). This translated to earnings per share of ₱2.74 for the period in review. The Power Group accounted for the bulk of the income contributions to AEV at 52%, followed by the Banking and Financial Services, Food, Infrastructure, and Real Estate Groups at 32%, 12%, 2%, and 2%, respectively.

During 2020, the Group generated non-recurring losses of ₱477 million compared to ₱516 million of non-recurring gains recorded in 2019. Without these one-off losses, the Group's core net income for 2020 was ₱15.9 billion, 26% lower YoY. AEV recorded a 4% decrease in consolidated EBITDA for 2020 compared to 2019, from ₱60.2 billion to ₱57.7 billion.

## **MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME**

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 billion, from ₱124.6 billion in 2019 to ₱109.9 billion in 2020. The decrease was primarily attributable to (i) reduced demand resulting from the enforcement of COVID-related community quarantines, and (ii) lower water inflows to the Power Group's hydro facilities in Northern Luzon. The Group's sale of power comprised 62% and 59% as a percentage of total revenues in 2019 and in 2020, respectively.

#### **Sale of Goods**

The Group's revenue from sale of goods increased by 2% or ₱1.7 billion, from ₱69.6 billion in 2019 to ₱71.3 billion in 2020. The increase was primarily due to higher volumes for the Group's Feeds business. The Group's sale of goods comprised 35% and 38% as a percentage of total revenues in 2019 and in 2020, respectively.

#### **Real Estate**

The Group's revenue from real estate decreased by 14% or ₱0.6 billion, from ₱4.1 billion in 2019 to ₱3.5 billion in 2020. The decrease was primarily attributable to the decrease in revenue of AboitizLand's residential business, which were partly offset by the increase in revenue recognized by the industrial business from industrial lots sold. The decrease in revenues from AboitizLand's residential business was due to restrictions in operations caused by the Government-imposed community quarantines in response to the COVID-19 pandemic. AboitizLand's project percentage of completion, driven by the construction progress, is a key factor in the recognition of revenue and AboitizLand's construction activities were brought to a standstill during the second quarter of 2020. As a percentage of total revenues, the Group's revenue from real estate comprised 2% in both 2019 and in 2020.

#### **Other Revenues**

The Group's combined revenue from the fair value of swine, service fees and other sources decreased by 28% or ₱0.8 billion, from ₱2.8 billion in 2019 to ₱2.0 billion in 2020. The decrease was mainly due to (i) lower swine sales resulting from African Swine Fever ("ASF"), and (ii) lower service fees. As a percentage of total revenues, the Group's other revenues comprised 1% in both 2019 and in 2020.

#### **Costs and Expenses**

##### **Cost of Generated and Purchased Power**

The Group's cost of generated and purchased power decreased by 23% or ₱16.5 billion, from ₱71.4 billion in 2019 to ₱54.9 billion in 2020. The decrease was primarily attributable to (i) lower fuel costs due to power plant outages, and (ii) lower purchased power costs due to lower Wholesale Electricity

Spot Market rates. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 42% and 35% in 2019 and in 2020, respectively.

### **Cost of Goods Sold**

The Group's cost of goods sold increased by 1% or ₱0.3 billion, from ₱61.2 billion in 2019 to ₱61.5 billion in 2020. The increase was mainly attributable to higher volume of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 36% and 40% in 2019 and in 2020, respectively.

### **Operating Expenses**

The Group's operating expenses increased by 10% or ₱3.5 billion, from ₱33.5 billion in 2019 to ₱37.0 billion in 2020. The increase was primarily attributable to (i) the increase in operating expenses of the Power Group resulting from the full year operations of Therma Visayas, Inc. ("TVI"), and (ii) higher estimated credit loss provision for the Power Distribution Group. As a percentage of total costs and expenses, the Group's operating expenses comprised 20% and 24% in 2019 and in 2020, respectively.

### **Other Costs and Expenses**

For 2020, the Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, decreased by 24% or ₱0.6 billion, from ₱2.4 billion in 2019 to ₱1.8 billion in 2020. The decrease was mainly due to lower cost attributable to the construction of residential units. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% in both 2019 and 2020.

### **Operating Profit**

As a result of the foregoing, the Group's operating profit decreased by 4% or ₱1.2 billion, from ₱32.7 billion in 2019 to ₱31.5 billion in 2020.

#### **Income Before Income Tax**

The Group's income before income tax decreased by 17% or ₱5.8 billion, from ₱34.2 billion in 2019 to ₱28.4 billion in 2020. The decrease was due to (i) the lower operating profit, (ii) higher net interest expense, and (iii) lower equity earnings. Moreover, income before tax for 2019 also included a one-time recognition of income from the Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment.

### **Net Income**

As a result of the foregoing, coupled with the income tax holiday ("ITH") expiry of Therma South, Inc. ("TSI") and GNPowder Mariveles Energy Center Ltd. Co. ("GMEC", formerly GNPowder Mariveles Coal Plant Ltd. Co.), the Group's Net Income to Equity Holders of AEV decreased by 30% or ₱6.6 billion, from ₱22.0 billion in 2019 to ₱15.4 billion in 2020.

Net income attributable to non-controlling interests for 2020 decreased to ₱5.4 billion from ₱7.4 billion in 2019. The decrease was primarily due to lower consolidated net income of AboitizPower in 2020.

## **STRATEGIC BUSINESS UNITS**

The following discussion describes the performance of the 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 billion, a 27% decrease from ₱13.3 billion in 2019.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply businesses to Net Income to Equity Holders of AEV decreased by 22%, from ₱11.8 billion in 2019 to ₱9.2 billion in 2020. The variance was primarily due to (i) additional tax expenses following the ITH expirations for TSI and GMEC, (ii) the derecognition of deferred tax assets on Net operating loss carry-over ("NOLCO") from 2018 and 2019, and (iii) additional interest expenses from AboitizPower's bonds and loans availed of in 2019 and during the second half of 2020. All these offset the increase in EBITDA brought about by better coal plant availability and recognition of business interruption insurance claims.

Capacity sold increased from 3,184 megawatts ("MW") for 2019 to 3,417 MW for 2020 due to increased contracting levels driven by the new capacity of TVI and additional portfolio contracts. However, due to lower demand caused by Government-imposed community quarantines in response to the COVID-19 pandemic and lower water inflow to hydro facilities, energy sold in 2020 declined by 1% to 22,754 gigawatt-hours ("GWh") from 22,942 GWh in 2019.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group decreased by 14%, from ₱3.2 billion in 2019 to ₱2.7 billion in 2020. The decrease was mainly driven by lower energy consumption resulting from the enforcement of COVID-related community quarantines. Energy sales decreased by 8% to 5,368 GWh during 2020 from 5,854 GWh in 2019.

## **Banking & Financial Services**

UnionBank's contribution to Net Income to Equity Holders of AEV decreased by 18% YoY, from ₱7.2 billion 2019 to ₱5.9 billion in 2020. The decrease was primarily due to higher provisions for loan losses in 2020. This was partly offset by revenue growth from the increase in net interest income, which grew to ₱28.7 billion, 29% higher YoY, while non-interest income was ₱13.4 billion, down 6% YoY, mainly due to lower trading gains.

## **Food**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group increased by 38% to ₱2.2 billion in 2020, compared to ₱1.6 billion in 2019.

During 2020, the Food Group's Philippine Subsidiaries reported a net income of ₱1.2 billion, a 46% increase compared to ₱0.8 billion in 2019. The increase was mainly due to (i) higher volume and lower raw material costs for the Feeds business, and (ii) improved per unit gross profit and volume of the Flour business. However, the increase was partly offset by reduced margins of the Farms business caused by higher production costs and lower selling prices as a result of the industry-wide effect of the ASF, and lower sales volume due to transport restrictions on pork and pigs imposed in several provinces in Luzon.



Before elimination of transactions within the Group, Pilmico International Pte. Ltd. and its Subsidiaries, recorded net income of ₱1.0 billion in 2020, a 29% increase compared to 2019. The increase was due to (i) higher volumes, (ii) lower raw material costs, and (iii) the full year effect of the 100% ownership in Gold Coin Management Holdings Pte. Ltd.

## Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV in 2020, before elimination of transactions within the Group, amounted to ₱338 million, a 64% decrease from ₱943 million in 2019. The decrease was mainly due to the fair valuation gains on investment properties recognized 2019, which were not present in 2020.

### Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group decreased by 5% to ₱457 million in 2020, compared to ₱483 million in 2019. The decrease was mainly due to the lower contribution of the Republic Cement Group from ₱612 million in 2019 to ₱590 million in 2020. This was mainly due to the contraction in the demand for cement, as construction activities declined during 2020, particularly during the enforcement of COVID-related community 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 billion, due to the following:

- Cash & Cash Equivalents increased by 42% (₱66.0 billion as of December 31, 2020 compared to ₱46.4 billion as of December 31, 2019) mainly due to the receipt of proceeds from the issuance of US dollar bonds by AEV International Pte. Ltd in January 2020.
- Trade and other receivables (current and noncurrent) increased by 5% (₱39.4 billion as of December 31, 2020 compared to ₱37.6 billion as of December 31, 2019) mainly due to increased receivables of the Real Estate Group.
- Land and improvements increased by 18% (₱3.0 billion as of December 31, 2020 compared to ₱2.6 billion as of December 31, 2019) mainly due to additional land acquisition by the Real Estate Group.
- Investments in and Advances to Associates and Joint Ventures increased by ₱5.1 billion (₱145.4 billion as of December 31, 2020 compared to ₱140.4 billion as of December 31, 2019) mainly due to AboitizPower's ₱2.3 billion additional infusion into GNPowerr Dinginin Ltd. Co., AboitizLand's ₱430 million infusion into Cebu Homegrown Developers, Inc., and the recording of ₱9.0 billion share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱5.7 billion dividends from Associates and Joint Ventures and ₱1.0 billion other comprehensive losses during the period.

### The above increases were offset by the following decreases:

- Property Plant and Equipment (PPE) decreased by ₱6.0 billion mainly due to ₱10.6 billion attributed to depreciation & amortization, which was also partly offset by additions to the Food Group's and AboitizPower's PPE.
- Deferred Income Tax Assets decreased by 35% (₱2.0 billion as of December 31, 2020 compared to ₱3.1 billion as of December 31, 2019) mainly due to the derecognition of deferred tax assets on NOLCO of Therma Luzon, Inc. ("TLI").

## Liabilities

Total Liabilities (as of December 31, 2020 compared to December 31, 2019) increased by 4% to ₱385.6 billion due to the following:

- Bank loans increased by 14% (₱29.3 billion as of December 31, 2020 compared to ₱25.7 billion as of December 31, 2019) mainly due to short-term debt availments by the Power and Food Groups during 2020.
- Long-term debt, which includes both current and noncurrent portions, increased by 9% (₱261.0 billion as of December 31, 2020 compared to ₱239.6 billion as of December 31, 2019) mainly due to the following: (i) issuance of US dollar bonds by AEV International Pte. Ltd. equivalent to ₱20.4 billion, (ii) issuance of retail bonds by AboitizPower amounting to ₱9.6 billion, (iii) availment of ₱10.0 billion long term debt and issuance of ₱7.6 billion retail bonds by AEV, and (iv) additional ₱3.0 billion availment by Apo Agua Infraestructura, Inc. This was partly offset by the settlement of maturing loans during 2020.
- Long-term obligation on Power Distribution System, which includes current and noncurrent portions, decreased by 8% (₱183 million as of December 31, 2020 compared to ₱199 million as of December 31, 2019) as regular annual payments were made.
- Lease liabilities, which includes current and noncurrent portions, decreased by 12% (₱39.8 billion as of December 31, 2020 compared to ₱45.3 billion as of December 31, 2019) due to lease payments made by TLI to Power Sector Assets and Liabilities Management Corporation (PSALM) during 2020.
- Trade and other payables, inclusive of noncurrent portion, decreased by 15% (₱37.3 billion as of December 31, 2020 compared to ₱43.6 billion as of December 31, 2019) mainly due to regular payments during 2020 of the PSALM deferred adjustments and the settlement of payables to contractors in the Power Group.
- Income tax payable increased by 30%, from ₱0.8 billion as of December 31, 2019 to ₱1.0 billion as of December 31, 2020 mainly due to the expiration of the ITH incentives of TSI and GMEC.
- Derivative liabilities (net of Derivative assets, current and noncurrent) decreased from ₱2.3 billion as of December 31, 2019 to ₱2.0 billion as of December 31, 2020. This was mainly due to gains in the Power Group's cash flow hedges.
- Decommissioning liability increased by 40%, from ₱3.6 billion as of December 31, 2019 to ₱5.0 billion as of December 31, 2020, mainly due to the recognition of additional decommissioning provisions on power plant assets.
- Deferred Income Tax Liabilities decreased by 7% (₱2.4 billion as of December 31, 2020 compared to ₱2.6 billion as of December 31, 2019) due to deferred tax on other comprehensive losses, amortization of franchise and increase in loss provisions of the Power Group.

## Equity

Equity attributable to equity holders of the parent (as of December 31, 2020 compared to December 31, 2019) increased by ₱6.6 billion from ₱176.5 billion to ₱183.1 billion, due to ₱15.4 billion net income recorded during the year. These are partly offset by the following:

- ₱7.3 billion cash dividends paid during the first half of 2020;
- ₱1.5 billion in cumulative translation adjustments and other comprehensive losses

## **MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT**

For 2020, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates.

Compared to the cash inflow during 2019, consolidated cash generated from operating activities for 2020 decreased by ₱6.5 billion to ₱36.2 billion. The decrease was mainly due to the decline in earnings before interest, depreciation and amortization coupled with higher working capital requirements and taxes paid.

As of December 31, 2020, ₱11.5 billion net cash was used in investing activities compared to ₱39.9 billion during 2019. This was mainly due to lower equity infusions to Associates and Joint Ventures during 2020 compared to 2019.

Net cash used in financing activities was ₱4.3 billion for 2020 compared to ₱15.6 billion in 2019. The decrease in net cash used was largely attributed to availment of short-term and long-term loans, and the issuance of US dollar bonds in the first quarter of 2020.

For 2020, net cash inflows surpassed cash outflows, resulting in a 42% increase in cash and cash equivalents, from ₱46.4 billion as of year-end 2019 to ₱66.0 billion as of December 31, 2020.

## **FINANCIAL RATIOS**

Financial ratios remained healthy. AEV's Current Ratio as of December 31, 2020 increased to 1.6x compared to end-2019's 1.3x mainly due to higher cash balance. Debt-to-Equity ratio remained year-end 2019's 1.7:1 as of December 31, 2020, as the growth in total liabilities matched the increase in equity.

## REVIEW OF JAN-DEC 2019 OPERATIONS COMPARED TO JAN-DEC 2018

### KEY PERFORMANCE INDICATORS (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 GNPowder Mariveles Coal Plant Ltd. Co.'s (GMCP) and Therma South, Inc.'s (TSI) lower plant availability owing to unplanned outages during the year. These decreases were partly offset by higher electricity sales of the distribution utilities and fresh revenue contributions from TVI and Hedcor Bukidnon. The Group's sale of power comprised 70% and 62% as a percentage of total revenues during 2018 and 2019, respectively.

### *Sale of Goods*

The Group's revenue from sale of goods increased by 46% or ₱21.87 billion, from ₱47.75 billion in 2018 to ₱69.63 billion in 2019. The increase was primarily attributable to the full year-to-date revenue contribution of the Gold Coin Group and the higher sales recorded by the Food Group's Philippine-based Subsidiaries owing to higher average selling prices and volume of the Feeds and Flour segments. The Group's sale of goods comprised 26% and 35% as a percentage of total revenues during 2018 and 2019, respectively.

### *Real Estate*

The Group's revenue from real estate increased by 5% or ₱190.9 million, from ₱3.93 billion in 2018 to ₱4.12 billion in 2019. The increase was primarily attributable to higher sales from the residential and commercial business segments following the ramp up in operational and business performance. As a percentage of total revenues, the Group's revenue from real estate comprised 2% during each of 2018 and 2019.

### *Other Revenues*

The Group's combined revenue from fair value of swine, service fees and other sources decreased by 38.0% or ₱1.72 billion, from ₱4.53 billion in 2018 to ₱2.81 billion in 2019. The decrease was primarily attributable to lower swine sales resulting from the ASF spread in Northern Luzon, and the deconsolidation of the revenue of PETNET in 2019. PETNET was sold to UnionBank, an associate, towards the end of 2018, and therefore, was no longer consolidated starting December 2018. As a percentage of total revenues, the Group's other revenues comprised 2% and 1% in 2018 and 2019, respectively.

## **Costs and Expenses**

### *Cost of Generated and Purchased Power*

The Group's cost of generated and purchased power decreased by 0.4% or ₱318.4 million, from ₱71.68 billion in 2018 to ₱71.36 billion in 2019. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 49% and 42% in 2018 and 2019, respectively.

### *Cost of Goods Sold*

The Group's cost of goods sold increased by 40% or ₱17.48 billion, from ₱43.69 billion in 2018 to ₱61.18 billion in 2019. The increase was primarily attributable to the full year costs of goods sold contribution of Gold Coin and higher feeds cost of the Farms segment. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 30% and 36% in 2018 and 2019, respectively.

### *Operating Expenses*

The Group's operating expenses increased by 10% or ₱3.15 billion, from ₱30.40 billion in 2018 to ₱33.55 billion in 2019. The increase was primarily attributable to the full year-to-date operating expense contribution of Gold Coin and the increase in operating expenses contribution of the AboitizPower group due to the start of operations of TVI and full operations of Hedcor Bukidnon and Pagbilao Unit 3 operated by Pagbilao Energy Corporation (PEC) for 2019. As a percentage of total costs and expenses, the Group's operating expenses comprised 21% and 20% in 2018 and 2019, respectively.

### *Other Costs and Expenses*

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 20% or ₱408.4 million, from ₱2.01 billion in 2018 to ₱2.42 billion in 2019. The increase was primarily attributable to higher real estate sales cost, partly offset by lower overhead costs incurred by AEV Aviation. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% during both 2018 and 2019, respectively.

### **Operating Profit**

As a result of the foregoing, the Group's operating profit decreased by 17% or ₱6.51 billion, from ₱39.16 billion in 2018 to ₱32.65 billion in 2019.

### **Income Before Income Tax**

The Group's income before income tax decreased by 3% or ₱937.3 million, from ₱35.14 billion in 2018 to ₱34.20 billion in 2019. The decrease was primarily attributable to the decrease in operating profit coupled with higher net interest expense, partly offset by higher equity earnings and other income from unrealized fair valuation gains on reappraisal of investment properties of the Real Estate SBU.

### **Net Income**

As a result of the foregoing, the Group's Net Income to Equity Holders of AEV decreased by 1% or ₱196.8 million, from ₱22.23 billion in 2018 to ₱22.04 billion in 2019.

Net income attributable to non-controlling interests for 2019 decreased to ₱7.41 billion from ₱9.01 billion in 2018, substantially due to the decrease in consolidated net income of AboitizPower and the purchase of the remaining 25% stake of Gold Coin in the second quarter of 2019.

### **STRATEGIC BUSINESS UNITS**

The following discussion describes the performance of the Company's SBUs for the year ended December 31, 2019 compared to the year ended December 31, 2018. For further discussion on the

Company's operating segments, please refer to Note 33 of the audited consolidated financial statements.

## **Power**

For 2019, AboitizPower's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, of ₱13.33 billion, a 20% decrease from ₱16.69 billion in 2018.

Before elimination of transactions within the Group, the combined contribution of the Power Generation segment and the RES business to Net Income to Equity Holders of AEV decreased by 23% from ₱15.35 billion to ₱11.76 billion in 2019. This decrease was primarily attributable to the outages experienced by the AboitizPower's coal facilities, and exacerbated by the need to purchase replacement power at higher spot market prices. Replacement power was also purchased from the spot market as the AboitizPower had contracted ahead in anticipation of Therma Visayas Inc.'s (TVI) incoming capacity. Decreased spot market sales further eroded YoY earnings. This was partly offset by the start of TVI's commercial operations and full year operations of Hedcor Bukidnon, Inc. (Hedcor Bukidnon).

Capacity sold increased from 3,154 MW for 2018 to 3,184 MW for 2019.

Before elimination of transactions within the Group, the Power Distribution segment's contribution to Net Income to Equity Holders of AEV increased by 1% from ₱3.12 billion for 2018 to ₱3.16 billion for 2019. This increase was mainly attributable to the 6% increase in energy sales (5,851 GWh for 2019 compared to 5,540 GWh for 2018). This increase was partly tempered by lost margins from the decommissioning of the Bajada power plant in Davao.

## **Banking & Financial Services**

The Financial Services SBU's contribution to Net Income to Equity Holders of AEV increased by 100% year-on-year, from ₱3.58 billion in 2018 to ₱7.15 billion in 2019. On a stand-alone basis, Union Bank of the Philippines' (UnionBank) and its subsidiaries recorded a net income of ₱14.49 billion for 2019, an increase of 98% compared to 2018. The increase was primarily due to revenue growth from the increase in earning assets and improved margins, as well as from healthy trading gains during 2019.

## **Food**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food SBU increased by 2% to ₱1.58 billion for 2019, compared to ₱1.56 billion for 2018.

For 2019, the Food Group's Philippine subsidiaries reported a lower net income amounting to ₱821.9 million compared to ₱1.32 billion for 2018. This was mainly due to decreased margins and volume of the Farms business resulting from the African Swine Fever (ASF) spread in Northern Luzon. This was partly offset by improved margins and reduced financing costs of the Feeds business, and higher margins and volume of the Flour business.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. (Pilmico International) delivered a net income of ₱1.23 billion in 2019, recording an 88.1% increase compared to 2018. This was due to the full year income contribution of Gold Coin Management Holdings (Gold Coin) and Pilmico Vietnam Feeds' improved margins due to lower raw material cost and the increased contribution of higher margin segments. During 2019, the Food SBU's international subsidiaries

reported a consolidated net income of ₱760.1 million from the ₱1.23 billion contribution of Pilmico International, which was offset by the ₱467.0 million in financing costs related to the acquisition of Gold Coin.

### **Real Estate**

The contribution of AboitizLand, Inc. (AboitizLand) to Net Income to Equity Holders of AEV for 2019, before elimination of transactions within the Group, amounted to ₱942.9 million, an increase of 46% from ₱645.0 million for 2018. This increase was due to the fair valuation gains on investment properties recognized in 2019, which were not present in 2018.

### **Infrastructure**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure SBU increased by 186% to ₱483.4 million for 2019, compared to ₱168.8 million for 2018. This mainly came from the contribution of the Republic Cement Group which increased by 187.2%, from ₱213.1 million in 2018 to ₱612.1 million in 2019. This was mainly due to a slight increase in private sector demand for cement, the completion of several debottlenecking projects, and improved controls on production costs.

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

### **Assets**

Compared to year-end 2018 level, consolidated assets increased by 6% to ₱588.39 billion as of December 31, 2019, due to the following:

- The ₱6.94 billion combined growth in Property Plant and Equipment (PPE) and Investment Properties (IP) was mainly due to the following: 1.) ₱9.68 billion additions to AboitizPower from cost of power plant construction and distribution assets 2.) ₱1.90 billion additions to Food group; 3.) ₱896.5 million additions to Real Estate; 4.) ₱1.92 billion recognition of right-of-use (ROU) assets on the AEV Parent's leases resulting from the adoption of PFRS 16; 5.) ₱1.83 billion fair valuation gain on revaluation of IP of the Real Estate group; and 6.) first time consolidation of ₱545.7 million IP of newly-acquired AboitizLand subsidiaries. This is decreased by ₱9.59 billion attributed to depreciation & amortization.
- The decline in Property Held for Sale (nil compared to ₱676 million in 2018) was due to the sale of transmission assets to the NGCP in February 2019.
- Investments in and Advances to Associates and JVs increased by ₱33.39 billion (₱140.35 billion as of December 31, 2019 compared to ₱106.96 billion as of December 31, 2018) mainly due to AboitizPower's ₱27.59 billion acquisition of additional stake and additional infusions into GNPD, Aboitiz InfraCapital ₱240.2 million additional acquisition of Balibago Waterworks System, Inc. (BWSI) shares, Aboitizland's ₱230.0 million infusions into Cebu Homegrown, and the recording of ₱11.50 billion share in net earnings of associates and JVs. This increase was partially reduced by the ₱5.47 billion dividends from associates and JVs during the year, ₱505.5 million decrease in the share of cumulative translation adjustment and ₱395.0 million share in net unrealized actuarial losses.
- Land and Improvements increased by 10% (₱2.57 billion as of December 31, 2019 compared to ₱2.34 billion as of December 31, 2018) resulting from the land acquisitions of the Real Estate Group.



- Intangible Assets increased by 5% (₱66.80 billion as of December 31, 2019 compared to ₱63.78 billion as of December 31, 2018) mainly due to the capitalized costs incurred in the ongoing construction of the water treatment plant in Davao.
- Deferred Income Tax Assets increased by 35% (₱3.13 billion as of December 31, 2019 compared to ₱2.32 billion as of December 31, 2018) mainly due to deferred tax benefits recognized by subsidiaries on its net operating loss.
- ONCA increased by 38% (₱14.13 billion as of December 31, 2019 compared to ₱10.21 billion as of December 31, 2018) primarily due to the recording of restricted cash by a power subsidiary upon its receipt of proceeds from a damage claim against its contractors, with such claim now under dispute. This was partly offset by the reclassification of VAT inputs to other current assets and reversal of prepaid rental against ROU Assets upon adoption of PFRS 16.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 21% (₱46.42 billion as of December 31, 2019 compared to ₱59.03 billion as of December 31, 2018) as the funds used for investment acquisitions, capital expenditures, dividend payments and debt servicing exceeded the funds generated from operations and debt availments.
- Inventories decreased by 5% (₱20.78 billion as of December 31, 2019 compared to ₱21.98 billion as of December 31, 2018). This was mainly due to the following lower raw materials inventory of the Food Group.
- Derivative Assets (current and noncurrent) decreased by 54% (₱133.4 million as of December 31, 2019 compared to ₱292.8 million as of December 31, 2018) mainly due to mark-to-market losses recognized on derivative instruments.

## Liabilities

- Consolidated short-term bank loans decreased by 5% (₱25.72 billion as of December 31, 2019 compared to ₱26.98 billion as of December 31, 2018) mainly due to debt repayments made by Power and Food Groups. On the other hand, long-term debt, including long-term obligation to PDS (current and non-current), increased by 13% (₱239.78 billion compared to ₱211.65 billion as of December 31, 2018) due to the following: a.) issuance of retail bonds by the Company ₱5.00 billion, b.) additional ₱28.83 billion long-term loan availments by Power Group, and c.) additional ₱3.15 billion availment by Apo Agua. This was partly offset by the settlement of maturing loans.
- Trade and other payables, inclusive of noncurrent portion, increased by 16% as of end-2019 compared to end-2018, from ₱37.57 billion to ₱43.65 billion, mainly due to Power Group's receipt of proceeds from a damage claim against contractors, with such claim now under dispute, partly offset by the settlement of the recorded payables related to the PSALM deferred adjustment and payables to contractors and trade suppliers.
- Income tax payable increased by 45%, from ₱535.2 million as of December 31, 2018 to ₱776.6 million as of December 31, 2019, mainly due to increased tax payable in the Food Group.
- Derivative liabilities (current and noncurrent) increased from ₱161.6 million as of December 31, 2018 to ₱2.47 billion as of December 31, 2019. This was mainly due to the Power Group's new foreign currency forward and commodity swap contracts, as well as fair value changes on these derivatives.
- Customers' deposits increased by 10% (₱6.72 billion as of December 31, 2019 compared to ₱6.13 billion as of December 31, 2018) mainly due to the growth in the customer base of the power group.
- Pension liability (₱639.2 million), net of pension asset (₱190.2 million), increased by 37.0%, from ₱327.7 million as of December 31, 2018 to ₱448.9 million as of December 31, 2019 mainly due to accrual of retirement expense during the year and actuarial losses for the year.

- Deferred Income Tax Liabilities (DTL) increased by 33% (₱2.58 billion as of December 31, 2019 compared to ₱1.94 billion as of December 31, 2018) mainly due to the recognition of the corresponding DTL on the unrealized fair valuation gains on investment properties.

## Equity

Equity attributable to equity holders of the parent increased by 1% from year-end 2018 level of ₱174.69 billion to ₱176.48 billion, mainly due to the recognition under "Acquisition of Non-Controlling Interest" account of the ₱9.91 billion difference between purchase price and fair value of net assets acquired in the acquisition of additional stakes in Gold Coin and GMCP. The ₱7.44 billion cash dividends paid, ₱2.05 billion movement in CTA, ₱570.0 million unrealized actuarial losses and ₱278.4 million retained earnings adjustment related to PFRS 16 adoption also accounted for the decrease in Equity. These decreases were partly offset by the ₱22.04 billion net income recorded during the year.

## MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2019, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2018, consolidated cash generated from operating activities in 2019 increased by ₱4.34 billion to ₱42.76 billion mainly due to lower working capital requirements despite the decline in earnings before interest, depreciation and amortization (EBIDA). As of end-2019, ₱39.88 billion net cash was used in investing activities compared to ₱30.76 billion during 2018. This was mainly due to higher cash disbursed on additional investments in associates and ongoing plant constructions.

Net cash used in financing activities was ₱15.62 billion during 2019 compared to ₱13.22 billion in 2018. The increase was largely attributed to the settlement of short-term bank loans compared to availment in the previous year.

For 2019, net cash outflows surpassed cash inflows, resulting in a 21% decrease in cash and cash equivalents from ₱59.03 billion as of year-end 2018 to ₱46.42 billion as of December 31, 2019.

## FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio stood at 1.27x at the end of 2019 from year-end 2018's 1.80x as current liabilities increased while current assets declined. Debt-to-equity ratio increased from year-end 2018's 1.54:1 to 1.71:1 at the end of 2019 as the growth in total liabilities outpaced the growth in equity.

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

### KEY PERFORMANCE INDICATORS (KPI)

(AMOUNTS IN THOUSANDS EXCEPT FINANCIAL RATIO DATA)

	JAN-DEC 2018	JAN-DEC 2017
EQUITY IN NET EARNINGS OF INVESTEEES	₱7,727,663	₱9,053,733
EBITDA	60,653,429	56,977,228

	JAN-DEC 2018	JAN-DEC 2017
<b>CASH FLOW GENERATED:</b>		
Net cash flows from operating activities	38,417,349	32,237,312
Net cash flows used in investing activities	(30,762,255)	(11,304,774)
Net cash flows used in financing activities	(13,223,355)	(19,458,941)
Net Increase (Decrease) in Cash & Cash Equivalents	(5,568,261)	1,473,597
Cash & Cash Equivalents, Beginning	64,870,214	63,857,528
Cash & Cash Equivalents, End	59,033,029	64,870,214
	DEC 31, 2018	DEC 31, 2017
<b>CURRENT RATIO</b>	1.76	1.61
<b>DEBT-TO-EQUITY RATIO</b>	1.55	1.56

## **RESULTS OF OPERATIONS**

For the year ended December 31, 2018, AEV posted a consolidated net income attributable to the equity holders of the parent of ₱22.23 billion, a 3% year-on-year (YoY) increase. This translated to an earnings per share of ₱3.95 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 73%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 16%, 7%, 3% and 1%, respectively.

In 2018, the AEV Group generated non-recurring losses of ₱891 million (versus ₱2.30 billion losses in 2017), comprising net unrealized forex losses and asset impairment costs. Stripping out these one-off items, the AEV Group's core net income for the year amounted to ₱23.12 billion, 3% lower than last year. AEV recorded a 6.5% increase in consolidated EBITDA for 2018, from ₱56.98 billion to ₱60.65 billion.

## **BUSINESS SEGMENTS**

The individual performance of the major business segments for the year in review is discussed as follows:

### **Power**

AboitizPower ended the year with an income contribution of ₱16.69 billion, a 6% increase from last year's ₱15.70 billion. Netting out unrealized forex losses and impairment costs recognized during the year, AboitizPower's contribution to the AEV Group's core net income increased by 2% from ₱17.95 billion to ₱18.31 billion.

With the fresh income contributions of PEC and Hedcor Bukidnon, Power Generation and Retail Supply Group's bottom line contribution to AEV increased by 12% from ₱13.71 billion to ₱15.35 billion for the year. Adjusted for non-recurring items, Generation and Retail Supply Group's core net income contribution remained flat at ₱16.1 billion.

Capacity sold for the year was flat YoY, from 3,167 megawatts (MW) in 2017 to 3,152 MW in 2018.

Power Distribution Group's earnings contribution to AEV decreased by 5% YoY from ₱3.29 billion to ₱3.12 billion in 2018. Stripping out impairment costs, its recurring earnings contribution grew 6% YoY from ₱3.18 billion to ₱3.36 billion in 2018. This increase was mainly attributable to electricity sales which increased by 5% to 5,540 gigawatt hours (GWh), as compared to last year. This was a result of increased consumption across all customer segments.

Correspondingly, costs of generated and purchased power by the AboitizPower Group increased by 12% or ₱7.73 billion, mainly due to the rise in fuel costs in 2018.

(in PhP and in billions)	2018	2017
<hr/>		
Cost of generated power:		
Fuel costs	₱29.42	₱22.32
Steam supply costs	5.23	4.98
Energy fees	0.65	0.67
Ancillary charges	0.35	0.55
Wheeling expenses	0.02	0.04
	<hr/>	<hr/>
	₱35.67	₱28.56
<hr/>		
Cost of purchased power:		
NPC/PSALM and NGCP (Distribution Group)	₱8.82	₱9.08
WESM (Generation Group)	5.05	6.26
PSALM (Retail Electricity Supply [RES] Group)	2.05	1.82
Related Parties	4.32	4.85
Others		
RES purchase of distribution wheeling services	3.89	3.38
Distribution Group purchase of power supply from power generation companies and WESM	10.55	9.19
RES purchase from WESM	1.33	0.81
	<hr/>	<hr/>
	₱36.01	₱35.39
	<hr/>	<hr/>
	₱71.68	₱63.95
	<hr/>	<hr/>

## **Banking & Financial Services**

Income contribution from this industry group decreased by 13%, from ₱4.12 billion to ₱3.57 billion for the year.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income attributable to equity holders of the parent of ₱7.32 billion for 2018, down 13% compared to the ₱8.40 billion earned in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank resulting from lower loan releases to teachers.

## **Food**

Income contribution from Food subsidiaries (Philippine-based Pilmico Foods Corporation and its subsidiaries, and foreign-based Pilmico International Pte. Ltd. and its subsidiaries which include the GCMH Group) decreased by 8% to ₱1.56 billion from ₱1.70 billion in 2017. On a recurring basis, Feeds Philippines and Farms showed a decrease in income contributions while Pilmico International reported an increase. Feeds Philippines' 38% YoY decline in net income was due to increased raw materials costs which negatively affected profit margins. Farms' net income decreased 15% YoY due to lower biological asset revaluation gains. These decreases were partly offset by the growth in Pilmico International's net earnings, primarily due to the fresh income contribution of GCMH - an expansion in one of Pilmico's core feed milling businesses - which mitigated the effects of higher input costs to Pilmico International's animal and aqua feeds businesses.

## **Real Estate**

Income contribution of Aboitiz Land, Inc. (AboitizLand) amounted to ₱645 million, down 13% from ₱744 million last year. This decrease was due to the absence of fair valuation gains on investment properties during 2018.

## **Infrastructure**

Republic Cement and Building Materials, Inc.'s (Republic) income contribution to AEV in 2018 decreased by 68% from ₱671 million in 2017 to ₱213 million in 2018. This was mainly due to significantly higher fuel and power costs, which offset the improvement in sales volume and prices attributable to government infrastructure spending and stable private sector demand.

## **MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME**

For the year ended December 31, 2018, consolidated net income attributable to the equity holders of AEV registered a 3% YoY increase, reaching ₱22.23 billion from ₱21.61 billion posted in the previous year.

Operating profit for 2018 amounted to ₱39.16 billion, a 7% increase YoY, as the ₱36.52 billion increase in revenues surpassed the ₱33.94 billion rise in costs and expenses. This increase was mainly attributed to the performance of the AboitizPower Group.

Power subsidiaries reported a 7% YoY increase in operating profit from ₱34.17 billion to ₱36.50 billion mainly due to the fresh earnings before interest and taxes (EBIT) contribution from PEC and Hedcor Bukidnon.

Share in net earnings of associates and JVs declined by 15% YoY (₱7.73 billion vs ₱9.05 billion in 2017) due to the decrease in income contributions from the following: i.) SN Aboitiz Power-Magat (SNAP-

Magat) and SN Aboitiz Power-Benguet (SNAP-Benguet) resulting from lower hydrology in 2018 as compared to the higher-than-usual hydrology levels in 2017; ii.) UBP largely attributable to the lower 2018 net earnings of one of its subsidiaries, CitySaving Bank; and iii.) Republic owing to significantly higher fuel and power costs in 2018.

The growth in operating profit and other income more than offset the decrease in equity earnings and higher interest expense, and as a result, pulled up the AEV Group's overall profitability. Interest expense, net of interest income, increased by ₱1.42 billion or 12% YoY resulting from higher average debt level in 2018.

Net other income increased to ₱1.41 billion from ₱26 million net other expenses in 2017. This improvement was mainly due to AboitizPower Group's collection of settlements with suppliers in 2018 (vs nil in 2017) and higher impairment costs in 2017, partly offset by higher foreign exchange losses in 2018.

Net income attributable to non-controlling interests (NCI) increased to ₱9.01 billion from ₱7.67 billion in 2017, substantially due to the increase in consolidated net income of AP, and recognition of the NIAT share of GCMH's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 3% from ₱22.56 billion in 2017 to ₱23.25 billion in 2018. The 3% increase in consolidated net income accounted for the majority of this increase.

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

### **Assets**

Compared to year-end 2017 level, consolidated assets increased 13% to ₱554.59 billion as of December 31, 2018, due to the following:

- Trade and other receivables, inclusive of noncurrent portion, increased by 50% (₱37.24 billion vs ₱24.77 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱3.93 billion accounts receivable, and higher level of AboitizPower Group's receivables substantially owing to the take-up of PSALM deferred adjustments in the books of Davao Light & Power Co., Inc. (DLP) and Visayan Electric Co., Inc. (VECO). The recorded receivables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be recovered from customers or to be collected from PSALM.
- Inventories and Land and Improvements increased by 51% (₱24.44 billion vs ₱16.14 billion as of December 31, 2017). The ₱9.65 billion rise in Inventories was mainly due to the following: i.) first-time consolidation of GCMH's ₱5.74 billion inventory; ii.) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and iii.) higher coal inventory of the AboitizPower Group. This increase was partly offset by the P1.35 billion decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.
- Gross of depreciation expense, the resulting ₱19.66 billion combined growth in PPE, Property Held for Sale and IP was mainly due to the following: 1.) ₱4.86 billion on-going construction of AboitizPower's power plants; 2.) ₱8.94 billion various capex of Power, Food and Real Estate Groups; 3.) ₱4.78 billion first-time consolidation of GCMH PPE; and 4.) ₱1.0 billion upward translation adjustment by power subsidiaries using US dollar as functional currency and fair valuation gains on investment properties. Property Held for Sale (₱676 million vs nil in 2017)

refers to transmission assets that will be transferred and sold to the NGCP in the next 12 months, and have been reclassified from PPE.

- Investments in and Advances to Associates and JVs increased by 17% (₱106.96 billion vs ₱91.61 billion as of December 31, 2017) mainly due to the ₱5.38 billion additional acquisition of UBP shares, AboitizPower's ₱2.50 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD), ₱3.34 billion reversal of share of mark-to-market (MTM) losses on AFS investments of an associate, ₱924 million share of retained earnings adjustment of an associate resulting from the adoption of PFRS 9, ₱464 million share of associates' cumulative translation adjustments, and recording of ₱7.73 billion share in net earnings of associates and JVs. This increase was partially reduced by the ₱5.14 billion cash dividends received from associates and JVs during the period.
- Intangible Asset - service concession right increased by 24% (₱3.79 billion vs ₱3.06 billion as of December 31, 2017) mainly due to capitalized repairs done during the year.
- Other Current Assets (OCA) rose by 45% (₱17.99 billion vs ₱12.44 billion as of December 31, 2017) mainly due to Therma South, Inc.'s ₱2.65 billion increase in restricted cash representing the cash reserve to be maintained in compliance with the covenants of its project debt. Therma Visayas, Inc.'s ₱1.73 billion advances receivable from NGCP related to the construction of a transmission line also contributed to the increase of this account in 2018.
- Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱454 million from ₱189 million as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the year.
- Deferred Income Tax Assets increased by 52% (₱2.32 billion vs ₱1.53 billion as of December 31, 2017) mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses and asset impairment provision recorded by the AboitizPower Group during the year.
- Goodwill increased by 36% (₱56.26 billion vs ₱41.31 billion as of December 31, 2017) due to the new ₱15.52 billion goodwill generated on the acquisition of GCMH during the year, partly offset by the de-consolidation of the ₱524 million goodwill resulting from the disposal of PETNET.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 9% (₱59.03 billion vs ₱64.87 billion as of December 31, 2017) as the funds used in investment acquisitions and repayment of maturing obligations exceeded the funds generated from operations and long-term loan availment.
- Derivative Assets, net of Derivative Liabilities (current and non-current) decreased by 55% (₱131 million vs ₱294 million as of December 31, 2017) mainly due to MTM losses recognized on existing swap and forward contracts of the AboitizPower Group.
- Investments in Financial Assets at Fair Value to Profit or Loss (FVTPL) and at FV to Other Comprehensive Income (FVOCI), formerly classified as AFS Investments, decreased by 25% (₱579 million vs ₱773 million as of December 31, 2017) mainly due to disposals made during the period.

## Liabilities

- Consolidated short-term bank loans increased by 14% (₱26.98 billion vs ₱23.70 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱2.35 billion bank loans, ₱7.31 billion availment of the Power and Real Estate Groups, partly offset by ₱6.26 billion repayment made by Food Group. Long-term debts, including long-term obligation to PDS and finance lease, likewise increased by 8% (₱258.54 billion vs ₱238.54 billion as of December 31, 2017) substantially due to the following: a.) AEV International's availment of ₱11.73 billion loan, b.) AboitizPower's retail bond issuance of ₱10.2 billion, c.) GMCP's

availment of ₱9.04 billion loan, d.) ₱6.20 billion loan availment by other power companies, e.) first-time consolidation of GCMH's ₱2.37 billion loan, and f.) ₱4.54 billion non-cash upward movement due to amortization of deferred financing costs and forex differential. This was partly offset by the prepayment of ₱15.15 billion Therma Power, Inc. (TPI) loan, ₱6.70 billion settlement of maturing loans and ₱2.33 billion decrease in finance lease obligation due to amortizations paid.

- Trade and other payables, inclusive of noncurrent portion, increased by 51%, from ₱25.42 billion to ₱38.42 billion, mainly due to the first-time consolidation of GCMH's ₱9.13 billion trade payables and the take-up of the PSALM deferred adjustments at DLP and VECO. The recorded payables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be remitted to PSALM or refunded to customers.
- Income tax payable decreased by 24%, from ₱703 million to ₱535 million, mainly due to lower income tax liability of the AboitizPower Group for the year.
- Asset retirement obligation (ARO) increased by 24% from ₱2.96 billion to ₱3.68 billion due to the upward revaluation adjustment recognized during the year on this future obligation.
- Pension liability, net of pension asset, increased by 47%, from ₱223 million to ₱328 million, mainly due to the decline in the fair value of the investment in traded equity securities owned by the retirement fund of the Company. This was attributable to the drop in market prices of these securities at the end of 2018.
- Deferred Income Tax Liabilities (DTL) increased by 48% (₱2.40 billion vs ₱1.62 billion as of December 31, 2017) mainly due to the first-time consolidation of GMCH's ₱600 million DTL.

## Equity

Equity attributable to equity holders of the parent increased by 13% from year-end 2017 level of ₱154.70 billion to ₱174.71 billion mainly due to the ₱22.23 billion net income attributable to the equity holders of the parent recorded during the year, ₱3.34 billion reversal of share of MTM losses on AFS investments of UBP, ₱903 million increase in cumulative translation adjustment, and ₱497 million retained earnings adjustment related to first-time adoption of PFRS 9 & 15. These increases were partly offset by the ₱7.21 billion cash dividends paid.

## **MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT**

For the year ended December 31, 2018, the AEV Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2017, consolidated cash generated from operating activities in 2018 increased by ₱6.18 billion to ₱38.42 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA), partly offset by higher working capital requirements.

The year ended with ₱30.76 billion net cash used in investing activities versus ₱11.30 billion last year. This was mainly due to the acquisition of GCMH and higher cash disbursed on additional investments in associates.

Net cash used in financing activities was ₱13.22 billion versus ₱19.46 billion in 2017. The decrease was largely attributed to the higher net bank borrowings in 2018 (₱18.82 billion versus ₱7.85 billion in 2017), partly offset by higher interest payments and dividends paid to minority shareholders during the year.



For the year ended December 31, 2018, net cash outflows surpassed cash inflows, resulting in a 9% decrease in cash and cash equivalents from ₱64.87 billion as of year-end 2017 to ₱59.03 billion as of December 31, 2018.

### **FINANCIAL RATIOS**

Financial ratios remained healthy. Current ratio improved from year-end 2017's 1.61x to 1.76x at the end of 2018 as the growth in current assets outpaced the increase in current liabilities. Debt-to-equity ratio likewise improved from year-end 2017's 1.56:1 to 1.55:1 at the end of 2018.

## 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.

<p><b>ENRIQUE M. ABOITIZ</b> Chairman – Board</p> <p><u>Age:</u> 66</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman -Board Risk and Reputation Management Committee</p> <p>Member -Board Corporate Governance Committee - Board Executive Committee</p> <p>Date of First Appointment: May 10, 1999</p> <p>Tenure: 21 years</p>	<p><b><i>Mr. Enrique M. Aboitiz</i></b> 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.</p> <p>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.</p>
<p><b>MIKEL A. ABOITIZ</b> Vice Chairman – Board</p> <p><u>Age:</u> 65</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member</i> - Board Risk and Reputation Management Committee - Board Executive Committee</p> <p>Date of First Appointment: May 15, 2017</p> <p>Tenure: 3 years</p>	<p><b><i>Mr. Mikel A. Aboitiz</i></b> 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.</p> <p>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</p> <p>Mr. Aboitiz holds a degree in Bachelor of Science in Business Administration from Gonzaga University, Spokane,</p>

	Washington, U.S.A. He is not connected with any Government agency or instrumentality.
<p><b>ERRAMON I. ABOITIZ</b> Director</p> <p><u>Age:</u>64</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member</i> – Executive Committee - Board Audit Committee - Board Risk and Reputation Management Committee</p> <p>Date of First Appointment: May 9, 1994 Tenure: 26 years</p>	<p><b>Mr. Erramon I. Aboitiz</b> 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.</p> <p>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 &amp; Young’s Entrepreneur of the Year, both in 2011.</p> <p>Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any Government agency or instrumentality.</p>
<p><b>SABIN M. ABOITIZ</b> Director / President and Chief Executive Officer</p> <p><u>Age:</u> 57</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Chairman</i> – Executive Committee <i>Member</i> – Board Environmental, Social, and Corporate Governance Committee - Board Risk and Reputation Management Committee</p> <p>Date of First Appointment: May 21, 2018 Tenure: 2 years</p>	<p><b>Mr. Sabin M. Aboitiz</b> 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.</p> <p>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 &amp; Building Materials, Inc., Metaphil, Inc., Apo Agua Infraestructura, 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</p>

	<p>a member of the Business Advisory Council of the Asia-Pacific Economic Cooperation.</p> <p>He holds a degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any Government agency or instrumentality.</p>
<p><b>ANA MARIA A. DELGADO</b> Director</p> <p><u>Age:</u>40</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member – Board Audit Committee</i></p> <p>Date of First Appointment: December 11, 2018 Tenure: 2 years</p>	<p><b>Ms. Ana Maria A. Delgado</b> was elected Director of the Company on December 11, 2018, and has been a member of the Board Audit Committee since January 28, 2020.</p> <p>She also holds the position of 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.</p> <p>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.</p> <p>Ms. Delgado graduated with a Bachelor of Arts degree in Art History/Painting from Boston College and obtained her Master’s Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any Government agency or instrumentality.</p>
<p><b>JUSTO A. ORTIZ</b> Non -Executive Director</p> <p><u>Age:</u> 40 years old</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman - Board Cybersecurity Committee</p> <p>Member - Board Executive Committee</p> <p>Date of First Appointment: May 9, 1994</p> <p>Tenure: 23 years (until 2017)</p>	<p><b>Mr. Justo A. Ortiz</b> 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.</p> <p>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.</p> <p>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.</p> <p>Mr. Ortiz became a member of the Claustro de Profesores</p>

	<p>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.</p>
<p><b>ROMEO L. BERNARDO</b> Lead Independent Director <u>Age: 66</u></p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> Chairman - Board Environmental, Social, and Corporate Governance Committee - Board Related Party Transactions Committee</p> <p>Member - Board Audit Committee - Board Risk and Reputation Management Committee</p> <p>Date of First Appointment: April 26, 2021 Tenure: 0 years</p>	<p><b>Mr. Romeo L. Bernardo</b> 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.</p> <p>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.</p> <p>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.</p> <p>Mr. Bernardo previously served as Undersecretary for International Finance of the Department of Finance, and as Alternate Executive Director of the Asian Development Bank. He has held various positions in 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.</p> <p>Mr. Bernardo holds a Bachelor of Science degree in Business Economics from the University of the Philippines (magna cum laude) and a Master’s degree in Development Economics from Williams College in Williamstown, Massachusetts, U.S.A. where he graduated top of the class. He is not connected with any Government agency or instrumentality.</p>

<p><b>JOANNE G. DE ASIS</b> Independent Director</p> <p><u>Age: 70 years old</u></p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> 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</p> <p>Date of First Appointment: April 26, 2021</p> <p><u>Tenure: 0 years</u></p>	<p>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 Committee, Board Related Party Transactions Committee, and Board Cybersecurity Committee on April 26, 2021</p> <p>Ms. De Asis is Senior Adviser for Morgan Stanley &amp; 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.</p> <p>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 Sunnyslans 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.</p> <p>Ms. De Asis served as Advisor to the Treasury Department of the Bangko Sentral ng Pilipinas from 1984 to 1985; Director of Dillon Read &amp; 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.</p> <p>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.</p>
<p><b>MANUEL R. SALAK III</b> Independent Director</p> <p><u>Age: 61</u></p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Chairman</i> – Board Audit Committee</p>	<p><b><i>Mr. Manuel R. Salak III</i></b> 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 on May 21, 2018. He was Chairman of the Board Related Party Transactions Committee from May 21, 2018 to April 26, 2021. He was</p>

<p><i>Member</i> – Board Related Party Transactions Committee</p> <ul style="list-style-type: none"> <li>– Board Risk and Reputation Management Committee</li> <li>- Board Environmental, Social, and Corporate Governance Committee</li> </ul> <p>Date of First Appointment: May 21, 2018 Tenure: 2 years</p>	<p>appointed as the Chairman of the Board Audit Committee on April 26, 2021.</p> <p>Mr. Salak is the Founder and Managing Director of AlphaPrimus Advisors Inc., a Philippine-based firm providing advice on mergers and acquisitions and capital 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.</p> <p>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 &amp; Investment Banking of ING Barings Philippines from 1999 to 2000.</p> <p>Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master’s degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the Institut Européen d’ Administration des Affaires (“INSEAD”) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School, U.S.A</p> <p>He is not a director of any other publicly-listed company. He is not connected with any Government agency or instrumentality</p>
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**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.

<p><b>ENRIQUE M. ABOITIZ</b> Chairman – Board of Directors</p>	<p>Refer the profile of Mr. Enrique M. Aboitiz.</p>
<p><b>MIKEL A. ABOITIZ</b> Vice Chairman - Board of Directors</p>	<p>Refer to the profile of Mr. Mikel A. Aboitiz.</p>
<p><b>SABIN M. ABOITIZ</b> Director / President and Chief Executive Officer</p>	<p>Refer to It the profile of Mr. Sabin M. Aboitiz.</p>
<p><b>MANUEL R. LOZANO</b> Senior Vice President/ Chief Financial Officer/ Corporate Information Officer</p> <p>Ex-officio Member - Board Risk and Reputation Management Committee</p>	<p>Mr. Manuel R. Lozano has been Senior Vice President, Chief Financial Officer and Chief Corporate Information Officer of the Company since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015, and of the Executive Committee since May 21, 2018.</p>

<p>Ex-officio Member - Executive Committee Age: 50 years old Citizenship: Filipino</p>	<p>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 Infraestructura, 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.</p> <p>Mr. Lozano was First Vice President, Chief Financial Officer and Corporate Information Officer of AboitizPower from 2014 to 2015; and was First Vice President – Chief Financial Officer of AboitizPower Generation from 2008 to 2013.</p> <p>Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly- listed company, focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance and Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming and CLSA.</p> <p>He earned his Bachelor of Science in Business Administration degree from the University of the Philippines – Diliman and his Master’s Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any Government agency or instrumentality.</p>
<p><b>SUSAN V. VALDEZ</b> Senior Vice President and Chief Corporate Services Officer</p> <p><i>Ex-officio</i> Member - Board ESCG Committee</p> <p><u>Age</u>: 60 years old Citizenship: Filipino</p>	<p><b>Ms. Susan V. Valdez</b> 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.</p> <p>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</p>



	<p>chain business units.</p> <p>Ms. Valdez is a Certified Public Accountant. She graduated cum laude with a degree in Bachelor of 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.</p>
<p><b>MANUEL ALBERTO R. COLAYCO</b> Senior Vice President - Chief Legal and Compliance Officer/ Corporate Secretary</p> <p><i>Ex-officio</i> Member -</p> <p>Board ESCG Committee</p> <p><u>Age</u>: 51 years old</p> <p>Citizenship: Filipino</p>	<p><b>Mr. Manuel Alberto R. Colayco</b> 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.</p> <p>Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf &amp; Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher &amp; Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc &amp; De Los Angeles from 1996 to 2000.</p> <p>Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University, 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.</p>
<p><b>MARIA VERONICA C. SO</b> First Vice President - Group Treasurer <u>Age</u>: 48 years old <u>Citizenship</u>: Filipino</p>	<p><b>Ms. Maria Veronica C. So</b> 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.</p> <p>Ms. So holds a Masters degree in Business Management from the Asian Institute of Management and a Bachelor of Science degree in Business Management from the Ateneo de Manila University. She is not connected with any Government agency or instrumentality. She is not a director of any publicly-listed company.</p>

<p><b>SANTANINA APOLINARIA B. CASTRO</b> First Vice President – Risk Management</p> <p><i>Ex-officio</i> - Board Risk and Reputation Management Committee</p> <p>Age: 45 years old Citizenship: Filipino</p>	<p><b>Ms. Santanina Apolinaria B. Castro</b> 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.</p> <p>Ms. Castro first joined the Aboitiz Group as Assistant Vice 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 to 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 &amp; Co) – Corporate Finance from 1996 to 2002.</p> <p>She holds a Masters degree in Business Administration from the University of the Philippines (Diliman) and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University. She is not connected with any Government agency or instrumentality. She is not a director of any publicly-listed company.</p>
<p><b>MARIA LOURDES Y. TANATE</b> Vice President - Group</p> <p>Internal Audit Head</p> <p>Age: 55 years old</p> <p>Citizenship: Filipino</p>	<p><b>Ms. Maria Lourdes Y. Tanate</b> has been Vice President and Group Internal Audit Head of AEV since January 2016. She joined the Company in November 2011.</p> <p>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.</p> <p>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.</p>
<p><b>CHRISTINE C. KEMPENEERS</b> Data Privacy Officer Age: 32 years old Citizenship: Filipino</p>	<p><b>Ms. Christine C. Kempeneers</b> 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.</p> <p>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.</p> <p>Ms. Kempeneers holds a Master of Business Administration, Major in Finance (with Distinction) from the Asian Institute of Management. She obtained her Bachelor</p>

	<p>of Arts Degree in European Studies, International Business Track from the Ateneo de Manila University. Ms. Kempeneersisa PARIMA-ANZIIF Certified Risk Professional, a Crisis Management Certified Expert from the BCM Institute, holds a Certification from the Business Continuity Institute, and a Certification from TUV Rheinland 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.</p>
<p><b>MAILENE M. DE LA TORRE</b> Assistant Vice President - Assistant Corporate Secretary</p> <p><u>Age</u>: 39 years old <u>Citizenship</u>: Filipino</p>	<p><b><i>Ms. Mailene M. de la Torre</i></b> 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.</p> <p>Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group.</p> <p>She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment to that role on November 24, 2016.</p> <p>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 &amp; Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director’s Program. She is a member 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.</p>
<p><b>SAMMY DAVE A. SANTOS</b> Assistant Corporate Secretary</p> <p><u>Age</u>: 36 years old</p> <p><u>Citizenship</u>: Filipino</p>	<p>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.</p> <p>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 &amp; Damaso from 2014 to 2016.</p> <p>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</p>

	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.
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**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 affinity or consanguinity.

**INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS AS OF MAY 31, 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 May 31, 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. Lotilla 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:

- 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](http://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
<p><b>CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS</b></p> <p><b>1. SABIN M. ABOITIZ</b> President and Chief Executive Officer</p> <p><b>2. MANUEL R. LOZANO</b> Senior Vice President and Chief Financial Officer/Corporate Information Officer</p> <p><b>3. SUSAN V. VALDEZ</b> Senior Vice President and Chief Corporate Services Officer</p> <p><b>4. MARIA VERONICA C. SO</b> First Vice President – Group Treasurer</p> <p><b>5. MANUEL ALBERTO R. COLAYCO</b> Senior Vice President – Chief Legal and Compliance Officer/Corporate Secretary</p>				
<b>All above named officers as a group</b>	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

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

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 <sup>7</sup>
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<sup>7</sup> 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.

<b>ENRIQUE M. ABOITIZ</b> <i>Chairman of the Board</i>	₱5,140,000.00
<b>MIKEL A. ABOITIZ</b> <i>Vice Chairman of the Board</i>	₱3,050,000.00
<b>ERRAMON I. ABOITIZ</b> <i>Director</i>	₱4,200,000.00
<b>SABIN M. ABOITIZ*</b> <i>President and Chief Executive Officer</i>	₱4,150,000.00
<b>ANA MARIA A. DELGADO*</b> <i>Director</i>	₱3,500,000.00
<b>EDWIN R. BAUTISTA*</b> <i>Director</i>	₱3,600,000.00
<b>RAPHAEL P.M. LOTILLA</b> <i>Lead Independent Director</i>	₱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.

### **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

There is no compensatory plan or arrangement between AEV and any executive officer that results or will result from the resignation or any other termination of employment or from a change in the management control of AEV.

### **Warrants and Options Outstanding**

To date, AEV has not granted any stock option to its directors or officers.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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 MAY 31, 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	<b>1. Aboitiz &amp; Company, Inc. (ACO)</b> <sup>8</sup> Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO	Filipino	<b>2,735,600,915</b> (Record and Beneficial)	48.59%
Common	<b>2. PCD Nominee Corporation<sup>9</sup>(Filipino)</b> 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. <sup>10</sup>	Filipino	968,315,039 (Record)	17.20%
Common	<b>3. Ramon Aboitiz Foundation, Inc. (RAFI)</b> 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	<b>426,804,093</b> (Record and Beneficial)	7.58%

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> Each beneficial owner of shares through a PCD participant is the beneficial owner of such number of shares he owns in his account with the PCD participant. 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 968,315,039 shares held by PCD Nominee Corporation (Filipino), at least 434,984,338 shares or 7.72% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

Common	<b>4. PCD Nominee Corporation<sup>11</sup>(Foreign)</b> 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. <sup>12</sup>	Non-Filipino	<b>354,803,303</b> (Record)	<b>6.30%</b>
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#### SECURITY OWNERSHIP OF MANAGEMENT AS OF MAY 31, 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
<b>Enrique M. Aboitiz</b> Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		1,950,300	Indirect		0.03%
<b>Mikel A. Aboitiz</b> Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		95,152,412	Indirect		1.69%
<b>Erramon I. Aboitiz</b> Director	Common	1,001,000	Direct	Filipino	0.02%
		77,023,082	Indirect		1.37%
<b>Sabin M. Aboitiz</b> Director/President and Chief Executive Officer	Common	14,415,651	Direct	Filipino	0.26%
		11,987,763	Indirect		0.21%
<b>Ana Maria A. Delgado</b> Director	Common	500	Direct	Filipino	0.00%
		26,358,285	Indirect		0.47%
<b>Justo A. Ortiz</b> Director	Common	1	Direct	Filipino	0.00%
		0	Indirect		0.00%
<b>Romeo L. Bernardo</b> Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
<b>Joanne G. De Asis</b> Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
<b>Manuel R. Salak III</b> Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
<b>Manuel R. Lozano</b> Senior Vice President/Chief Financial Officer/Corporate Information Officer	Common	171,028	Direct	Filipino	0.00%
		228,987	Indirect		0.00%
<b>Susan V. Valdez</b> Senior Vice President and Chief Corporate Services Officer	Common	769,926	Direct	Filipino	0.01%
		320,637	Indirect		0.00%
<b>Manuel Alberto R. Colayco</b> Senior Vice President – Chief Legal Officer/Corporate	Common	45,087	Direct	Filipino	0.00%
		19,630	Indirect		0.00%

<sup>11</sup>Supra Note 10.

<sup>12</sup>Supra Note 11.

Secretary/Chief Compliance Officer					
<b>Maria Veronica C. So</b> First Vice President – Group Treasurer	Common	0	Direct	Filipino	0.00%
		9,617	Indirect		0.00%
<b>Santanina Apolinaria B. Castro</b> First Vice President – Risk Management	Common	0	Direct	Filipino	0.00%
		13,414	Indirect		0.00%
<b>Christine C. Kempeneers</b> Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		500	Indirect		0.00%
<b>Maria Lourdes Y. Tanate</b> Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		66,036	Indirect		0.00%
<b>Mailene M. de la Torre</b> Assistant Vice President – Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
<b>Sammy Dave A. Santos</b> Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
<b>TOTAL</b>		229,540,166			4.08%

#### VOTING TRUST HOLDERS OF 5% OR MORE OF COMMON EQUITY

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

#### CHANGES IN CONTROL

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

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ACO, the parent company of AEV, and certain Associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury, 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 3<sup>rd</sup> and 4<sup>th</sup> 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 and 2019 and for each of the three years in the period ended December 31, 2020 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
<b>Audit Fees</b>		
Audit Fees	[P624,120.00]	[P511,952.00]
Audit-Related Fees	[P8,408,040.00]	[6,276,700.00]
<b>Total</b>	<b>[P9,032,160.00]</b>	<b>[P6,788,652.00]</b>
<b>Non-Audit Fees</b>		
Tax Fees	-	-
Consultancy Fees	-	-
<b>Total</b>		
<b>Total Audit and Non-Audit Fees</b>	<b>[P9,032,160.00]</b>	<b>[P520,952.00]</b>

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

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