

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 PROSPECTUS IS SUBJECT TO CHANGE/COMPLETION AND SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

# aboitiz

## Equity Ventures

ABOITIZ EQUITY VENTURES INC.

Up to ₱[8] Billion Fixed-Rate Bonds<sup>1</sup>

with an Oversubscription Option of up to ₱[4] Billion<sup>2</sup>

to be issued under its:

existing ₱30 Billion Shelf Registration rendered effective in 2019 and  
up to ₱30 Billion Shelf Registration to be registered in 2022

Series A: [•]% 3.5-Year Bonds Due [2026]

Series B: [•]% 5.5-Year Bonds Due [2028]

Series C: [•]% 7.0-Year Bonds due [2029]

Offer Price: 100% of Face Value

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

Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners



**BPI** Capital Corporation



**CHINABANK**  
CAPITAL



**FIRST METRO**  
INVESTMENT CORPORATION  
Metrobank Group

Selling Agent

[•]

Trustee

BDO Unibank, Inc. – Trust and Investment Group<sup>3</sup>

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OF THE PHILIPPINES (“SEC”) AND RENDERED EFFECTIVE ON JUNE 3, 2019 COVERING ₱30.0 BILLION OF SECURITIES UNDER THE PROSPECTUS DATED MAY 31, 2019 ACCESSIBLE AT <https://s3-ap-southeast-1.amazonaws.com/aboitizsite-mediafiles/wp-content/uploads/2019/06/03154227/AEV-Final-Prospectus-Execution-6.1.19-No-Change-in-MDA-Clean.pdf>. OF SUCH AMOUNT, ₱5.0 BILLION OF SECURITIES WERE ISSUED ON JUNE 18, 2019, ₱7.55 BILLION OF SECURITIES WERE ISSUED ON NOVEMBER 16, 2020, AND ₱10.0 BILLION OF SECURITIES WERE ISSUED ON AUGUST 9, 2021.

A REGISTRATION STATEMENT RELATING TO THE 2022 SHELF REGISTRATION HAS BEEN FILED WITH THE SEC BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

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

The date of this Preliminary Prospectus is September 20, 2022

<sup>1</sup> The Base Offer will be comprised of: (i) ₱7.45 Billion to be issued under its 2019 Shelf Registration, and (ii) ₱0.55 Billion to be issued under the 2022 Shelf Registration.

<sup>2</sup> If exercised, the Oversubscription Option will be issued under the 2022 Shelf Registration.

<sup>3</sup> BDO Capital is the wholly owned investment banking subsidiary of BDO Unibank, Inc., the Trustee.

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## Equity Ventures

(A corporation duly organized and existing under Philippine laws)

This Preliminary Prospectus (this “**Prospectus**”) relates to Aboitiz Equity Ventures Inc.’s (“**AEV**”, the “**Issuer**”, or the “**Company**”) shelf registration and continuing offer of Philippine Peso-denominated bonds in the aggregate principal amount of up to ₱30.0 Billion (the “**2022 Shelf Registration**”) under a debt securities program (the “**2022 Program**”), and the public offer and sale of up to ₱[8.0] Billion (the “**Base Offer**”) with an oversubscription option of up to ₱[4.0] Billion (the “**Oversubscription Option**”, together with the Base Offer, the “**Offer**” or the “**Bonds**”).

**The Base Offer will be comprised of: (i) up to [₱7.45 Billion] Bonds to be issued as the fourth and final tranche under the Issuer’s shelf registration rendered effective on June 3, 2019 (the “2019 Program”), and (ii) up to [₱0.55 Billion Bonds to be issued as the first Tranche under the Issuer’s 2022 Program. If exercised, the Oversubscription Option will form part of the first Tranche to be issued under the 2022 Program, which would then be comprised of a total of up to ₱4.55 Billion, assuming the full exercise of the Oversubscription Option.**

The 2019 Program was authorized by a resolution of the Board of Directors of the Company dated January 29, 2019. A registration statement covering the 2019 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 first tranche under the 2019 Program in the aggregate principal amount ₱5.0 Billion, 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 2019 Program was issued on November 16, 2020, in the aggregate principal amount of ₱7.55 Billion, covered by a prospectus dated October 27, 2020 and a permit to sell issued by the SEC on October 29, 2020. The third tranche under the 2019 Program was issued on August 9, 2021, in the aggregate principal amount of ₱10.0 Billion, covered by a prospectus dated July 23, 2021 and a permit to sell issued by the SEC on July 26, 2021. On May 27, 2022, the SEC extended the validity of the 2019 Program from June 2, 2022 to December 2, 2022.

The Bonds are expected to be issued on [●] (the “**Issue Date**”) and when issued will comprise the Company’s Series A, Series B, and Series C Bonds (defined below). The Series A Bonds shall have a term ending three (3) years and six (6) months from the Issue Date, or on 2026, with a fixed interest rate of [●]% per annum (“**Series A Bonds**”). The Series B Bonds shall have a term ending five (5) years and six (6) months from the Issue Date, with a fixed interest rate of [●]% per annum (“**Series B Bonds**”). The Series C Bonds shall have a term ending seven (7) years from the Issue Date, with a fixed interest rate of [●]% per annum (“**Series C Bonds**”). Series A Bonds shall have optional redemption dates beginning on the (2<sup>nd</sup>) second year and sixth (6<sup>th</sup>) month anniversary of the Issue Date of the Series A Bonds, and if such date is not a Banking Day, on the immediate succeeding Banking Day, without any adjustment on the amount of principal or interest accruing. Series B Bonds shall have optional redemption dates beginning on the [second (2<sup>nd</sup>) year and sixth (6<sup>th</sup>) month anniversary] of the Issue Date of the Series B Bonds, and if such date is not a Banking Day, on the immediate succeeding Banking Day without any adjustment on the amount of principal or interest accruing. Series C Bonds shall have optional redemption dates beginning on the [fourth (4<sup>th</sup>) year anniversary] of the Issue Date of the Series C Bonds, and if such date is not a Banking Day, on the immediate succeeding Banking Day without any adjustment on the amount of principal or interest accruing. Interest on the Bonds shall

be payable quarterly in arrear on [●], [●], [●], and [●] of each year while the Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the Bonds are outstanding (see “Description of the Offer” – “Interest” on page [●] of this Prospectus).

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 2022 Shelf Registration and may be issued in tranches within three (3) years from the date of the effectiveness of the registration statement, subject to any extension as may be granted by the SEC (the “**2022 Shelf Period**”).

The Bonds shall be repaid at maturity at par (or 100% of face value) on the relevant Maturity Date, unless the Company exercises its early redemption option according to the conditions therefore (see “Description of the Offer” – “Redemption and Purchase” on page [●] of this Prospectus).

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” on page [●] of this Prospectus).

Each tranche of the Bonds will be rated by Philippine Rating Services Corporation (“**PhilRatings**”). The Bonds have been rated [●] with a Stable Outlook by PhilRatings on [●].

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 face value through the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners named in this Prospectus (collectively, the “**Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners**”) with the Philippine Depository & Trust Corp. (“**PDTC**”) as the Registrar of the Bonds. The Bonds shall be issued in minimum denominations of Fifty Thousand Pesos (₱50,000.00) each, and in integral multiples of Ten Thousand Pesos (₱10,000.00) thereafter. The Bonds shall be traded in denominations of Ten Thousand Pesos (₱10,000.00) 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 [₱8.0 Billion] or, if the Oversubscription Option is fully exercised, up to ₱12.0 Billion. The net proceeds from the issue is estimated to be [₱7,894,695,011] for an ₱8.0 Billion issue size, or [₱11,848,995,011] in case the Oversubscription Option is exercised, after deducting fees, commissions, and expenses. Proceeds of the Offer shall be used to [●], as

described further in the section entitled “*Use of Proceeds*” on page [●] of this Prospectus. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall receive an aggregate fee of up to 37 basis points on the final aggregate nominal principal amount of the Bonds which is inclusive of the underwriting fees and selling commissions to be paid. The Gross Receipts Tax (“**GRT**”) on such fee shall be for the account of the recipient thereof.

On [●], AEV filed the 2022 Registration Statement with the SEC, in connection with the offer and sale to the public of the Bonds under the 2022 Program. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer.

After the close of the Offer and within three (3) years following the date on which the 2022 Program is rendered effective, the Company may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of Bonds covered by the Debt Securities Program, in one or more subsequent tranches under Rule 8.1.2 of the 2015 Implementing Rules and Regulations of the SRC. However, there can be no assurance in respect of: (i) whether AEV would issue the remaining amount of the Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by AEV to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within AEV’s control, including but not limited to: prevailing interest rates, the financing requirements of AEV’s business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

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

The prices of securities can and do fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the Bonds described in this Prospectus 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 this Prospectus, including but not limited to, several factors inherent to the Company, which includes regulatory risk, information security risk, and other risk factors detailed in “**Risk Factors and Other Considerations**” section on page [●] of this Prospectus, as well as those risks relevant to the Philippines vis-à-vis risks inherent to the Bonds.

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

The contents of this Prospectus are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of this Prospectus acknowledges that he has not relied on the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, or any person affiliated with the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, in his investigation of the accuracy of any information found in this Prospectus or in his investment decision. Prospective Bondholders should consult their own counsel, accountants, or other advisors as to legal, tax, business, financial, and related aspects of the purchase of the 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 [•] of this Prospectus 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners to give any information or to make any representation concerning AEV or the Bonds other than as contained in this Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorized by AEV or the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

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.

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

ABOITIZ EQUITY VENTURES INC.

By:

SABIN M. ABOITIZ

President and Chief Executive Officer

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

Doc. No. \_\_\_\_\_;

Page No. \_\_\_\_\_;

Book No. \_\_\_\_\_;

Series of 2022.

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## FORWARD LOOKING STATEMENTS

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

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

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

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



## DEFINITION OF TERMS

<b>2013 Bonds</b>	The seven (7)-year Series A bonds and ten (10)-year Series B bonds issued by AEV on November 21, 2013
<b>2015 Bonds</b>	The five (5)-year Series A bonds, seven (7)-year Series B bonds, and twelve (12)-year Series C bonds issued by AEV on August 5, 2015
<b>2019 Bonds</b>	The five (5)-year Series A bonds and ten (10)-year Series B bonds issued by AEV on June 18, 2019
<b>2020 Bonds</b>	The three (3)-year Series C bonds and five (5)-year Series D bonds issued by AEV on November 16, 2020
<b>2021 Bonds</b>	The four (4)-year Series E bonds and seven (7)-year Series F bonds issued by AEV on August 9, 2021
<b>Abaqa International</b>	Abaqa International Pte. Ltd. (formerly Comfez Pte. Ltd.)
<b>Aboitiz Foundation</b>	Aboitiz Foundation, Inc.
<b>Aboitiz Group</b>	ACO and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, AboitizLand, Pilmico, Aboitiz InfraCapital and their respective Subsidiaries and Affiliates
<b>Aboitiz InfraCapital</b>	Aboitiz InfraCapital, Inc. (formerly AEV Infracapital, Inc.)
<b>AboitizLand</b>	Aboitiz Land, Inc.
<b>AboitizPower</b>	Aboitiz Power Corporation
<b>AboitizPower Group or the Power group</b>	Aboitiz Power Corporation and its Subsidiaries
<b>AboitizPower International</b>	AboitizPower International Pte. Ltd.
<b>Abovant</b>	Abovant Holdings, Inc.
<b>ACO</b>	Aboitiz & Company, Inc.
<b>AdventEnergy</b>	Adventenergy, Inc.
<b>AESI</b>	Aboitiz Energy Solutions, Inc.
<b>AEV, the Company, or the Issuer</b>	Aboitiz Equity Ventures Inc.
<b>AEV CRH</b>	AEV CRH Holdings, Inc.
<b>AEV Group or the Group</b>	AEV and its Subsidiaries
<b>AEV International</b>	AEV International Pte. Ltd.
<b>AFC</b>	American Feeds Company Limited
<b>Affiliate(s)</b>	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person

<b>Ambuklao-Binga Hydroelectric Power Complex</b>	SN Aboitiz Power- Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
<b>AMLA</b>	Anti-Money Laundering Act, as amended
<b>APAC</b>	APAC Commodities Pte. Ltd.
<b>APDS</b>	Automatic Payroll Deduction System
<b>Apo Agua</b>	Apo Agua Infraestructura, 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>	A person, whether natural or juridical, who seeks to subscribe to the Bonds and submits a duly accomplished Application to Purchase, together with all requirements set forth therein
<b>Application to Purchase or Application</b>	The document to be executed by any Person or entity qualified to become a Bondholder
<b>APRI</b>	AP Renewables Inc.
<b>APX1</b>	Aboitiz Power Distributed Energy, Inc.
<b>APX2</b>	Aboitiz Power Distributed Renewables, Inc.
<b>Archipelago Insurance</b>	Archipelago Insurance Pte. Ltd.
<b>ARI</b>	Aboitiz Renewables, Inc. (formerly: Philippine Hydropower Corporation)
<b>AS</b>	Ancillary Services
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ASPA</b>	Ancillary Services Procurement Agreement
<b>Associate</b>	An entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies
<b>ATM</b>	Automated Teller Machine
<b>ATSC</b>	Aboitiz Transport System Corporation (now 2GO Group, Inc.)
<b>Bakun AC Plant</b>	The 70-MW Bakun AC run- of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
<b>Banking Day</b>	Any day other than Saturday, Sunday and public holidays, on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Taguig City, Makati City, and the City of Manila; provided, that all other days otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each
<b>BDO Capital</b>	BDO Capital & Investment Corporation

<b>BEZ</b>	Balamban Enerzone Corporation
<b>BFF</b>	Bintawa Fishmeal Factory Sdn. Bhd.
<b>BIR</b>	Bureau of Internal Revenue
<b>Board</b>	Board of Directors of AEV, unless context clearly provides otherwise
<b>BOC</b>	Bureau of Customs
<b>BOI</b>	The Philippine Board of Investments
<b>Bondholder</b>	A Person whose name appears, at any time, as a holder of the Bonds in the Registry Book
<b>Bond Agreements</b>	The Trust Agreement between the Issuer and the Trustee, the Issue Management and Underwriting Agreement between the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, and the Registry and Paying Agency Agreement between the Issuer, the Registrar and the Paying Agent
<b>Bonds</b>	Consists of Series A Bonds, Series B and Series C Bonds, in the aggregate principal amount of up to ₱[8,000,000,000.00], and an oversubscription of up to ₱[4,000,000,000.00].
<b>BOT</b>	Build-Operate-Transfer
<b>BPI Capital</b>	BPI Capital Corporation
<b>BPO</b>	Business Process Outsourcing
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>Bunker C</b>	The thickest residual fuel that is produced by blending any oil remaining at the end of the oil refining process with a lighter oil
<b>Business Unit</b>	A Subsidiary or an Affiliate of AEV
<b>CA</b>	Court of Appeals
<b>CASA</b>	Current Account/Savings Account
<b>CBA</b>	Collective Bargaining Agreement
<b>CDPEI</b>	Cebu District Property Enterprise, Inc.
<b>Cebu Energy</b>	Cebu Energy Development Corporation
<b>China Bank Capital</b>	China Bank Capital Corporation
<b>CIPDI</b>	Cebu Industrial Park Developers, Inc.
<b>CitySavings or CSB</b>	City Savings Bank, Inc.
<b>Cleanergy</b>	Cleanergy, Inc. (formerly Northern Mini-Hydro Corporation) or as the context requires, the AboitizPower brand for its clean energy offerings or the trademarks registered for this purpose.
<b>Coal Group</b>	Composed of the following Business Units: Therma Luzon, Inc., Therma South, Inc., Therma Visayas, Inc., GNPower Mariveles Coal Plant Ltd. Co., GNPower Dinginin Ltd. Co., Pagbilao Energy Corporation, Redondo Peninsula Energy, Inc., STEAG State Power,

	Inc., and Cebu Energy Development Corporation, which own and/or operate coal-fired power plants
<b>COC</b>	Certificate of Compliance
<b>Code</b>	The Company’s Code of Ethics and Business Conduct
<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>Contestable Customer</b>	An electricity end-user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with Republic Act 9136 or the EPIRA
<b>Control</b>	Possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; “Controlling” and “Controlled” have corresponding meanings
<b>Cotabato Light</b>	Cotabato Light & Power Company
<b>CPDC</b>	Cebu Praedia Development Corporation
<b>CPPC</b>	Cebu Private Power Corporation
<b>CRH Aboitiz</b>	CRH Aboitiz Holdings, Inc.
<b>CSEE</b>	Contract for the Supply of Electric Energy
<b>CTA</b>	Court of Tax Appeals
<b>Davao Light</b>	Davao Light & Power Company, Inc.
<b>DENR</b>	Department of Environment and Natural Resources of the Philippines
<b>DepEd</b>	Department of Education of the Philippines
<b>DICT</b>	Department of Information and Communications Technology of the Philippines
<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, MEZ, SEZ, SFELAPCO and VECO.
<b>DOE</b>	Department of Energy of the Philippines
<b>DOLE</b>	Department of Labor and Employment of the Philippines
<b>DOTr</b>	Department of Transportation of the Philippines
<b>EAUC</b>	East Asia Utilities Corporation
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation, and Amortization
<b>ECC</b>	Environmental Compliance Certificate

<b>Enerzone Companies</b>	Collectively, BEZ, LEZ, MEZ and SEZ and other Distribution Utilities of the AboitizPower Group operating within special economic zones
<b>EPC</b>	Engineering, Procurement and Construction
<b>EPIRA</b>	RA 9136, otherwise known as the “Electric Power Industry Reform Act of 2001,” as amended from time to time, and including the rules and regulations issued thereunder
<b>EPPA</b>	Electric Power Purchase Agreement
<b>ERC</b>	Energy Regulatory Commission
<b>ESG</b>	Environmental, Social, and Governance
<b>Events of Default</b>	Those events defined as such in the Trust Agreement and listed under “Description of the Offer” – “ <i>Events of Default</i> ” on page [●] of this Prospectus.
<b>Fair Market Value of Assets</b>	At any particular time, the aggregate of the total current assets and the total non-current assets of the Issuer as shown in the balance sheet of its latest audited financial statements on a consolidated basis
<b>Filagri</b>	Filagri, Inc.
<b>Filagri Holdings</b>	Filagri Holdings, Inc.
<b>Financial Services Group</b>	Collectively, UnionBank, PETNET, and CitySavings; the Company’s Business Units engaged in the financial services
<b>FIT</b>	Feed-in-Tariff
<b>FIT-All</b>	Feed-in-Tariff Allowance
<b>First Metro</b>	First Metro Investment Corporation
<b>Food Group</b>	The Company’s Business Units engaged in the food business
<b>GCDG</b>	Gold Coin Feedmill (Dongguan) Co. Limited
<b>GCFD</b>	Gold Coin Feedmill (Dong Nai) Co. Ltd.
<b>GCFHN</b>	Gold Coin Feedmill Ha Nam Company Limited
<b>GCFL</b>	Gold Coin Feed Mills (Lanka) Ltd.
<b>GCFM</b>	Gold Coin Feedmills (Malaysia) Sdn. Bhd.
<b>GCFS</b>	Gold Coin Feedmill (Sabah) Sdn. Bhd.
<b>GCGI</b>	Green Core Geothermal Incorporated
<b>GCKM</b>	Gold Coin Feedmill (Kunming) Company Limited
<b>GCMH</b>	Gold Coin Management Holdings Limited
<b>GCS</b>	Gold Coin Sarawak Sdn. Bhd.
<b>GCSI</b>	P.T. Gold Coin Specialties
<b>GCSSB</b>	Gold Coin Specialties Sdn. Bhd.
<b>GCST</b>	Gold Coin Specialties (Thailand) Co. Ltd.
<b>GCZH</b>	Gold Coin (Zhuhai) Company Limited

<b>GCZZ</b>	Gold Coin (Zhangzhou) Company Limited
<b>Generation Companies or GenCos</b>	The companies within the AboitizPower Group engaged in Power Generation; “Generation Companies” may refer to any one of these companies
<b>Global Formosa</b>	Global Formosa Power Holdings, Inc.
<b>Global Power</b>	Global Business Power Corporation of the Metrobank Group
<b>GLS</b>	Golden Livestock Sdn. Bhd.
<b>GMCP</b>	GNPower Mariveles Coal Plant Ltd. Co.
<b>GNPD</b>	GNPower Dinginin Ltd. Co.
<b>Government</b>	The Government of the Republic of the Philippines
<b>Greenfield</b>	Power generation projects that are developed from inception on previously undeveloped sites
<b>Grid</b>	As defined in the Implementing Rules and Regulations of the EPIRA, the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas and Mindanao or as may be otherwise determined by the ERC in accordance with Section 45 of the EPIRA
<b>Government Authority</b>	The Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person
<b>GSIS</b>	Government Service Insurance System
<b>Guidelines</b>	AEV’s Amended Guidelines for the Nomination and Election of Independent Directors
<b>GWh</b>	Gigawatt-hour, or 1,000,000 kilowatt-hours
<b>Hedcor</b>	Hedcor, Inc.
<b>Hedcor Sabangan</b>	Hedcor Sabangan, Inc.
<b>Hedcor Sibulan</b>	Hedcor Sibulan, Inc.
<b>Hedcor Tudaya</b>	Hedcor Tudaya, Inc.
<b>Hijos</b>	Hijos de F. Escaño, Inc.
<b>Indebtedness</b>	(1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements;  (2) All indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase,

to provide funds for payment, to supply funds to or otherwise invest in such Person; and

(3) Capitalized lease obligations of the Issuer

<b>Infrastructure Group</b>	Collectively, Aboitiz InfraCapital, LLI, LWC, AEV CRH, CRH Aboitiz, RCBM, RCMI, RCLR, RCSI, Apo Agua, Unity or the Company's Business Units engaged in infrastructure development
<b>Insular Life</b>	The Insular Life Assurance Company, Ltd.
<b>IPO</b>	Initial Public Offering
<b>IPPA</b>	Independent Power Producer Administrator
<b>ISMS</b>	Information Security Management System
<b>Issue Date</b>	Means [•] or the immediately succeeding Banking Day if such Issue Date is not a Banking Day, or such other date as may be agreed upon between the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners with advice to the SEC, PDTC, and PDEX
<b>Issue Management and Underwriting Agreement</b>	The Issue Management and Underwriting Agreement dated [•] entered into between the Company and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners in relation to the Bonds
<b>Issue Price</b>	At par, which is equal to the face value of the Bonds
<b>Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners</b>	BDO Capital, BPI Capital, China Bank Capital, and First Metro
<b>Joint Venture</b>	A type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually-agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control
<b>JVACC</b>	J.V. Angeles Construction Company
<b>kV</b>	Kilovolt, or 1,000 volts
<b>kW</b>	Kilowatt, or 1,000 watts
<b>kWh</b>	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts in one hour
<b>LEZ</b>	Lima Enerzone Corporation (formerly Lima Utilities Corporation)
<b>LGU</b>	Local government unit
<b>LHC</b>	Luzon Hydro Corporation
<b>LimaLand</b>	Lima Land, Inc.
<b>LTC</b>	Lima Technology Center

<b>LWC</b>	Lima Water Corporation
<b>Maaraw San Carlos</b>	Maaraw Holdings San Carlos, Inc.
<b>Magat Plant</b>	The 360-MW hydroelectric power plant (“ <b>HEPP</b> ”) of SN Aboitiz Power - Magat, located at the border provinces of Isabela and Ifugao
<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 A Bonds, holders of Series A Bonds, exclusively, will be considered for quorum and approval purposes; 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 B Bonds, holders of Series B 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 C Bonds, holders of Series C Bonds, exclusively, will be considered for quorum and approval purposes.
<b>Maris Plant</b>	The 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant
<b>Mariveles Project</b>	2x316MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines
<b>Master Certificate/s of Indebtedness</b>	The certificates representing each of the Series A, Series B, [and Series C] Bonds sold in the Offer issued to and registered in the name of the Trustee, on behalf of the Bondholders
<b>Maturity Date</b>	Three (3) years and six (6) months from the Issue Date for the Series A Bonds, five (5) years and six (6) months from the Issue Date for the Series B Bonds, and seven (7) years from the Issue Date for the Series C Bonds.
<b>MCIAA</b>	Mactan - Cebu International Airport Authority
<b>MEPZ I</b>	Mactan Export Processing Zone I
<b>MEPZ II</b>	Mactan Export Processing Zone II
<b>Meralco</b>	Manila Electric Company
<b>MEZ</b>	Mactan Enerzone Corporation
<b>MOA</b>	Memorandum of Agreement
<b>MORE</b>	Manila – Oslo Renewable Enterprise, Inc.
<b>MW</b>	Megawatt, or One Million (1,000,000) watts
<b>MWh</b>	Megawatt-hour
<b>MWp</b>	Megawatt-peak
<b>MVA</b>	Megavolt Ampere
<b>Net Debt</b>	The interest-bearing debt less cash, cash equivalents, and short-term investments of the Issuer



<b>NGCP</b>	National Grid Corporation of the Philippines
<b>NEA</b>	National Electrification Administration
<b>NPC</b>	National Power Corporation
<b>NPPC</b>	Naga Power Plant Complex, the 55 MW land-based gas turbine power plant located in Colon, Naga City, Cebu
<b>NWRB</b>	National Water Resources Board
<b>Offer Period</b>	The period commencing at 9:00 a.m. on [●] and ending at 5:00 p.m. on [●], or such earlier or later date as may be determined by the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners
<b>Oil Group</b>	The following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation, which own and operate Bunker C-fired power plants
<b>Open Access</b>	Retail Competition and Open Access
<b>Oversubscription Option</b>	An option exercisable by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners with the consent of the Issuer to increase the offer size in the additional amount of up to ₱4.0 Billion. 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>PA</b>	Provisional Authority
<b>Pagbilao Plant or Pag1 and Pag2</b>	The 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
<b>PANC</b>	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
<b>PAN-JSC</b>	Pilmico Animal Nutrition Joint Stock Company (formerly: Eurofeed)
<b>PBI</b>	Pilmico Bioenergy, Inc.
<b>PBR</b>	Performance-Based Rate-Setting Regulation
<b>PCC</b>	Philippine Competition Commission
<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>PDNI</b>	Propiedad del Norte, Inc.
<b>PDTC</b>	Philippine Depository and Trust Corp.
<b>PEC</b>	Pagbilao Energy Corporation
<b>PEMC</b>	Philippine Electricity Market Corporation

<b>Person</b>	An individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
<b>PETNET</b>	PETNET, Inc.
<b>PEZA</b>	Philippine Economic Zone Authority
<b>Philippine Pesos, PhP or ₱</b>	The lawful currency of the Republic of the Philippines
<b>PhilRatings</b>	Philippine Rating Services Corporation
<b>Pilmico or PFC</b>	Pilmico Foods Corporation
<b>Pilmico International</b>	Pilmico International Pte. Ltd.
<b>Pilmico Vietnam Trading</b>	Pilmico Viet Nam Trading Company Ltd.
<b>PPA</b>	Power Purchase Agreement
<b>Prism Energy</b>	Prism Energy, Inc.
<b>PSA</b>	Power Supply Agreement
<b>PSALM</b>	Power Sector Assets and Liabilities Management Corporation
<b>PSC</b>	Power Supply Contract
<b>PSE</b>	The Philippine Stock Exchange, Inc.
<b>PV Sinag</b>	PV Sinag Power, Inc.
<b>PVN</b>	Pilmico Vietnam Feeds Joint Stock Company (formerly: Pilmico VHF Joint Stock Company)
<b>RA</b>	Republic Act
<b>RCBM</b>	Republic Cement and Building Materials, Inc.
<b>RCII</b>	Republic Cement Iligan, Inc.
<b>RCLR</b>	Republic Cement Land & Resources, Inc.
<b>RCMI</b>	Republic Cement Mindanao, Inc.
<b>RCSI</b>	Republic Cement Services, (Philippines) Inc.
<b>Real Estate Group</b>	Collectively, AboitizLand and the Company's Business Units engaged in the real estate
<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; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date;
<b>Registry Book</b>	The electronic register 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.

<b>REM</b>	Retail Electricity Market
<b>Renewal Energy Act or RE Law</b>	RA 9513, otherwise known as the Renewable Energy Act of 2008
<b>REPA</b>	Renewable Energy Payment Agreement
<b>RES</b>	Retail Electricity Supplier
<b>RESA</b>	Renewable Energy Supply Agreement
<b>Revised Corporation Code</b>	Republic Act No. 11232 or the Revised Corporation Code of the Philippines
<b>Revised Manual</b>	The Company's Revised Manual on Corporate Governance
<b>RORB</b>	Return-on-Rate base
<b>RP Energy</b>	Redondo Peninsula Energy, Inc.
<b>RP Tax</b>	Real Property Tax
<b>RPT</b>	Related Party Transactions
<b>RTC</b>	Regional Trial Court
<b>Run-of-river hydroelectric plant</b>	A hydroelectric power plant that generates electricity from the natural flow and elevation drop of a river
<b>Sacasun</b>	San Carlos Sun Power Inc.
<b>SBFZ</b>	Subic Bay Freeport Zone
<b>SBU</b>	Strategic Business Unit of the Aboitiz Group
<b>SC</b>	The Supreme Court of the Philippines
<b>Scatec</b>	Scatec ASA
<b>SEC</b>	The Securities and Exchange Commission of the Philippines
<b>Series A Bonds</b>	The Bonds of up to ₱[●] having a term ending three (3) years and six (6) months, with a fixed interest rate of [●]% per annum
<b>Series B Bonds</b>	The Bonds of up to ₱[●] having a term ending five (5) years and six (6) months, with a fixed interest rate of [●]% per annum
<b>Series C Bonds</b>	The Bonds of up to ₱[●] having a term ending [seven (7) years] with a fixed interest rate of [●]% per annum
<b>SEZ</b>	Subic EnerZone Corporation
<b>SFELAPCO</b>	San Fernando Electric Light and Power Co., Inc.

<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 as may be granted by the SEC
<b>Sibulan Project</b>	The two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
<b>SN Aboitiz Power - Benguet</b>	SN Aboitiz Power - Benguet, Inc. (formerly SN Aboitiz Power Hydro, Inc.)
<b>SN Aboitiz Power Group</b>	The group of companies formed out of the strategic partnership between AboitizPower and Scatec (as successor-in-interest of SN Power); particularly, MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
<b>SN Power</b>	SN Power AS, a consortium between Statkraft AS and Norfund of Norway
<b>SN Power Group</b>	The group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It is the leading Norwegian hydropower group with operations in Asia, Africa and Latin America
<b>SPPC</b>	Southern Philippines Power Corporation
<b>SRC</b>	RA 8799 or the Securities Regulation Code of the Philippines
<b>STEAG Power</b>	STEAG State Power 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>Tax Code</b>	National Internal Revenue Code, as amended and may be further amended from time to time, including the rules and regulations issued thereunder
<b>TCIC</b>	Taiwan Cogeneration International Corporation
<b>TeaM Energy</b>	Team Energy Corporation
<b>THC</b>	Tsuneishi Holdings (Cebu), Inc.
<b>THI</b>	Tsuneishi Heavy Industries (Cebu), Inc.
<b>Tiwi-MakBan Geothermal Facilities</b>	The geothermal facilities composed of twelve (12) geothermal plants and one (1) binary plant, located in the provinces of Batangas, Laguna and Albay
<b>TLI</b>	Therma Luzon, Inc.
<b>TMI</b>	Therma Marine, Inc.
<b>TMO</b>	Therma Mobile, Inc.
<b>TPI</b>	Therma Power, Inc.
<b>TPVI</b>	Therma Power - Visayas, Inc.

<b>TransCo</b>	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
<b>Trustee</b>	BDO Unibank, Inc. - Trust and Investments Group
<b>Trust Agreement</b>	Trust Agreement dated [•] entered into between the Company and the Trustee in relation to the Bonds
<b>TSA</b>	Transmission Service Agreement
<b>TSI</b>	Therma South, Inc.
<b>TVI</b>	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
<b>ULGPP</b>	Unified Leyte Geothermal Power Plant
<b>UnionBank or UBP</b>	Union Bank of the Philippines
<b>Unity</b>	Unity Digital Infrastructure, Inc.
<b>UPI</b>	Union Properties Inc.
<b>USD or US\$</b>	The lawful currency of the United States of America
<b>VAT</b>	Value Added Tax
<b>VECO or Visayan Electric</b>	Visayan Electric Company, Inc.
<b>Vivant Group</b>	Vivant Corporation and its subsidiaries
<b>WCIP</b>	West Cebu Industrial Park, Inc.
<b>WCIP-SEZ</b>	West Cebu Industrial Park- Special Economic Zone
<b>WESM</b>	Wholesale Electricity Spot Market
<b>Western Union</b>	Western Union Company
<b>WMPC</b>	Western Mindanao Power Corporation
<b>YoY</b>	Year-on-Year

## EXECUTIVE SUMMARY

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

### BRAND PROMISE

Advancing Business and Communities

### INVESTMENT THESIS

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

### THE COMPANY

AEV is the public holding and management company of the Aboitiz Group, one of the largest conglomerates, and the second oldest family-led business group, in the Philippines. Incorporated on September 11, 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on December 29, 1993, and its ownership was opened to the general public through an initial public offering of its common shares in 1994. Twenty-seven (27) years after its initial public offering, it is recognized today as one of the best-managed companies in the Philippines and in the ASEAN region, consistently cited for its commitment to good corporate governance and corporate social responsibility.

Driven by the pursuit of advancing business and communities for the nation's development, AEV's various domestic and international Subsidiaries and Associates are spread out across ten (10) countries and are grouped into five (5) main categories: (a) power generation, distribution, and retail electricity supply; (b) banking and financial services; (c) food manufacturing; (d) real estate; and (e) infrastructure.

As of June 30, 2022, ACO owns 48.59% of the outstanding capital stock of AEV, 4.21% are owned by directors, officers and related parties, while the remaining 47.34% are owned by the public.

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

### RECENT DEVELOPMENTS

### ***Share Purchase Agreement entered into by STEAG GmbH and AP***

On September 15, 2022, STEAG GmbH entered into a Share Purchase Agreement with AP for the purchase by AP of an additional 35.4% stake in SPI. Subject to fulfillment of applicable conditions for closing, AP will own 69.4% of STEAG State Power Inc.

### ***Share Subscription and Transfer Agreement entered into by Aboitiz InfraCapital, Inc. ("Aboitiz InfraCapital") with Megawide Construction Corporation ("Megawide") and GAIBV Airports International, B.V. ("GAIBV")***

On September 2, 2022, Aboitiz InfraCapital, the infrastructure arm of AEV, entered into a Share Subscription and Transfer Agreement with Megawide and GAIBV for Aboitiz InfraCapital to acquire shares in in GMR Megawide Cebu Airport Corporation ("**GMCAC**"), the developer and operator of the Mactan Cebu International Airport ("**MCIA**").

Subject to the fulfillment of the conditions precedent under said agreement, the following would occur on said agreement's closing date (*i.e.*, approximately 105 days from the execution date of said agreement):

1. For a total amount of ₱9,473,600,000.00, Aboitiz InfraCapital shall own 33 and 1/3% minus 1 share of the outstanding capital stock of GMCAC; Megawide will retain 33 and 1/3% plus 1 share, while GAIBV will retain 33 and 1/3%.
2. Megawide and GAIBV shall issue Exchangeable Notes in favor of Aboitiz InfraCapital in the total amount of ₱15,526,400,000.00. Said Exchangeable Notes will mature on October 30, 2024, and will be exchanged by Aboitiz InfraCapital for the remaining 66 and 2/3% plus 1 share of GMCAC's outstanding capital stock.

The transaction is subject to the satisfaction of customary closing conditions including requisite third party and regulatory approvals.

## **FINANCIAL HIGHLIGHTS**

Equity earnings in investees decreased by 31% from ₱10.7 Billion during the first six months of 2021 to ₱7.4 B during the first six months of 2022. The decrease was due to: (i) lower earnings of Union Bank of the Philippines ("**UnionBank**", or the "**Bank**"); (ii) lower trading margins from SN Aboitiz Power-Magat, Inc.'s and SN Aboitiz Power- Benguet, Inc.; and (iii) lower earnings of RCBM due to weaker market demand, and tax adjustments resulting from the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE Act**") in the first quarter of 2021. Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. These inflows, coupled with dividends received from Associates and Joint Ventures are the main source of internally-generated funds, which are then used to finance capital expenditures, additional investments into Associates, dividends and interest payments.

Net Debt-to-Equity ratio as of June 30, 2022 increased to 0.7x, from the end-2021 level of 0.6x, as the increase in Net Debt was higher than the growth in total equity. The Current Ratio as of June 30, 2022

was at 2.0x, a decline from the end-2021 level of 2.3x, as current assets decreased while current liabilities increased.

## **SUMMARY HISTORICAL FINANCIAL INFORMATION**

For the six (6)-month period ended June 30, 2022, AEV and its Subsidiaries posted a net income attributable to the equity holders of Parent Company (“**Net Income to Equity Holders of AEV**”) of ₱11.8 Billion, a 12% decrease year-on-year (“**YoY**”). This translated to earnings per share of ₱2.10 for the period. The AboitizPower Group accounted for the bulk of the income contributions to AEV at 52%, followed by the Banking and Financial Services, Real Estate, Infrastructure, and Food Groups at 31%, 12%, 4%, and 2%, respectively.

During the first six months of 2022, the Group generated non-recurring gains of ₱2.7 Billion (compared to ₱169 Million losses for the corresponding period in 2021) due to the revaluation of dollar-denominated assets. Without these one-off gains, the Group’s core net income for the first six months of 2022 was ₱9.1 Billion, 33% lower YoY. AEV recorded consolidated EBITDA of ₱32.7 Billion during the first six months of 2022, relatively flat compared to ₱32.8 Billion recorded in the same period in 2021.

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



**CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	₱74,019,003	₱147,534,035	₱65,966,411	₱46,424,663	₱59,033,029
Trade and other receivables	57,722,840	48,020,420	38,026,254	35,195,594	35,099,504
Inventories	41,732,508	31,992,459	24,685,885	23,347,720	24,317,552
Property held for sale	-	-	-	-	675,819
Derivative asset	8,997,446	1,383,903	-	51,060	71,583
Other current assets	57,756,757	25,418,264	18,702,683	19,406,255	18,290,868
<b>Total Current Assets</b>	<b>240,228,554</b>	<b>254,349,081</b>	<b>147,381,233</b>	<b>124,425,292</b>	<b>137,488,355</b>
<b>Noncurrent Assets</b>					
Property, plant and equipment	221,409,660	220,018,207	219,538,095	225,558,765	221,689,945
Investments and advances	176,247,496	154,815,613	145,416,644	140,351,748	106,959,557
Intangible assets	78,659,355	74,338,411	67,776,489	66,801,095	63,776,773
Investment properties	13,681,157	12,227,553	10,937,685	11,291,880	8,224,667
Deferred income tax assets	2,133,128	1,976,548	2,041,497	3,127,072	2,324,773
Trade receivables - net of current portion	313,751	366,651	1,398,791	2,423,038	3,441,898
Derivative asset - net of current portion	159,784	75,718	-	82,327	221,245
Net pension assets	298,883	293,168	115,023	190,243	158,575
Other noncurrent assets	14,379,529	15,145,672	14,550,470	14,134,641	10,208,281
<b>Total Noncurrent Assets</b>	<b>507,282,743</b>	<b>479,257,541</b>	<b>461,774,694</b>	<b>463,960,809</b>	<b>417,005,714</b>
<b>TOTAL ASSETS</b>	<b>₱747,511,297</b>	<b>₱733,606,622</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	₱49,318,449	₱45,779,404	₱35,611,592	₱36,440,163	₱33,870,274
Bank loans	43,323,426	35,415,424	29,330,883	25,717,137	26,978,586
Current portions of:					
Long-term debts	18,947,652	18,608,778	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	40,000
Lease Liabilities	8,994,687	8,291,721	7,283,183	5,656,226	4,131,059
Derivative liability	435,376	1,180,048	982,348	2,255,736	161,565
Income tax payable	452,646	382,223	1,006,445	776,596	535,233
<b>Total Current Liabilities</b>	<b>₱121,512,236</b>	<b>₱109,697,598</b>	<b>₱91,671,925</b>	<b>₱98,012,776</b>	<b>₱76,419,691</b>

(Forward)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)
<b>Noncurrent Liabilities</b>					
Noncurrent portions of:					
Long-term debts	₱249,144,247	₱253,069,865	₱243,623,606	₱212,452,620	₱200,729,393
Lease liabilities	22,608,247	25,964,507	32,485,663	39,637,536	42,763,296
Trade payables	1,015,413	982,617	1,657,982	7,206,837	3,695,261
Long-term obligation on PDS	135,461	125,532	143,436	159,350	173,496
Customers' deposits	7,642,836	7,374,767	6,990,008	6,721,156	6,127,788
Decommissioning liability	5,865,794	5,686,224	5,008,033	3,567,492	3,678,810
Deferred income tax liabilities	2,307,687	2,270,797	2,399,529	2,581,511	1,942,264
Net pension liability	530,451	493,293	574,217	639,155	486,232
Derivative liability - net of current portion	-	174,664	1,001,529	212,588	-
<b>Total Noncurrent Liabilities</b>	<b>289,250,136</b>	<b>296,142,266</b>	<b>293,884,003</b>	<b>273,178,245</b>	<b>259,596,540</b>
<b>Total Liabilities</b>	<b>410,762,372</b>	<b>405,839,864</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	5,694,600
Additional paid-in capital	13,013,197	13,013,197	13,013,197	13,013,197	13,013,197
Equity reserves	29,491,200	29,491,200	(6,215,026)	(6,077,683)	3,833,143
Accumulated other comprehensive loss	345,108	(235,375)	(3,959,403)	(2,648,022)	(27,076)
Retained earnings					
Appropriated	79,800,000	9,200,000	9,200,000	4,200,000	4,200,000
Unappropriated	120,237,515	188,162,793	165,976,675	162,864,330	148,541,910
Treasury stock at cost	(647,672)	(647,672)	(647,672)	(565,246)	(565,246)
	247,933,948	244,678,743	183,062,371	176,481,176	174,690,528
<b>Non-controlling Interests</b>	<b>88,814,977</b>	<b>83,088,015</b>	<b>40,537,628</b>	<b>40,713,904</b>	<b>43,787,310</b>
<b>Total Equity</b>	<b>336,748,925</b>	<b>327,766,758</b>	<b>223,599,999</b>	<b>217,195,080</b>	<b>218,477,838</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱747,511,297</b>	<b>₱733,606,622</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)**

	Six Months Ended June 30 (Unaudited)			Years Ended December 31 (Audited)		
	1H 2022	1H 2021	2021	2020	2019	2018
<b>REVENUES</b>						
Sale of:						
Power	₱82,532,061	₱60,227,887	₱134,043,812	₱109,867,394	₱124,605,660	₱130,734,557
Goods	48,729,101	39,945,610	83,065,597	71,286,473	69,625,434	47,751,035
Real estate	3,816,046	1,528,012	5,234,842	3,541,272	4,116,175	3,925,308
Sale of swine at fair value	26,692	52,121	578,149	1,310,621	1,529,743	2,501,841
Service fees	640,139	440,933	716,387	551,455	1,153,570	1,883,506
Others	108,100	139,626	290,632	168,613	126,886	146,573
	135,852,139	102,334,189	223,929,419	186,725,828	201,157,468	186,942,820
<b>COSTS AND EXPENSES</b>						
Cost of generated and purchased power	52,119,634	31,647,242	74,996,207	54,871,109	71,361,850	71,680,298
Cost of goods sold	42,772,089	35,901,680	73,589,095	61,518,767	61,177,948	43,693,907
Operating expenses	20,257,054	19,050,073	39,896,091	37,113,892	33,657,639	30,535,287
Cost of real estate sales	2,068,203	774,341	2,346,942	1,748,270	2,305,141	1,871,385
	117,216,980	87,373,336	190,828,335	155,252,038	168,502,578	147,780,877
	18,635,159	14,960,853	33,101,084	31,473,790	32,654,890	39,161,943
<b>OPERATING PROFIT</b>						
Share in net earnings of associates and joint ventures	7,368,508	10,684,450	17,245,643	9,019,033	11,502,090	7,727,663
Interest income	652,935	281,869	530,851	1,007,236	1,574,268	1,476,151
Interest expense	(8,896,135)	(8,831,936)	(17,042,156)	(17,917,087)	(17,048,359)	(14,638,588)
Other income (expense) - net	1,492,063	643,524	3,142,294	4,809,275	5,517,803	1,410,826
	19,252,530	17,738,760	36,977,716	28,392,247	34,200,692	35,137,995
<b>INCOME BEFORE INCOME TAX</b>						
	1,940,609	1,046,841	2,808,253	7,583,258	4,758,404	3,899,198
<b>PROVISION FOR INCOME TAX</b>						
	₱17,311,921	₱16,691,919	₱34,169,463	₱20,808,989	₱29,442,288	₱31,238,797
<b>NET INCOME</b>						
<b>ATTRIBUTABLE TO:</b>						
Equity holders of the parent	₱11,795,687	₱13,462,379	₱27,309,623	₱15,433,613	₱22,036,129	22,232,977
Non-controlling	5,516,234	3,229,540	6,859,840	5,375,376	7,406,159	9,005,820

g interests	₱17,311,921	₱16,691,919	₱34,169,463	₱20,808,989	₱29,442,288	₱31,238,797
<b>EARNINGS PER SHARE</b>						
Basic and diluted, for net income for the period attributa ble to ordinary equity holders of the parent	<b>₱2.10</b>	₱2.39	₱4.85	₱2.74	₱3.91	₱3.95

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**

	Six Months Ended June 30 (Unaudited)		Years Ended December 31 (Audited)			
	1H 2022	1H 2021	2021	2020	2019	2018
NET CASH FLOWS FROM OPERATING ACTIVITIES	₱9,450,113	₱16,874,238	₱36,319,034	₱36,334,748	₱42,757,046	₱38,417,349
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(58,420,295)	(5,365,165)	(10,078,385)	(11,618,066)	(39,883,146)	(30,762,254)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(26,892,824)	(20,113,358)	52,988,973	(4,345,939)	(15,617,585)	(13,223,356)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,863,006)	(8,604,285)	79,229,622	20,370,743	(12,743,685)	(5,568,261)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,347,974	257,702	2,338,002	(828,995)	135,319	(268,924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	147,534,035	65,966,411	65,966,411	46,424,663	59,033,029	64,870,214
	₱74,019,003	₱57,619,828	₱147,534,035	₱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 [•] of this Prospectus.

**BUSINESS STRATEGIES**

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

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

A key component of its strategy is to match its business expansion with sustainability initiatives, and to further strengthen its ESG practices.

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

## **RISKS OF INVESTING**

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

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

- Climate Transition Risk
- Project Risk
- Regulatory Risk
- Cyber and Information Security Risk
- Disaster Risk
- Financial Risk
- Talent Risk
- Emerging Risks
- Reputational Risk
- Global Political and Economic Risk

Risks Related to the Philippines:

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

Risks Related to the Offer:

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

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

This Prospectus contains forward-looking statements that involve risks and uncertainties. AEV adopts what it considers conservative financial and operational controls and policies to manage its business

risks. AEV's actual results may differ significantly from the results discussed in the forward-looking statements. See section "*Forward-Looking Statements*" on page [•] of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of AEV, in particular, and those that pertain to the overall political, economic, and business environment, in general.

## CAPITALIZATION

The following presents a summary of the short-term debts, long-term debts, and capitalization of the AEV Group as of June 30, 2022, and as adjusted to reflect the issue of the Bonds:

	As of June 30, 2022 (Unaudited)	As adjusted for an ₱8.0 Billion issue	As adjusted for a ₱12.0 Billion issue
	(in ₱ Millions)	(in ₱ Millions)	(in ₱ Millions)
<b>Short-term debt</b>			
Short-term bank loans	43,323	43,323	43,323
Current portions of:			
Long-term debt	18,948	18,948	18,948
Lease liabilities	8,995	8,995	8,995
Total short-term debts	71,266	71,266	71,266
<b>Long-term debts – net of current portion</b>			
Non-current portions of:			
Long-term debt	249,144	249,144	249,144
Lease liabilities	22,608	22,608	22,608
The issue of the Bonds	-	7,895	11,849
Total long-term debts	271,752	279,647	283,061
<b>Equity</b>			
Equity attributable to equity holders of the parent	247,934	247,934	247,934
Non-controlling interests	88,815	88,815	88,815
Total Equity	336,749	336,749	336,749
Total Capitalization	679,767	687,662	691,616



## OVERVIEW OF THE 2022 PROGRAM

AEV is offering the 2022 Program comprised of securities (the “**Securities**”) in the aggregate principal amount of up to Thirty Billion Pesos (₱30.0 Billion) to be issued in one or more tranches (each, a “**Tranche**”). The following sections outline the description of the Securities Program followed by specific indicative terms and conditions applicable to a particular Tranche.

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Preliminary Prospectus and, in relation to the terms and conditions of any particular Tranche of the 2022 Program, the applicable terms and conditions contained in the relevant offer supplement. In case of conflict between the terms below and those contained in the offer supplement corresponding to a particular Tranche, the latter shall prevail.

### The 2022 Program

Issuer:	Aboitiz Equity Ventures Inc.
Facility:	Up to Thirty Billion Pesos (₱30.0 Billion) Debt Securities Program
Purpose:	The intended use of proceeds for each Tranche of the Securities Program being offered shall be set in the relevant prospectus and/or offer supplement under the “Use of Proceeds” section.
Availability:	The 2022 Program will be continuously available until the expiration of the Shelf Registration and the permit to offer securities for sale to be issued by the SEC.
Maturity:	Fixed-rate bonds: to be determined per issuance Other Securities: as provided by applicable SEC rules and regulations at the time of issuance
Method of Issue:	Each of the Securities will be issued on a continuous basis in Tranches on different issue dates. The specific terms of each Tranche (which, save in respect of the issue date, issue price, interest commencement date, and principal amount of the Tranche, will be similar to the terms of other Tranches of the same Securities) will be set forth in the relevant prospectus or corresponding offer supplement.
Form of Securities:	Each Tranche of the Securities will be represented by a Master Certificate of Indebtedness to be issued and registered in the name of the Trustee for the holders of the Securities (“ <b>Security Holders</b> ”) and by applicable document pursuant to the rules or other relevant regulations as promulgated by the SEC. Legal title to the Securities shall be shown on and recorded in the Register of Security Holders maintained by the Registrar.
Denomination of the Tranche of Securities to be issued:	Fixed-rate bonds: minimum of [₱50,000.00] face value and in increments of [₱10,000.00].

Redemption for Taxation Reasons:	If payments under the relevant Tranche become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the relevant Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant Tranche in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.
Final Redemption:	Except when a call option on the Securities is exercised, the Securities will be redeemed at par or 100% face value on the relevant maturity date.
Status of the Securities:	The Securities shall constitute direct, unconditional, unsubordinated, and unsecured Philippine peso-denominated obligations of the Issuer and will rank <i>pari passu</i> and ratably without any preference or priority among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law.
Negative Pledge:	The Securities shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens.
Governing Law:	Philippine Law

#### **Specific terms related to any Tranche of the fixed-rate bonds**

Issue Price:	The fixed-rate bonds will be issued at 100% of face value.
Fixed-rate Bonds Interest:	Interest on fixed-rate bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrear.
Early Redemption Option:	The applicable final terms will indicate either that the relevant fixed-rate bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such fixed-rate bonds will be redeemable at the option of the Issuer and/or the fixed-rate bondholders upon giving notice to the Bondholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.
Purchase and Cancellation:	The Issuer may at any time purchase any of the fixed-rate bonds in the open market or by tender or by contract at market price without any obligation to purchase (and the bondholders shall not be obliged to sell) fixed-rate bonds pro-rata from all bondholders. Any fixed-rate bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the fixed-rate bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Registrar and Paying Agent: Philippine Depository & Trust Corp.

Listing: Philippine Dealing & Exchange Corp.

## SUMMARY OF THE OFFERING OF THE BONDS

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

<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”)
<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, Philippine peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer consisting of a primary offer in the aggregate principal amount of up to ₱[8.0 Billion], with an Oversubscription Option of up to ₱[4.0 Billion].

The Base Offer will be comprised of: (i) [₱7.45 Billion] Bonds to be issued as the fourth and final Tranche under the Issuer’s shelf registration rendered effective on June 3, 2019 (“**2019 Program**”), and (ii) [₱0.55 Billion] Bonds to be issued as the first Tranche under the Issuer’s 2022 Program. If exercised, the Oversubscription Option will form part of the first Tranche to be issued under the 2022 Program, which would then be comprised of a total of up to [₱4.55 Billion], assuming the full exercise of the Oversubscription Option.

The Issuer has the discretion to allocate the Bonds between the Series A Bonds, Series B Bonds, [and Series C Bonds,] or depending on prevailing market conditions, to fully allocate the Bonds in just one or two series, based on the book building process of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

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 the 2022 Shelf Registration and may be issued in tranches within the 2022 Shelf Period.

The Oversubscription Option is exercisable by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer.

<b>Use of Proceeds</b>	:	Proceeds of the Offer shall primarily be used to partially fund AEV's equity contribution to its wholly owned subsidiary, Aboitiz InfraCapital, which will use such amount to acquire interest GMR-Megawide Cebu Airport Corporation and to refinance the 2020 Series C Bonds.
<b>Issue Price</b>	:	100% face value
<b>Manner of Distribution</b>	:	Public Offering
<b>Offer Period</b>	:	The Offer shall commence at 9:00a.m. on [•] and end at 5:00p.m. on [•] or on such other date as the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may agree upon.
<b>Issue Date</b>	:	[•], or the immediately succeeding Banking Day if such Issue Date is not a Banking Day, or such later date as may be mutually determined by the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the issuance of the Bonds. In the event that the original Issue Date is moved to the succeeding Banking Day, the interest accruing for the first Interest Period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date
<b>Maturity Date or Redemption Date</b>	:	Series A Bonds: 3.5 years from Issue Date Series B Bonds: 5.5 years from Issue Date Series C Bonds: 7.0 years from Issue Date
		Provided that, in the event that such 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.
		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 A Bonds: [•]% per annum Series B Bonds: [•]% per annum Series C Bonds: [•]% per annum
<b>Interest Payment Date</b>	:	The Interest shall be paid quarterly in arrear on [•], [•], [•], and [•] of each year commencing on [•] until and including the Maturity Date (each, an "Interest Payment Date"), or the next Banking Day if such dates fall on a non-Banking Day without any adjustment in the amount of interest as originally computed; provided that, if the Issue Date is set at a date other than [•] 2022, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual

Issue Date. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment to the amount due.

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 outstanding 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 in respect of the Early Redemption Option exercise (the “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 and the applicable Early Redemption Price in accordance with the following schedule:

<b>Series A Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of prepayment penalty)</b>
2.5 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

<b>Series B Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of prepayment penalty)</b>
2.5 years from Issue Date and every Interest Payment Date thereafter before the 3 and ½ year anniversary of the Issue Date	101.50%

3.5 years from Issue Date and every Interest Payment Date thereafter before the 4 and ½ year anniversary of the Issue Date	101.00%
4.5 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

<b>Series C Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of prepayment penalty)</b>
4.0 years from Issue Date and every Interest Payment Date thereafter before 5 <sup>th</sup> year anniversary of the Issue Date	101.50%
5.0 years from Issue Date and every Interest Payment Date thereafter before 6 <sup>th</sup> year anniversary of the Issue Date	101.00%
6.0 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice to the Bondholders through the Trustee 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. For the avoidance of doubt, notice to the Trustee shall be considered notice to the Bondholders.

**Redemption for Taxation Reasons :** The Issuer may redeem any series of the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than fifteen (15) days' notice to the Trustee) at par plus accrued interest, subject to the requirements of Applicable Law, if payments under the

Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in Applicable Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer.

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

**Mandatory Redemption**

: If any one or more of the following events shall occur, in the reasonable opinion of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds for the events contemplated in (a), (b) or (c) below or the Majority Bondholders for the events contemplated in (d) below (and with written notice to the Trustee), and be continuing for a period of thirty (30) 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 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.

The Issuer shall also have the option to redeem in whole, but not in part, the Bonds at par (or 100% of face value) and paid together with the accrued interest thereon, by giving not more than sixty (60) nor less than thirty (30) (or such shorter period prescribed by Applicable Law, if any) days' notice. to the Trustee.

**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) 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 Philippine 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 [●] 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: Rosie R. Palaran/ Rachele Ann C. Mendiola  
Subject: [Aboitiz Equity Ventures Bonds Due 2026,  
2028 and 2029]  
Address: BDO Corporate Center, 7899 Makati Avenue,  
Makati City, Philippines  
Contact No.: 8878-4001 / 8878-4237  
E-mail: palaran.rosie@bdo.com.ph  
rcm@bdo.com.ph

## **RISK FACTORS AND OTHER CONSIDERATIONS**

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

*The risks factors discussed in this section are of equal importance, presented in no particular order, 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.

#### **Climate Transition Risk**

AEV recognizes that some of its stakeholders (e.g. lenders, insurers, suppliers) have begun implementing policies aligned with the international treaties on emissions reduction. Currently, the uncertainty lies on the possibility of the accelerated actions of the organization’s stakeholders in line with this transition. This risk will not just affect the AboitizPower Group but also other units who also contribute in terms of Scope 1 to 3 emission. Ultimately, if it materializes, it may not only impact the Group-wide operations but also the future of the organization in the long run. As such, it is critical that the Company starts to identify proper and reasonable mitigation plans early.

The Company acknowledges that management of this risk will require collective effort from all business units, as such, the Aboitiz Group continues to identify, implement, and continuously improve its climate related actions and programs.

In 2021, AEV Strategy, Reputation, and Risk Management Teams cascaded the results of the Morgan Stanley Capital International (“**MSCI**”) Climate Value at Risk (“**VaR**”) activity which started in 2020. This initiative aimed to further understand the exposure of the Aboitiz Group in terms of Climate Transition Risk, specifically on the potential issuance of government policies/regulations to support the country’s commitment on the Nationally Determined Contributions (“**NDCs**”).

#### **Project Risks**

Project Risk remains to be one of the Aboitiz Group's top risks. The occurrence of the pandemic both posed a risk and opportunity for the Aboitiz Group as it slightly impaired the timing of the operationalization of some of its projects. However, this has also allowed the Aboitiz Group to explore automation-related initiatives that could improve operational efficiency.

Risk management is an embedded concept in project management to ensure project stability and success. Each significant and potential project is evaluated to gain a more rigorous understanding of the risks involved and if these are still within the capacity and the appetite of the organization.

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 in the continuous development and growth of the organization.

### **Regulatory Risks**

Each type of industry the Aboitiz Group is engaged in – power, food, banking and financial services, real estate, and infrastructure – has specific regulatory risks. With the Aboitiz 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 Aboitiz 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.

The AEV Risk Management Team, together with the Corporate External Relations and Legal teams continue to monitor any changes in laws and regulations. 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 to the Aboitiz Group and to the various businesses it operates.

In 2021, the enterprise compliance function was transferred back to the Legal team. This move aims to align the Compliance Management Program with the Global Compliance Program efforts and to ensure that the Chief Compliance Officer has a holistic view of all functional compliance areas. Data Privacy remains with the Risk Management Team as part of Aboitiz's continued commitment to manage privacy risks and ensure compliance with privacy laws.

### **Cyber and Information Security Risk**

Due to the increasing number of information security breach events happening globally, for both information and operation technologies, cyber and information security risk is still considered as one

of the Company's top risks. As the Company transitioned to a hybrid workforce set-up, the potential exposure from such risk is further aggravated by the current work-from-home set-up and the increasing hours that its employees spend online. Despite this, the Company was able to protect itself from these potential breaches which can have catastrophic implications on the organization's bottom-line and reputation.

To address this risk, the Aboitiz Group has been continuously strengthening and improving its organization's security posture through the implementation of the Information Security Management System (including awareness campaigns and communications) and continuous enhancement of its monitoring and protection capabilities to both Information Technology ("IT") and Operational Technology ("OT") environments.

These and other activities/initiatives, are part of the Level 4 in Cyber Security Maturity roadmap built together by the different IT and OT teams across the Aboitiz Group, and are geared towards strengthening its technology, people, and processes.

In 2021, the Information Security Management and IT Security Teams were placed under the Office of the Chief Information Security Officer ("CISO"). This move ensures alignment between people, process and technology, as Aboitiz takes a whole of organization approach to managing its cyber and information security risk. In addition, the Board of Directors created the Board Cyber and Information Security Committee to ensure Board oversight and strategic guidance on the matter at hand.

### **Disaster Risk**

As a result of the increasing global surface temperatures due to climate change, droughts and catastrophic typhoons will continue to pose a threat not just in the country but globally.

To ensure that the Aboitiz Group will be able to withstand and recover from these and other natural/man-made disasters, AEV and its Subsidiaries will continuously improve its Business Continuity Management ("BCM") Program. Existing business interruption scenarios and continuity plans for each of these scenarios are reviewed regularly, evaluated, and updated through Business Continuity Plan ("BCP") exercises and "lessons learned" sessions. These practices and plans remain relevant with the current business conditions. In addition, teams are prepared for emergencies through mandatory training and drills while testing and improving procedures are performed on an ongoing

### **Financial Risk**

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

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

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

Capacity additions, which are reported as projects, are good indicators of the growth plans of AEV and its Subsidiaries. For example, its largest SBU, power, has a growth target of 9,200 MW of attributable capacity by 2030 and to achieve a 50:50 balance between its renewable energy portfolio, and thermal capacities without adding new coal plants. This is from an attributable net sellable capacity of 3,962 MW as of February 28, 2022. Such capacity additions are funded by a mix of debt (i.e., loans, borrowings) and equity. In relation to this, the total historical capital expenditure of the AEV Group (100% of Affiliates) is as follows: ₱27.0 Billion in 2021, ₱29.0 Billion in 2020, ₱53.0 Billion in 2019, ₱49.0 Billion in 2018, ₱35.0 Billion in 2017, and ₱42.0 Billion in 2016.

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

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

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

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

### **Talent Risk**

The Company recognizes that having team members with the right capabilities at the right time is critical in the accomplishment of its long-term strategies as well as to the future organization. And as the organization embarked on its Great Transformation (“GT”) journey it is important to develop a workforce with the right mindset, attitude and behavior to move the organization forward.

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

Some of the key mitigation plans are as follows:

- Regular conduct of Strategic Workforce Planning which aims to proactively identify the current and future needs of the organization and serve as an input for attraction, learning/organization development and succession.
- Continuous improvement of the learning and development program, including change management and other skills and capabilities needed, to support the continuous changes of the organization.

Implementation of employee engagement programs and listening to employee sentiments through pulse surveys, discussions and chatbots.

### **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 national and global events. Such emerging risks cannot yet be fully assessed in terms of likelihood and impact due to high uncertainty, but could have a major impact on an organization in the future. To ensure these risks are captured and discussed, the Risk Management Team and Subject Matter Experts (SMEs) work jointly to identify and monitor emerging risks especially in the following areas: political, economic, social, technology, environmental, legal and compliance (PESTEL). The output of which is shared to the different sub-units on a regular basis for their own analysis and monitoring. These risks are also part of the regular discussions with the Risk Management Council and the Board Risk and Reputation Management Committee.

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.

### **Reputational Risk**

The Group is exposed to various reputational risks, from those which may result directly from the Group's actions or those of its competitors, indirectly from actions of the Group's directors, officers or employees, or consequently through actions of outsourced partners, suppliers or joint venture partners. To manage such risks, the Group endeavors to adhere to sound corporate governance practices in the appointment of its directors and officers, and in hiring of its employees. Further, the Company carefully scrutinizes potential partners and suppliers to ensure that such partners and suppliers are aligned with its core values.

Damage to the Group's reputation and erosion of brand equity may also be triggered by any inability to promptly and adequately address negative sentiments relating to the Group, which may in turn be triggered by various factors such as environmental concerns, among others. Any inability to preserve brand equity and reputation may adversely impact the Group's results of operations and financial condition. While the Group has dedicated investors relations and corporate communications teams, there can be no assurance that the Group will be able to adequately address such negative sentiments. Any inability to preserve brand equity and reputation may adversely impact the Group's results of operations and financial condition.

### **Global Political and Economic Risk**

The growth and profitability of the Company may be influenced by major political and economic developments abroad, which may have a negative effect on the operations and financial results of the Company.

On February 21, 2022, Russian president Vladimir Putin announced that Russia recognizes the independence of two pro-Russian breakaway regions in eastern Ukraine. On February 22, 2022, the Russian Federation Council unanimously authorized the use of military force, and the entry of Russian soldiers into both territories. On February 24, 2022, places across Ukraine, including Kyiv, the national capital, were struck with missiles. The Ukrainian Border Guard reported attacks on posts bordering Russia and Belarus. Shortly afterwards, Russian Ground Forces entered Ukraine prompting Ukrainian President Volodymyr Zelenskyy to enact martial law and general mobilization (the "Russo-Ukrainian War"). Since the outbreak of the Russo-Ukrainian War the cost of fuel has increased dramatically around the world causing an increase in WESM prices. Global commodity prices have likewise increased as a result of the Russo-Ukrainian War. See section entitled "*The Company*" beginning on page [●] of this Prospectus.

The Russo-Ukrainian War has also increased volatility in the capital markets. To curb inflationary pressure due in part to the Russo-Ukrainian War, the Bangko Sentral ng Pilipinas has raised key policy



interest rates by 175 basis points since the beginning of 2022, and has disclosed that it may further increase such rates. Any disruption of the credit and equity markets may impede or prevent access to the capital markets for additional funding to expand the Company's business and may affect the availability or cost of borrowing. [While the Company may seek funding through credit facilities outside of the capital markets, if the Company is unable to obtain such alternative funding, it may have to adjust its business plans and strategies, which may adversely affect its prospects, market value and results of operations.]

While the Company does not expect any material impact from the ongoing Russo-Ukrainian War to its current and future businesses, ongoing tensions may continue to affect oil and commodity prices in the near to medium term.

Any political or economic developments of a global scale could impact prices in general and disrupt supply chains, which could in turn increase the Company's costs. The Company continuously monitors such developments abroad and will assess any direct and indirect impact that the Russo-Ukrainian War may have on its current and future businesses.

## **RISKS RELATED TO THE PHILIPPINES**

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

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

The Philippines registered strong gross domestic product ("GDP") growth rates of 6.9% in 2017, 6.3% in 2018 and 6.1% in 2019. However, in 2020, the Taal volcano eruption and the COVID-19 pandemic pushed the country to implement tight quarantine restrictions and constrained economic activity resulting into a 9.6% decline in GDP. In 2021, the country exhibited signs of recovery as it recorded a 5.7% GDP growth for the year. According to the Asian Development Outlook's July 2022 Supplement, Philippine GDP will continue to improve and is estimated to grow by 6.5% in 2022 and 6.3% in 2023. Despite the positive economic outlook for the country, there can be no assurance that the Philippines will achieve strong economic fundamentals in the future.

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 (negative), which was affirmed last February 2022
- Standard & Poor's - BBB (positive) which was affirmed last May 2022
- Moody's Investors Service - Baa2 (stable), which was affirmed last February 2022

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

In May 2022, the Philippines elected Ferdinand R. Marcos, Jr. as its new president, winning 58% of the votes cast. The 2022 elections had a record voter turnout of 83%, the highest in the country's four automated elections. The Marcos administration has unveiled a platform based on uniting the nation. Nonetheless, Pres. Marcos is impleaded in cases involving the recovery of the Marcos family's ill-gotten wealth for which reason, the Presidential Commission on Good Government was established

on February 28, 1986 by virtue of Executive Order No. 1, Series of 1986 issued by then President Corazon C. Aquino.

On July 27, 2022, President Ferdinand R. Marcos, Jr. vetoed House Bill No. 10554, which sought to expand the DLPC franchise area to include Tagum City, the Island Garden City of Samal, Asuncion, Kapalong, New Corella, San Isidro, and Talaingod in Davao del Norte. The reason for the presidential veto was the “apparent overlap and possible infringement into the subsisting franchise, permits, and contracts previously granted to North Davao Electric Cooperative”.

There is no assurance that the current or future Government administrations will adopt economic policies conducive to sustaining economic growth. In general, political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Company. The Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. In addition, perceptions over human rights and geopolitical issues may affect the overall sentiment on the Philippines and the business environment.

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

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei, Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. The 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/South China Sea) form part of the exclusive economic zone and continental shelf of the Philippines” and that the “nine-dash line” claim of China is invalid. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. China was reported to conduct land reclamation activities in the disputed territories, which was completed in 2016. News reports indicate increased Chinese activity in the contested waters, including the installation of missile systems and the deployment of bomber planes. Several countries have conducted Freedom of Navigation operations in the contested waters to challenge China’s militarization of artificial features in the West Philippine Sea. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company’s business, financial position and results of operations.

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

**RISKS RELATED TO THE OFFER**

### **Liquidity Risk**

The Philippine securities markets, particularly the market for corporate debt securities, 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 fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the Bonds may be disposed at prices, volumes or at times deemed appropriate by the Bondholders.

Active trading of the Bonds is highly dependent on the bondholders and the Company has no control over this risk.

### **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 Early Redemption Dates (see “*Description of The Offer – Early Redemption*” on page [•] of this Prospectus). 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 will be subject to market and interest rate fluctuations, which may result in the appreciation of the investment or the reduction in its value. 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 Bondholder 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 Prospectus; (ii) have access to, and knowledge of, relevant analytical tools to evaluate, in the context of its particular financial situation, an investment in the 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 Philippine 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 A Bonds, Series B Bonds or Series C Bonds. AEV expects that the net proceeds of the Bonds shall amount to approximately [₱7,894,695,011] for an issue size of up to [₱8,000,000,000] or, assuming full exercise of the Oversubscription Option, [₱11,848,995,011] for an issue size of up to [₱12,000,000,000], in each case after deducting fees, commissions and expenses.

*Based on an issue size of up to [₱8,000,000,000]*

Documentary Stamp Tax	[60,000,000]
Issue Management and Underwriting Fees <sup>4</sup>	[29,600,000]
Other Professional Fees	[9,408,000]
SEC Registration Fee and Legal Research Fee	[3,719,239]
Credit Rating Fees	[1,911,750]
Other Expenses (e.g. Trustee Fee, PDEX Listing Fee, Printing Cost, etc.)	[666,000]
<b>Estimated net proceeds of the Issue</b>	<b>[₱7,894,695,011]</b>

*Based on an issue size up to [₱12,000,000,000]*

Documentary Stamp Tax	[90,000,000]
Issue Management and Underwriting Fees <sup>5</sup>	[44,400,000]
Other Professional Fees	[9,408,000]
SEC Registration Fee and Legal Research Fee	[3,719,239]
Credit Rating Fees	[2,811,750]
Other Expenses (e.g. Trustee Fee, PDEX Listing Fee, Printing Cost, etc.)	[666,000]
<b>Estimated net proceeds of the Issue</b>	<b>[₱11,848,995,011]</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 in advance upon the approval of the listing;
2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱180,000;
3. After the issuance of the Bonds, a Paying Agency fee amounting to ₱100,000 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>4</sup> The GRT on such fees shall be for the account of the recipient thereof; for purposes of illustration, the maximum fees that the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may receive have been assumed.

<sup>5</sup> The GRT on such fees shall be for the account of the recipient thereof; for purposes of illustration, the maximum fees that the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners may receive have been assumed.

4. The Issuer will pay an annual monitoring fee to PhilRatings amounting to ₱560,000 (VAT inclusive). However, PhilRatings charges the annual monitoring fee to the Company in relation to all of its bonds outstanding.

The allocation of the net proceeds of the Offer amounting to [₱7.89 Billion], assuming an issue size of [₱8.0 Billion], or [₱11.85 Billion], assuming the full exercise of the Oversubscription Option, will be used to partially finance Aboitiz InfraCapital's equity contributions to its wholly owned subsidiary, Aboitiz InfraCapital in relation to its acquisition in GMR-Megawide Cebu Airport Corporation ("GMCAC") and refinance its maturing AEV Series C Bonds due 2023 as described below:

Use of Proceeds	Amount	Timing of Disbursement
Oversubscription Option is Not Exercised		
Partially finance Aboitiz InfraCapital's acquisition in GMCAC	[₱6.89 Billion]	4Q 2022
Refinancing of the maturing AEV Series C 2.8403% Bonds Due 2023	[₱1.00 Billion]	3Q 2023
Total	[₱7.89 Billion]	
Oversubscription Option is Fully Exercised		
Partially finance Aboitiz InfraCapital's acquisition in GMCAC	[₱10.85 Billion]	4Q 2022
Refinancing of the maturing AEV Series C 2.8403% Bonds Due 2023	[₱1.00 Billion]	3Q 2023
Total	[₱11.85 Billion]	



### **Aboitiz InfraCapital's acquisition in GMCAC**

The net proceeds, assuming the full exercise of the Oversubscription Option, shall primarily be used to partially fund AEV's equity contribution to its wholly owned subsidiary, Aboitiz InfraCapital, which will use such amount to acquire interest in GMCAC – a joint venture between Megawide Construction Corporation (“Megawide”) and GMR Airport International, B.V. (“GAIBV”). Aboitiz InfraCapital is acquiring a 33 and 1/3% minus 1 share stake in GMCAC through a combination of a primary infusion and secondary purchase of shares from Megawide and GAIBV for a total consideration of ₱9.5 Billion. See section “Recent Developments” on page [•] of the Prospectus. Simultaneously with the execution of the above transaction, Megawide and GAIBV have agreed to issue exchangeable notes to Aboitiz InfraCapital for the aggregate amount of ₱15.5 Billion. The exchangeable notes will mature on October 30, 2024, and will be exchanged by Aboitiz InfraCapital for the remaining 66 and 2/3% plus 1 share of GMCAC's outstanding capital stock. Aboitiz InfraCapital will satisfy the balance of the total ₱25.0 Billion purchase price from internally generated funds and/or other credit facilities which may include bank borrowings, as it may consider commercially favorable at the relevant time. The transaction is expected to be completed by the 4Q2022, subject to customary closing conditions, including regulatory approvals. **AEV anticipates that AboitizInfra Capital will later return such equity infusion to it by way of dividends.**

### **Payment of the maturing 2020 Series C Bonds**

The Company plans to use approximately [₱1.00 billion] of the net proceeds from the Offer to partially refinance the 2020 Series C Bonds maturing in November 2023. On November 16, 2020, AEV issued the fixed-rate Series C bonds amounting to [₱6.85 Billion] with a term of three (3) years from issue date and a fixed interest rate of 2.8403% per annum (the “2020 Series C Bonds”). The net proceeds of the 2020 Series C Bonds were used by the Issuer to partially refinance the 2013 Series A Bonds and 2015 Series A Bonds both maturing in November 2020 and partially finance the equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao. AEV will satisfy the balance of the amount due under the 2020 Series C Bonds from internally generated funds and/or other credit facilities which may include bank borrowings, as AEV may consider commercially favorable at the relevant time.

To the extent that the net proceeds exceed the total above and there are changes in above captioned uses, such excess will be used for AEV's general corporate purposes. Correspondingly, if 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 balance of the above will be satisfied from internally generated funds and/or other credit facilities which may include bank borrowings, as AEV may consider commercially favorable at the relevant time.

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 Management. In the event of any material deviation, reallocation or adjustment in the planned use of proceeds, the Company shall inform the SEC and issue all appropriate disclosures within thirty (30) days prior to its implementation. Any material or substantial adjustment to the use of proceeds, as indicated above, shall be approved by the Board and shall be publicly disclosed through the SEC, PSE, and PDEX.



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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

## **DETERMINATION OF THE OFFERING PRICE**

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

## PLAN OF DISTRIBUTION

### THE OFFER AND THE SECURITIES PROGRAM SHELF REGISTRATION

A registration statement covering the 2019 ₱30.0 Billion Program was filed by the Company on March 29, 2019 and was rendered effective by the SEC under SEC Order No. 23, Series of 2019, dated June 3, 2019. The first tranche under the 2019 Program in the aggregate principal amount ₱5.0 Billion 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 2019 Program was issued on November 16, 2020, in the aggregate principal amount of ₱7.55 Billion, covered by a prospectus dated October 27, 2020 and a permit to sell issued by the SEC on October 29, 2020. The third tranche under the 2019-Program was issued on August 9, 2021, in the aggregate principal amount of ₱10.0 Billion, covered by a prospectus dated July 23, 2021 and a permit to sell issued by the SEC on July 26, 2021. On May 27, 2022, the SEC extended the validity of the 2019 Program from June 2, 2022 to December 2, 2022. The Bonds are offered by the Company under a combination of the fourth and final Tranche of its 2019 Program and the 2022 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. The Offer does not include an international offering.

On [•], AEV filed the 2022 Registration Statement with the SEC, in connection with the offer and sale to the public of the Bonds under the 2022 Program. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer.

Pursuant to the confirmation and certificate of permit to offer securities for sale to be issued by the SEC, the Offer will consist of the primary offer of an aggregate principal amount of up to ₱8.0 Billion, and an Oversubscription Option of up to ₱4.0 Billion. The Base Offer will be comprised of: (i) [₱7.45 Billion] Bonds to be issued as the fourth and final tranche under the Issuer's 2019 Program, and (ii) [₱0.55 Billion Bonds to be issued as the first Tranche under the Issuer's 2022 Program. If exercised, the Oversubscription Option will form part of the first Tranche to be issued under the 2022 Program, which would then be comprised of a total of up to ₱4.55 Billion, assuming the full exercise of the Oversubscription Option.

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 2022 Shelf Period.

[The Issuer has the discretion to allocate the Bonds between the Series A Bonds, the Series B Bond, and Series C 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.]

### SHELF REGISTRATION OF SECURITIES NOT COVERED BY THE OFFER

After the close of the Offer and within the Shelf Period of the 2022 Program, AEV may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of the Bonds in subsequent tranches, including any amount remaining if the Oversubscription Option is partly exercised or not exercised at all. Any such subsequent offering requires the submission by AEV of the relevant updates and amendments to the registration statement and the issuance of the

corresponding Permit to Sell by the SEC. As a listed company, AEV regularly disseminates such updates and information in its disclosures to the SEC, PDEx, and PSE.

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

### **UNDERWRITING OBLIGATIONS OF THE JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS, AND JOINT BOOKRUNNERS**

BDO Capital, BPI Capital, China Bank Capital, and First Metro pursuant to the Issue Management and Underwriting Agreement with AEV dated [•], have agreed to act as Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 :

<b>Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner</b>	<b>Commitment</b>
BDO Capital	₱ [2,000,000,000]
BPI Capital	₱ [2,000,000,000]
China Bank Capital	₱ [2,000,000,000]
First Metro	₱ [2,000,000,000]
<b>Total</b>	<b>₱[8,000,000,000.00]</b>

The Issue Management and Underwriting Agreement may be terminated in certain circumstances prior to the issuance of the Bonds and 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.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall receive an aggregate fee of up to 37 basis points, on the final aggregate nominal principal amount of the Series A Bonds, Series B Bonds and Series C Bonds issued, respectively, which is inclusive of underwriting fees and selling commissions to be paid. The GRT on such fee shall be for the account of the recipient thereof.

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

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

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

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

#### **BDO Capital & Investment Corporation**

BDO Capital is the wholly owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999. It obtained its license to operate as an investment house in 1998 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of June 30, 2022, it had ₱3,801.0 Million and ₱432.7 Million in assets and capital, respectively.

#### **BPI Capital Corporation**

BPI Capital is a 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 December 31, 2021, its total assets amounted to ₱3.51 Billion and its capital base amounted to ₱3.39 Billion.

#### **China Bank Capital Corporation**

China Bank Capital 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 Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. The company's services include arranging, managing, and underwriting debt and equity transactions, such as 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 deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of December 31, 2021, it has total assets of ₱2.80 Billion and a capital base of ₱2.69 Billion.

#### **First Metro Investment Corporation**

First Metro is a leading investment bank in the Philippines with fifty-nine 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 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. 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.

## **SALE AND DISTRIBUTION**

The distribution and sale of the Bonds shall be undertaken by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners who shall sell and distribute the Bonds to third party buyers/investors. Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners are authorized to organize a syndicate of selling agents for the purpose of the Offer; provided, however, that the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall remain jointly, and not solidarily, 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners with such other parties. Nothing herein shall limit the rights of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners from purchasing the Bonds for their own 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners exercising the Oversubscription Option, with the consent of the Issuer. Consistent with the customary Issue Management and Underwriting Agreement, upon the exercise of the Oversubscription Option, the portion exercised will be underwritten by the relevant Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners that have clients with excess demand.

## **TERM OF APPOINTMENT**

The engagement of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, with the consent of the Issuer, shall agree on the process for allocating the Bonds and the manner of accepting the Applications to Purchase (the "Allocation Plan"). Consistent with bank procedures (if applicable) and the Allocation Plan, each of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners 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 at 9:00 a.m. on [•] and end at 5:00p.m. on [•] or such other date as may be mutually agreed by the Company and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

#### **APPLICATION TO PURCHASE**

Applicants may purchase the Bonds during the Offer Period by submitting to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners properly completed Applications 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. Corporate and institutional Applicants may also be required to submit, in addition to the foregoing:

- an original notarized certificate by the corporate secretary (or an equivalent officer of the Applicant) setting forth resolutions of the board of directors, partners or equivalent body (i) authorizing the purchase of the Bonds indicated in the Application to Purchase and (ii) designating the signatory/ies, with their specimen signature/s, for the said purposes;
- copies of its Articles of Incorporation and By-laws (and latest amendments thereof), together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory/ies;
- two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar;
- valid and unexpired identification document(s) of the authorized signatories of the Applicant as specified in the paragraph below;
- valid tax identification number (“**TIN**”) issued by the BIR; and
- such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners and the Registrar in the implementation of its internal policies regarding “know your customer” and anti-money laundering and requirements related to the Foreign Account Tax Compliance Act (“**FATCA**”).

Individual Applicants, must also submit, in addition to the accomplished Applications to Purchase and its required attachments:

- a photocopy of any one of the following identification cards (“**IDs**”): Philippine Identification Card (PhilID), 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.
- two (2) duly accomplished signature cards containing the specimen signature of the Applicant;
- valid TIN issued by the BIR; and
- such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners or the Registrar in implementation of its internal policies regarding “know your customer” and anti-money laundering and requirements related to the FATCA.

An Applicant who is exempt from or is not subject to withholding tax, or who claims preferential tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner (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 and associations 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 funds and retirement plans – certified true copy of a 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 three (3) years since the date of issuance thereof, and has not been revoked, amended, or modified;
  - 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 a 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 – 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 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 Legalization 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.

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 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.

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 Fifty Thousand Pesos (₱50,000.00) shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of Ten Thousand Pesos (₱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 Joint Bookrunners, with the consent of the Issuer and subject to its right of rejection.

### **ACCEPTANCE OF APPLICATIONS TO PURCHASE**

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 registry book (the “**Registry Book**”) to be maintained by the Registrar. AEV will cause the Registry Book to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Registry Book.

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 OFFER

*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 Prospectus, the Trust Agreement, the Issue Management and Underwriting Agreement, the Registry and Paying Agency Agreement and other agreements relevant to the Offer.*

The corresponding issue of the Bonds in an aggregate principal amount of up to ₱8.0 Billion, with an Oversubscription Option of up to an aggregate principal amount of up to ₱4.0 Billion, were authorized by a resolution of the Board dated August 25, 2022. The Base Offer will be comprised of: (i) [₱7.45 Billion] Bonds to be issued as the fourth and final Tranche under the Issuer's 2019 Program, and (ii) [₱0.55 Billion Bonds to be issued as the first Tranche under the Issuer's 2022 Program. If exercised, the Oversubscription Option will form part of the first Tranche to be issued under the 2022 Program, which would then be comprised of a total of up to ₱4.55 Billion, assuming the full exercise of the Oversubscription Option.

### **2019 Program**

A registration statement covering the 2019 Program was filed by the Company on March 29, 2019 and was rendered effective by the SEC under SEC order no. 23, Series of 2019, dated June 3, 2019. The first tranche under the 2019 Program in the aggregate principal amount ₱5.0 Billion 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 2019 Program was issued on November 16, 2020, in the aggregate principal amount of ₱7.55 Billion, covered by a prospectus dated October 27, 2020 and a permit to sell issued by the SEC on October 29, 2020. The third tranche under the 2019 Program was issued on August 9, 2021, in the aggregate principal amount of ₱10.0 Billion, covered by a prospectus dated July 23, 2021 and a permit to sell issued by the SEC on July 26, 2021. On May 27, 2022, the SEC extended the validity of the 2019 Program from June 2, 2022 to December 2, 2022.

### **2022 Program**

On [•], AEV filed the 2022\_Registration Statement with the SEC, in connection with the offer and sale to the public of the Bonds under the 2022 Program. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer. The first Tranche under the Issuer's 2022 Program will be comprised of ₱0.55 Billion Bonds of the Base Offer and, if exercised, the Oversubscription Option, and would then be comprised of a total of up to ₱4.55 Billion,

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. BDO Capital is the wholly-owned subsidiary of BDO Unibank, Inc.

A registry and paying agency agreement was executed on [•] (the "**Registry and Paying Agency Agreement**") in relation to the Bonds between the Issuer, and PDTC 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, and issued and transferable in minimum principal amounts of ₱50,000.00 and in multiples of ₱10,000.00) thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

The Series A Bonds shall mature three (3) years and six (6) months from the Issue Date, the Series B Bonds shall mature five (5) years and six (6) months from the Issue Date, and the Series C Bonds shall mature [seven (7) years] from the Issue Date, 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 (the “Bondholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

## **FORM, DENOMINATION AND TITLE**

### **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 Registry Book 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 [●] by PhilRatings. The rating and [●] Outlook were assigned given the following key considerations:

[●]

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

## **TRANSFER OF BONDS**

### **Registry Book of Bondholders**

The Issuer shall cause the Registry Book 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 Bonds shall be entered into the Registry Book of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry Book 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%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, 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 Registry Book 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 on the PDEX website ([www.pds.com.ph](http://www.pds.com.ph)). An Investor Frequently Asked Questions (“FAQ”) is also available on the PDEX website.

discussion on the secondary market trading, settlement, documentation and estimated fees are also available on the PDEx website.

## **MARKET INFORMATION ON OTHER DEBT SECURITIES**

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

## **RANKING**

The Bonds shall constitute the direct, unconditional, unsecured and unsubordinated Philippine peso denominated obligations of the Issuer and shall rank *pari passu* and ratably 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 A Bonds, [•]% per annum for the Series B Bonds, and [•]% per annum for the Series C Bonds, payable quarterly in arrear starting on [•] for the first interest payment date, and [•], [•], [•], and [•] of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Banking Day, without adjustment to the amount due, if such Interest Payment Date is not a Banking Day; provided, that if the Issue Date is set at a date other than [•], then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment to the amount due.

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, provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

### **Interest Accrual**

Each Series A Bonds, Series B Bonds and Series C Bonds shall cease to bear interest from and including the Maturity Date, as defined in the discussion on "Final Redemption," unless, upon due presentation,



payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*”) shall apply.

**Determination of Interest Amount**

The interest shall be calculated on the basis of a three hundred and sixty (360)-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (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 each series of the 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 Bonds on the Early Redemption Dates, as provided below, or the immediately succeeding Banking Day if such date is not a Banking Day (the “Early Redemption Dates”), without any adjustment in the amount of interest as originally computed.

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 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 schedules:

<b>Series A Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of prepayment penalty)</b>
2.5 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

<b>Series B Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of prepayment penalty)</b>



2.5 years from Issue Date and every Interest Payment Date thereafter before the 3 and ½ year anniversary of the Issue Date	101.50%
3.5 years from Issue Date and every Interest Payment Date thereafter before the 4 and ½ year anniversary of the Issue Date	101.00%
4.5 years from Issue Date and every Interest Payment Date thereafter before Maturity Date	100.25%

<b>Series C Bonds</b>	
<b>Early Redemption Dates</b>	<b>Early Redemption Price (inclusive of prepayment penalty)</b>
4.0 years from Issue Date and every Interest Payment Date thereafter before the 5 <sup>th</sup> year anniversary of the Issue Date	101.50%
5.0 years from Issue Date and every Interest Payment Date thereafter before the 6 <sup>th</sup> year anniversary of the Issue Date	101.00%
6.0 years from Issue Date and Every Interest Payment Date thereafter before Maturity Date	100.25%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice to the Bondholders through the Trustee 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. For the avoidance of doubt, notice to the Trustee shall be considered notice to the Bondholders.

**Redemption for Taxation Reasons**

The Issuer may redeem the Series A Bonds, Series B Bonds or Series C Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than fifteen (15) days' notice to the Trustee) at par or 100% of the face value plus accrued interest, subject to the

requirements of Applicable Law, if payments under the Series A Bonds, Series B Bonds, or Series C 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, as such, additional or increased taxes 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 A Bonds, Series B Bonds or Series C Bonds, including all accrued interest, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty that is imposed under an Early Redemption, anything in the Trust Agreement or in the Series A Bonds, Series B Bonds, or Series C 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 thirty (30) 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 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 prepayment penalty that is imposed under an Early Redemption, anything in the Trust Agreement or in the Bonds contained to the contrary notwithstanding, subject to the notice requirements under Section 10.2 of the Trust Agreement, provided that, such notice shall not be deemed either caused by a default under Section 9.1, or a notice of default under Section 10.2. The Issuer shall also have the option to redeem in whole, but not in part, the Bonds at par (or 100% of face value) and paid together with the accrued interest thereon, by giving not more than sixty (60) nor less than thirty (30) (or such shorter period prescribed by Applicable Law, if any) days' notice. to the Trustee.

### **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 Bonds pro-rata from all Bondholders. 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 A Bonds, Series B Bonds or Series C 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 A Bonds, Series B Bonds, and Series C 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 and associations 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 funds and retirement plans – certified true copy of a 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 three (3) years since the date of issuance thereof, and has not been revoked, amended, or modified;
- 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 a 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 – 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.

- 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.

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.

- 2. Any applicable taxes on other income due to any Bondholder arising from the Series A Bonds, Series B Bonds or Series C Bonds, including but not limited to the prepayment penalty, if and when applicable;

3. GRT under Section 116 of the Tax Code, as amended;
4. Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
5. VAT under Section 108 of 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 COVENANTS

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 ("Net Debt-to-Equity Ratio"), will exceed 3:1.

Other than the above, there are no other financial covenants that AEV will maintain with respect to the Bonds. The Trust Agreement provides for other covenants of the Bonds.

For the schedule of the Issuer's relevant consolidated financial ratios as of June 30, 2022, December 31, 2021, December 31, 2020, and December 31, 2019 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 [●].

	30 June 2022	31 December 2021	31 December 2020	31 December 2019
Interest Coverage Ratio	3.2	3.3	2.7	3.1
Return on Common Equity	n.a.	15.2%	9.0%	13.0%
Current Ratio	2.0	2.3	1.6	1.3
Net Debt-to-Equity Ratio	0.7	0.6	1.2	1.2

## EVENTS OF DEFAULT

Upon the occurrence of any of the events enumerated below, the Issuer, pursuant to Section 5.1.d of the Trust Agreement, shall promptly notify the Bondholders through the Trustee in writing of the occurrence of such event.

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 such failure to pay is 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/Warranty Default.** Except for clerical or typographical errors, 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.
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 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, order, 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, agreement, or award and any extension thereof, shall have expired without being satisfied, discharged, or stayed within (i) ninety (90) calendar days after the date when payment is due under such judgment, decree, order, or award; or (ii) the relevant period provided by Applicable Law; and
8. **Writ and Similar Process Default.** Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within sixty (60) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

## CONSEQUENCES OF DEFAULT

### Declaration by the Trustee or the Bondholders

1. If any one or more of the Events of Default shall occur and be continuing, the Trustee, upon the written direction of the Bondholders holding at least two-thirds (2/3) of the outstanding amount of the Bonds, by notice in writing delivered to the Issuer, may declare the principal of the Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding.
2. The provision above, however, is subject to the condition that, except in the case of a Writ and Similar Process Default under paragraph 8 of the Events of 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 any Bond 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:
  - a. by notice in writing to the Issuer, the Registrar and Paying Agent, require the Registrar and Paying Agent to:



- i. 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 and Paying Agent is not obliged to release by any Applicable Law; and
- b. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the 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 under paragraph 1 of the Events of 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 Registry 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 and 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%) 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, which shall be delivered to the Paying Agent, subject to any other provision of the Trust Agreement and the Registry and Paying Agency 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, the 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, the Registrar and Paying Agent bad faith or with the requisite diligence.

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 Registrar and Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Registrar and 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 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; (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; (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 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.

#### **Prescription**

Claims in respect of principal and interest or other sums payable as a consequence of an Event of Default shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

### **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 containing the same information as required in Section 10.2,

paragraph 2, or a confirmation stating that the relevant Bondholder is included in the list of Bondholders in the Registry Book for purposes of calling a meeting of the Bondholders.

### **Notice of Meetings**

The Trustee may at any time call a meeting of the Bondholders, or 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 or mode as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place (or, if via electronic means, the mode) 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 or 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 the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, the notice of such meeting within fifteen (15) Banking Days after receipt of such request, then the Issuer or such Bondholders may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof, and the costs thereof shall be chargeable to the Trustee, except when such failure is beyond the control of the Trustee.

### **Quorum**

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

### **Procedure for Meetings**

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

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

In the event consent/s are requested from the Bondholders, the Bondholders' records with the Registrar as of the immediately preceding month-end prior to the date of the request shall be used by

the Trustee until the results of the exercise is completed. Transfers or changes to ownership during any exercise shall be disregarded by the Trustee. Notwithstanding the foregoing, if the Registrar determines the record date of Bondholders according to the Registry and Paying Agency Agreement 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 (1) vote for every Ten Thousand Pesos (₱10,000.00) in principal amount of the Bonds held. 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 Majority 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**

1. 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.

In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of the Trust Agreement.

2. The Trustee shall report regularly to the Bondholders any non-compliance by the Issuer with the Trust Agreement and, to the best of Trustee's knowledge, any development with respect to the Issuer based on official disclosures to the PDEX, PSE, SEC, or other regulatory agencies and that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have knowledge based on official disclosures to the PDEX, PSE, SEC, or other regulatory agencies; provided, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification and Registrar's confirmation.
3. 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 Section 11 of the Trust Agreement.

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

5. The Trustee shall, prior to the occurrence of an Event of Default or after the curing or waiver of any Event of Defaults 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 their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

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

As to the Bondholders, the Trustee may presume that no Event of Default has occurred and the Issuer has complied with all its representations, warranties and covenants until it has received notice or has actual knowledge thereof.

6. Upon written request by the Issuer no later than 11:30 a.m. on a Banking Day, the Trustee shall send notice of any matter to the Bondholders, other than those matters notice of which is specifically required to be given to the Bondholders by another party under the Trust Agreement. If required, a copy of such notice shall be sent to the Registrar.
7. The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.

#### **Amendment or 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 Maturity Date of the relevant Series A Bonds and/or Series B and/or Series C Bonds;
  - b. reduce the principal amount of the relevant Series A Bonds and/or Series B and/or Series C Bonds;
  - 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 thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the 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**

### **Waiver of Preference**

In the event that a primary obligation for payment shall arise out of the Trust Agreement, such as to constitute the Trust Agreement as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under the Trust Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that the Trust Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

### **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) one-time publication in a newspaper of general circulation in the Philippines; or (vi) personal delivery to the address of record in the Registry Book; or (vii) disclosure through the online disclosure system of the PDEX. The Trustee shall rely on the Registry Book provided by the Registrar, in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by a reputable surface mailing service; (iii) upon the next 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.

The Trust Agreement shall be binding upon and shall be enforceable against the Issuer, the Trustee and the Bondholders and their respective successors and assigns; provided, however, that the Issuer shall not have the right to transfer or assign any and all of its rights or obligations in the Trust Agreement without the prior written consent of the Bondholders representing at least two-thirds (2/3) of the aggregate outstanding principal amount of the Bonds.

#### **No PDIC Coverage**

The Bondholders understand and acknowledge that investments in the Bonds are 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 trust business shall be for the account of the Bondholder.

#### **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 Issuer, AEV, is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of June 30, 2022, among the 30 listed companies in the Philippine Stock Exchange Index, it is the fifth (5th) largest conglomerate based on assets, the fourth (4th) largest based on revenue and the fourth (4th) 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 IPO of its common shares in 1994.

Driven by the pursuit of advancing business and communities for the nation's development, AEV's core businesses, conducted through its various domestic and international Subsidiaries and Associates across 9 countries, are grouped into five main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; and (e) infrastructure.

As of June 30, 2022, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.21% are owned by directors, officers and related parties, while the remaining 47.20% are owned by the public.

The Company's common shares were listed on the PSE in 1994 and, as of June 30, 2022, AEV had a market capitalization of ₱267 Billion, with a common share price of ₱47.55 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. 01-2022, dated March 31, 2022, the power generation business of AboitizPower ("**Power Generation Business**") is the second largest in the Philippines in terms of installed capacity. Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales (based on the DOE's Distribution Development Plan 2016-2025) and the second largest market share (based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of May 2022) 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. 01-2022 dated March 31, 2022). AboitizPower is listed on the PSE and as of June 30, 2022, AboitizPower had a market capitalization of ₱217 Billion, with a common share price of ₱29.50 per share.

**Food.** AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico Foods Corporation ("**Pilmico**") and its subsidiaries, and its international feeds business through Pilmico International Pte. Ltd. ("**Pilmico International**") and its various subsidiaries and associates (the food SBU collectively referred to herein as the "**Food Group**"). The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition. In July 2018, Pilmico International acquired 75% equity interest in Gold Coin Management Holdings, Ltd. ("**GCMH**") and its subsidiaries (collectively, the "**Gold Coin Group**"), expanding AEV's animal feed business into eight (8) countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH. The Gold Coin Group is a leading brand in animal nutrition with over 2,900 employees and 21 production facilities, with an installed milling capacity of three Million MT per year. 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 and its subsidiaries, which include City Savings Bank, Inc. ("**CitySavings**"), a thrift bank, UBP Investments Corporation ("**UBPIC**"), a holding company, and UBX Philippines Corporation ("**UBX PH**"), an innovation and technology company. UnionBank is a universal banking corporation listed on the PSE. UnionBank is among the top universal banks in the country based on assets as of December 31, 2021, as reported in disclosures made by private universal banks to the PSE. UnionBank had a market capitalization of ₱161 Billion, with a common share price of ₱75.50 as of June 30, 2022.

**Real Estate.** AEV's development of residential communities is through AboitizLand, Inc. ("**AboitizLand**"). As of June 30, 2022, AboitizLand had thirteen (13) residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums.

**Infrastructure.** The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital, Inc. ("**Aboitiz InfraCapital**") and AEV CRH. As of June 30, 2022, Aboitiz InfraCapital's business portfolio includes: (i) administrative franchises to provide, among others, water and wastewater-related services to residential, commercial and industrial customers in Batangas, Cebu and Davao; (ii) digital infrastructure; (iii) regional airports; and (iv) economic estates projects. AEV CRH is AEV's partnership with CRH plc, a global leader in the manufacture and supply of building materials and products. AEV CRH acquired Republic Cement & Building Materials, Inc. ("**RCBM**") and together with its subsidiaries and affiliates, the "Republic Cement Group") in 2015. As of June 30, 2022, the Company believes that the Republic Cement Group is one of the country's leading local cement manufacturing and distribution companies with five integrated plants and one grinding facility in operation across Luzon, Visayas, and Mindanao.

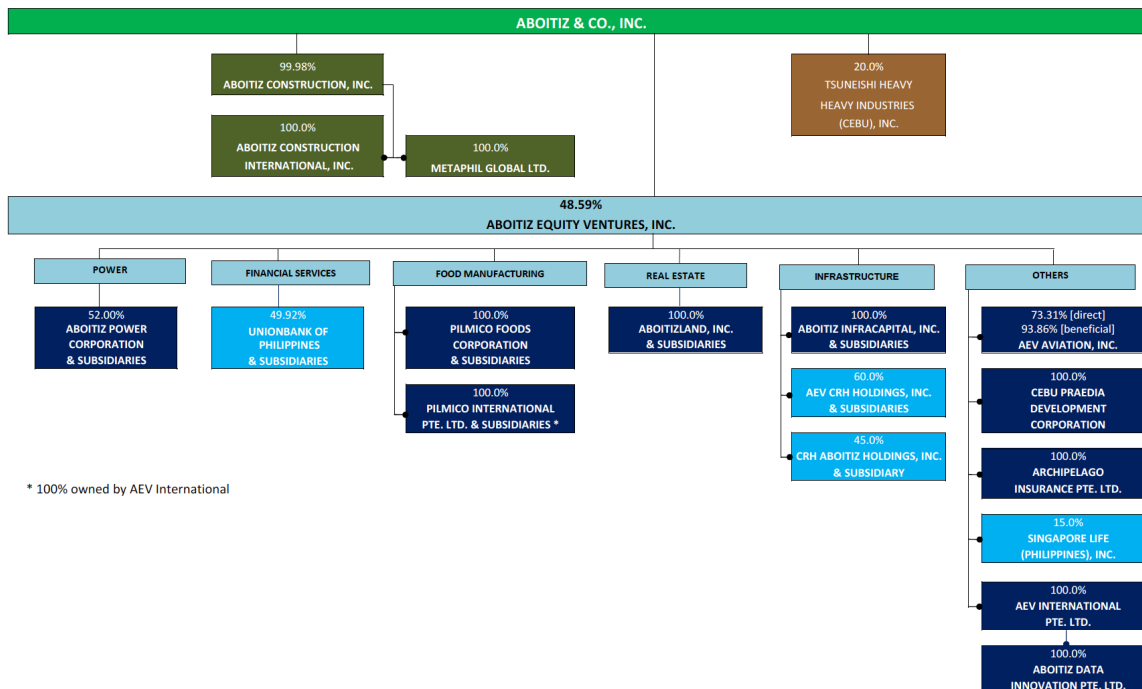
**Others.** AEV's other investments include holdings in: (a) aviation through AEV Aviation, Inc. ("**AEV Av**"), (b) insurance through Archipelago Insurance Pte. Ltd. ("**Archipelago Insurance**"), and (c) portfolio investments abroad through AEV International.

Below is the Aboitiz Group's corporate structure as of June 30, 2022:

**ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**  
**CONGLOMERATE MAPPING**  
 As of June 30, 2022

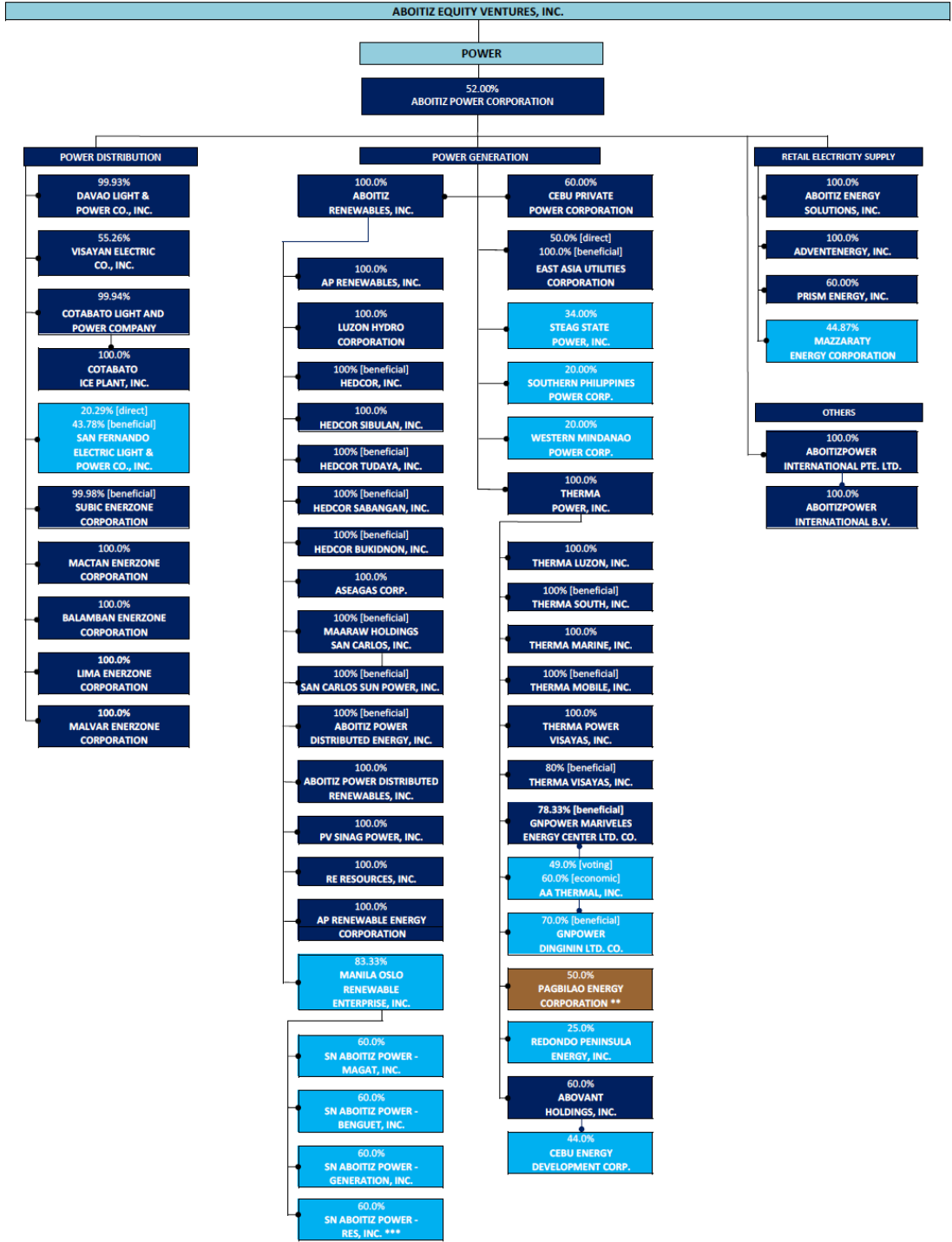
**Legend:**

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



**ABOITIZ EQUITY VENTURES, INC. - POWER**  
**CONGLOMERATE MAPPING**  
 As of June 30, 2022

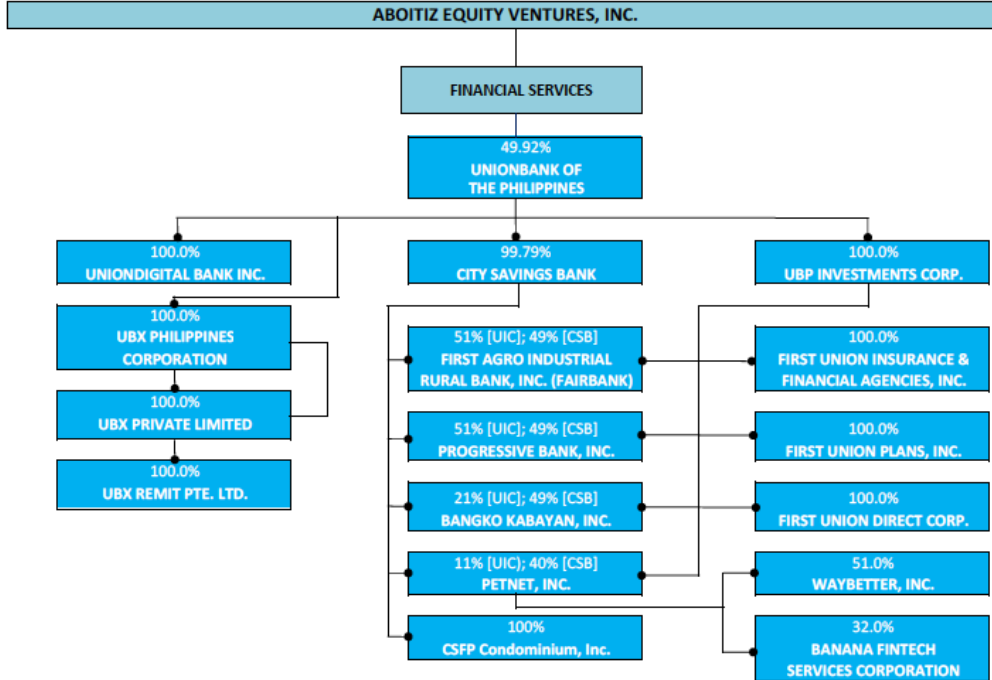
- Legend:**  
 Reporting Company  
 Subsidiary  
 Associate or Joint Venture  
 Other Related Parties



\*\* Joint Operations  
 \*\*\* Engages in retail electricity supply business

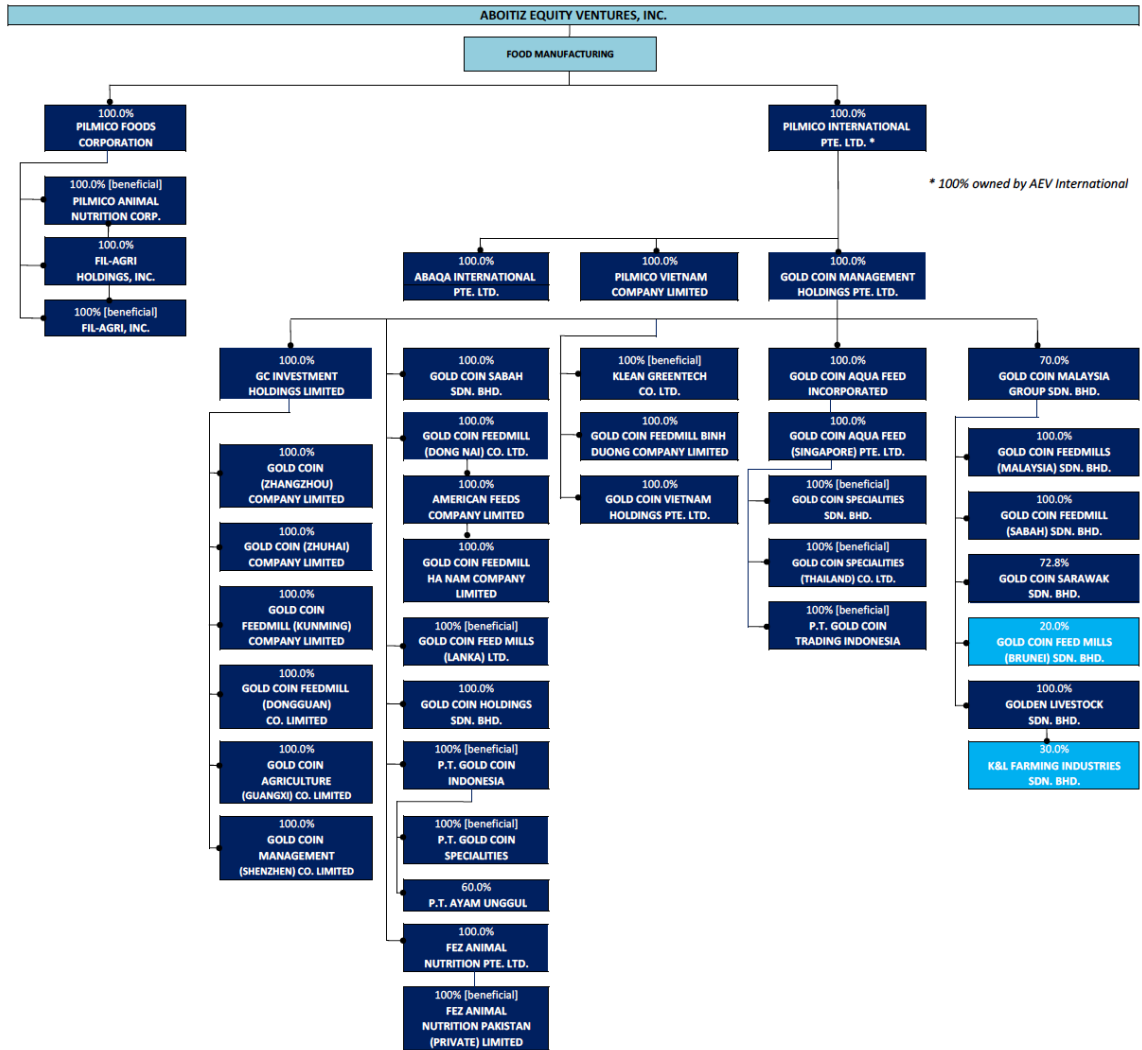
**ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES**  
**CONGLOMERATE MAPPING**  
 As of June 30, 2022

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



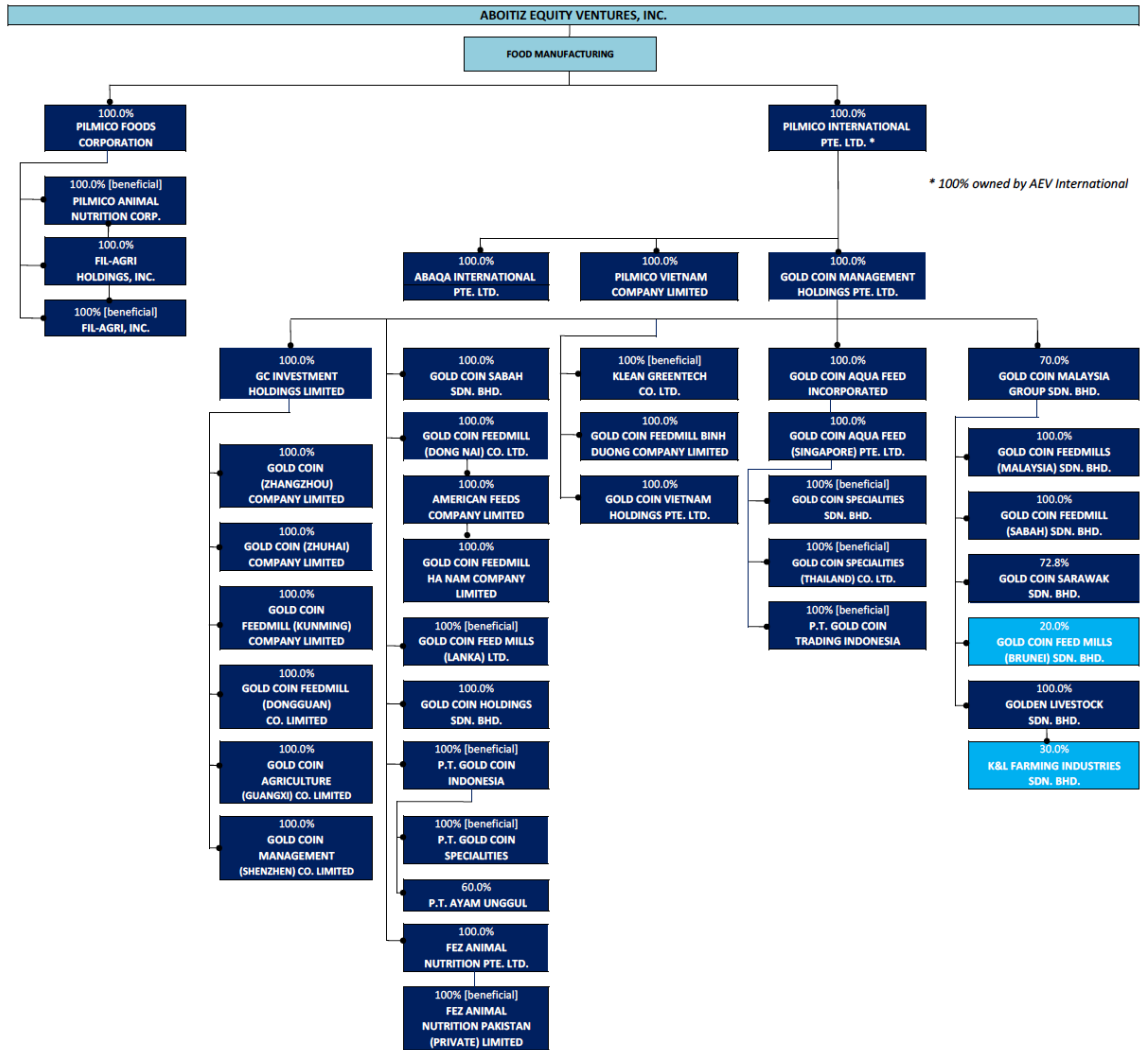
**ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING**  
**CONGLOMERATE MAPPING**  
 As of June 30, 2022

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



**ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING**  
**CONGLOMERATE MAPPING**  
 As of June 30, 2022

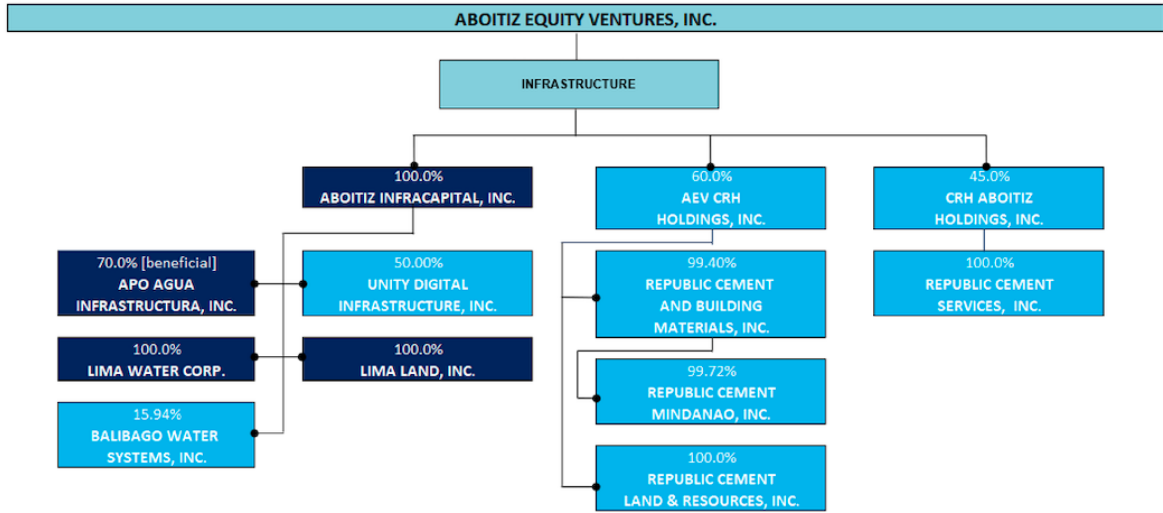
**Legend:**  
 Reporting Company  
 Subsidiary  
 Associate or Joint Venture





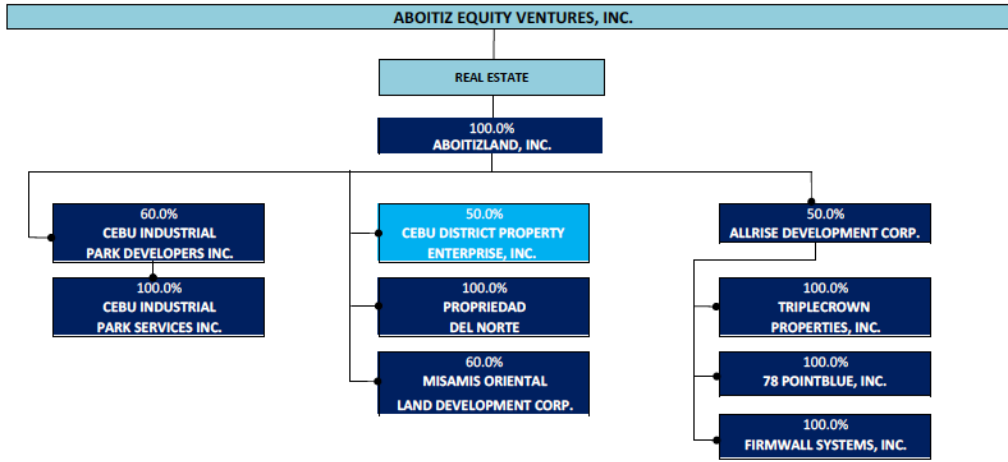
**ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE**  
**CONGLOMERATE MAPPING**  
 As of June 30, 2022

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



**ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE**  
**CONGLOMERATE MAPPING**  
 As of June 30, 2022

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



## **BUSINESS DEVELOPMENT**

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

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

As of June 30, 2022, Aboitiz & Company, Inc. ("**ACO**") owns 48.59% of the outstanding capital stock of AEV, 4.21% are owned by directors, officers, and related parties, while the remaining 47.20% are owned by the public.

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

### **Power Generation, Distribution, and Retail Electricity Supply**

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

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

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro-Electric Development Corporation ("**HEDC**"). HEDC carried out feasibility studies (including hydrological and geological studies), hydroelectric power installation and maintenance, and also developed hydroelectric projects in and around Davao City. On June 26, 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now Cleanergy, Inc., "**Cleanergy**"), which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating fourteen (14) plants with a combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a build-operate-transfer ("**BOT**") agreement with NPC to develop and operate the 70 MW Bakun AC hydroelectric plant (the "**Bakun Plant**") in Ilocos Sur.

AEV's Power Business Unit, AboitizPower was incorporated on February 13, 1998 in Cebu City as a private holding company for the Aboitiz Group's investments in power generation and distribution.

Ownership in AboitizPower was opened to the public through an initial public offering of its common shares and its common shares were officially listed in the PSE on July 16, 2007.

Since its incorporation, AboitizPower has become a publicly-listed holding company that, through its Subsidiaries and Affiliates, is now a leader in the Philippine power industry and has interests in a number of privately-owned Generation Companies, retail electricity supply services, and distribution utilities, throughout the Philippines, from Benguet in the north to Davao in the south. AboitizPower has accumulated interests in a portfolio of power generating plants, using renewable and non-renewable sources. Based on ERC Resolution No. 012-2022, dated March 31, 2022, its Generation Companies have an installed capacity which is equivalent to a 18% market share of the national grid's installed generating capacity). AboitizPower also owns interests in nine (9) distribution utilities in Luzon, Visayas, and Mindanao, including the second and third largest distribution utilities in the Philippines, Visayan Electric Company, Inc. (VECO) and Davao Light & Power Company, Inc. (Davao Light). Combined, AboitizPower's Subsidiaries engaged in the supply of retail electricity have a total market share of 20 as of May 31, 2022, making the Company the second (2<sup>nd</sup>) largest player in the retail electricity space. AboitizPower is listed on the PSE and as of July 29, 2022, AboitizPower had a market capitalization of ₱240 Billion, with a common share price of ₱32.65 per share.

On September 27, 2021, the Board of Directors of AEV passed a resolution approving the sale of common shares in AboitizPower, representing approximately 25.01% of the total outstanding common shares of AboitizPower to JERA Asia Pte. Ltd.

AboitizPower's renewable investments are held primarily through its wholly-owned subsidiary, Aboitiz Renewables, Inc. and its subsidiaries and joint ventures (collectively, "**Aboitiz Renewables**"). AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Today, through Aboitiz Renewables, AboitizPower is the largest renewable energy group in terms of installed capacity under its market control (based on ERC Resolution No. 01-2022, dated March 31, 2022).

AboitizPower also owns interests in nine distribution utilities in Luzon, Visayas, and Mindanao, including Visayan Electric Company, Inc. ("**Visayan Electric**") and Davao Light Company, Inc. ("**Davao Light**"), the second (2<sup>nd</sup>) and third (3<sup>rd</sup>) largest distribution utilities in the Philippines, respectively. AboitizPower's subsidiaries engaged in the distribution of electricity sold a total of 2,778 GWh for the six (6) months ended June 30, 2022.

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

### **Financial Services**

AEV's financial services group is composed of Union Bank of the Philippines ("**UnionBank**") and its Subsidiaries, including thrift bank CitySavings, Inc. ("**CitySavings**"), UBPIC, a holding company, and UBX PH, an innovation and technology company. UnionBank is a publicly-listed universal bank whose principal shareholders are AEV, the Social Security System ("**SSS**"), and The Insular Life Assurance

Company, Ltd. (“**Insular Life**”). It distinguishes itself through technology and innovation, unique branch sales and service culture, and centralized backroom operations.

UnionBank, originally known as Union Savings and Mortgage Bank, was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. UnionBank’s common shares were listed on the PSE in June 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. As of December 31, 2021, UnionBank’s principal shareholders were AEV, the Social Security System of the Philippines (a government owned and controlled corporation that provides social security to workers in the private sector), and Insular Life Assurance Company, Ltd. (one of the leading and largest Filipino-owned life insurance companies in the Philippines).

UnionBank was among the first Philippine banks to embrace technological innovations to empower its customers. It embraces the future of banking and is committed to becoming the Philippines’ leading digitally-transformed bank to best serve the growing needs of Filipinos everywhere. It distinguishes itself through technology and innovation, unique branch sales and service culture, and centralized backroom operations. UnionBank leverages technology and its agile culture to meet the customers’ changing and diverse needs and continuously enhance customer experience. Its unique branch sales and service culture ensure efficient and quality service as well as mitigates operational risk. UnionBank’s distinct centralized backroom operations enable it to provide responsive, scalable, and secure transaction processing.

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

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

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

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

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

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

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

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

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

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

On December 29, 2017, CitySavings announced that it has signed a Share Purchase Agreement ("**SPA**") with the ROPALI Group to acquire 100% of the common shares of Philippine Resources Savings Bank Corporation ("**PR Savings**"), an Isabela-based bank engaged in extending motorcycle, agri-machinery, and teachers' salary loans. Subsequently on February 26, 2018, CitySavings agreed to acquire 100% of the preferred shares in PR Savings from the International Finance Corporation. The transaction was approved by the Philippine Competition Commission ("**PCC**") on April 5, 2018, and the BSP on June 19, 2018. On December 27, 2018, the bank also received BSP's approval for the merger between CitySavings and PR Savings, with CitySavings as the surviving entity. The merger was approved by the SEC on February 28, 2019.

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

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

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

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

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

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

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

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

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

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

In December 2021, the Bank entered into a Share and Business Transfer Agreement with the subsidiaries of Citigroup Inc. ("**Citi**") to acquire Citi's consumer banking in the Philippines. The transaction includes Citi's credit card, personal loans, wealth management, and retail deposit businesses. The acquisition also includes Citi's real estate interests in relation to Citibank Square in Eastwood City located in Bagumbayan, Quezon City, three full-service bank branches, and five wealth centers. The Bank believes that this acquisition will accelerate UnionBank's objective of becoming a "Great Retail Bank" given Citi's market leadership in the credit cards, personal loans, and wealth



management business segments. Having secured the necessary regulatory approvals, the transaction was closed in the second half of 2022.

As of December 31, 2021, UnionBank and its Subsidiaries had 385 branches across the Philippines and a network of 497 automated teller machines (“ATMs”).

### **Food Manufacturing**

The Food Group began with Pilmico, which was incorporated in August 1958 as a joint venture between the Aboitiz Group, the Pillsbury Group of the U.S. and two other Philippine business groups. The Pillsbury Group and the Philippine business groups eventually sold all their shareholdings to AEV. Since then, the Food Group has grown to become AEV’s integrated agribusiness and food SBU, engaged in the business of flour, hog and layer farms, animal feeds, and by-products in the Philippine and in the Asia-Pacific region. In particular, Pilmico is ranked among the top three domestic flour producers based on internal market data as of September 30, 2020. The Food Group established representative offices in Jakarta, Indonesia in 2004 and Ho Chi Minh City, Vietnam in 2015, to expand its flour export business. Through these representative offices, the Food Group distributes flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia and plans to continue to strengthen its presence in the ASEAN region. AEV through its food manufacturing Business Units, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and Pilmico International Pte. Ltd. (Pilmico International), is engaged in the business of flour, hog and layer farms, animal feeds, and by-products. Since 1962, AEV has operated Pilmico, which, in turn, operates the Food Group’s Philippine-based flour and feeds businesses and is the holding company of Pilmico Animal Nutrition Corporation (“PANC”). PANC, on the other hand, operates the feeds and farms business in Luzon. The Food Group’s international operations are held through Pilmico International, which is a wholly-owned subsidiary of AEV International. In July 2018, Pilmico International completed the acquisition of a 75% equity interest in GCMH and its subsidiaries (collectively the “Gold Coin Group”), for a final consideration of US\$333.8 Million. This expanded AEV’s animal feed business into 9 countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH for a consideration of US\$120 Million. The Gold Coin Group is a leading brand in animal nutrition with over 3,000 employees and more than 21 production facilities, with an installed milling capacity of three (3) Million MT per year as of December 31, 2021. Following the Gold Coin Group acquisition, AEV believes that the Food Group is the fourth largest feeds player based in Southeast Asia.

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

In January 2022, the Food Group internally reorganized its businesses into two key business segments, namely; (i) Agribusiness and (ii) Food and Nutrition business. Agribusiness segment consists of its regional (i.e. local and international) animal nutrition businesses (feed, petfood, and specialty nutrition divisions). Meanwhile, the Food and Nutrition business segment consists of businesses that cater to the consumer segment of the value chain (flour, farms, meats, and trading divisions) in the Philippines. It also includes retail and other business-to-customer (B2C)-oriented businesses. This reorganization will allow the Food Group to better deliver its identified strategic pillars (i.e. balance, optimize and develop) through improvement in internal collaboration, increasing the speed and efficiency in execution, and capitalizing on the synergize that exists in the business as they present themselves.

In order to achieve the Food Group’s Vision “to become an integrated regional business and food company”, the Food Group will: (i) maintain a balanced portfolio by diversifying revenues and EBITDA



across geographies, businesses, and products to increase its resilience; (ii) focus on operational excellence, cost control, and leverage on technology; and (iii) pursue building new growth platforms by investing in fast-growing and higher-margin segments of the industry. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the coming years.

### **Feeds and Flour**

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

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

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

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

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

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

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

### **Hog and Layer Farms**

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

PANC. To date, Pilmico, together with another wholly-owned subsidiary, Filagri Holdings, Inc. (“**Filagri**”), owns 100% equity interest of PANC.

In January 1999, PANC began commercial operations of its feed mill plant located in Capas, Tarlac to cater to the growing demand of feeds in Luzon. Since commencing its swine operations with 4,750 sow level in the second half of 1999, PANC has grown to 8,000 sow level as of September 30, 2020, which translates to a monthly sales volume of 13,000 heads of market hogs. PANC plans to increase its sow level to 20,000 by 2023 which is expected to translate to a monthly sales volume of 32,000 heads of market hogs.

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

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

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

### **International Animal Nutrition**

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

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

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

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

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

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

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

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

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

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

### Real Estate

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

AboitizLand currently has thirteen (13) residential projects selling three (3) particular product types: lot only, house and lot, and condominiums.

In the first (1st) half of 2017, AboitizLand launched Seafront Residences, a forty-three (43)-hectare beachside community located in San Juan, Batangas, and Foessa Mountain Town, a two hundred fifty (250)-hectare mountain town community located in Balamban, Cebu.

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

Midway through 2019, AboitizLand was able to launch two (2) new residential projects – Ajoya Pampanga in Mexico, Pampanga and The Villages at Lipa in Lipa, Batangas. The former development looks to continue the growth of the “Ajoya” brand in Central Luzon. While the latter project aims to further build on the thriving industrial township in Lima by complementing and integrating with the current industrial and commercial developments.

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

### Infrastructure

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

On March 17, 2015, Apo Agua, a joint venture company with JVACC, entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District (“**DCWD**”). The proposed joint venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points. The Engineering, Procurement, and Construction (“**EPC**”) contract with JVACC was executed on February 6, 2018, and is expected to be completed within 2022.

On September 15, 2015, the Company and CRH plc through their investment vehicles, through AEV CRH, CRH Aboitiz Holdings, Inc. (“**CRH Aboitiz**”), closed the acquisition of the Lafarge S.A.'s Philippine assets, which included four Luzon-based cement manufacturing plants located in Bulacan, Norzagaray,

Teresa, and Batangas; an integrated plant in Iligan, Mindanao; a cement grinding mill in Danao City, Cebu; and associated limestone quarries. CRH plc is a global leader in the manufacture and supply of a diverse range of building materials and products for the modern built environment.

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

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

Aboitiz InfraCapital was granted original proponent status for its unsolicited proposals for the operations, maintenance, and expansion of the new Bohol-Panglao International Airport (“**BPIA**”) on September 3, 2018 and the Laguindingan Airport on February 26, 2019, by the Department of Transportation (“**DOTr**”) and the Civil Aviation Authority of the Philippines (“**CAAP**”), respectively. On November 29, 2019, Aboitiz InfraCapital obtained the approval of the NEDA Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee (“**ICC-CabCom**”) approved the proposal for Laguindingan Airport on December 20, 2019.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology (DICT) allowing the former to build, operate, and maintain a network of cellular towers throughout the Philippines that it can lease to the telecommunication companies. In line with the DICT’s Department Circular No. 8, Aboitiz InfraCapital received a provisional registration as an Independent Tower Company from the DICT on September 10, 2020.

On September 1, 2020, the management of the Aboitiz Integrated Economic Centers – consisting of LIMA Technology Center in Batangas, and the Mactan Economic Zone II and West Cebu Industrial Park in Cebu – was transferred to Aboitiz InfraCapital. The estates consist of over 1,000 hectares of industrial-anchored mixed used estates that are home to almost 200 locators and nearly 100,000 employees. The Aboitiz Integrated Economic Centers have since rebranded to Aboitiz InfraCapital Economic Estates, and individually as LIMA Estate, MEZ2 Estate, and West Cebu Estate.

On October 7, 2020, introduced its small cell sites business to help boost the country’s connectivity and network quality. To date, it has deployed more than 400 small cell sites with different mobile network operators (“**MNOs**”) across Cebu, Davao, and Subic.

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

On September 7, 2021, Aboitiz InfraCapital was granted original proponent status for its unsolicited proposal to operate and maintain Bicol International Airport. The airport was inaugurated on October 7, 2021 and has an estimated capacity of 2 Million passengers per annum.

## COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

### COMPETITIVE STRENGTHS

AEV believes that its principal strengths are the following:

#### 1. Strong track record in each of its business segments

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

#### Power

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

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

#### Food

The Company's food business started with a flour milling business in 1958 with Central Philippine Milling Corporation. Since 1962, the Company has operated Pilmico, which, in turn, operates the Food Group's Philippine-based flour and feeds businesses and is the holding company of PANC. PANC, on the other hand, operates the feeds and farms business in Luzon. The Food Group's international



operations are held through Pilmico International, which is a wholly-owned subsidiary of AEV International.

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

In July 2018, Pilmico International, a wholly-owned subsidiary of AEV International, acquired a 75% equity interest in GCMH, for a final consideration of US\$333.8 Million. This expanded AEV's animal feed business into 9 countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH for a consideration of US\$120 Million.

### **Financial Services**

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

### **Real Estate**

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

### **Infrastructure**

The Company marked its entrance and interest in infrastructure related businesses in 2015 through the Republic Cement Group. Through the Company's partnership with CRH plc, the Republic Cement Group has developed into one of the largest local cement manufacturing and distribution companies in the Philippines. The Republic Cement Group has five integrated plants and one grinding facility in operation across Luzon, Visayas, and Mindanao.

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

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

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

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

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

## **3. Strong and experienced management team**

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

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

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



Supporting Mr. Sabin M. Aboitiz is Mr. Manuel R. Lozano, who has been the Senior Vice President/Chief Financial Officer/Corporate Information Officer of AEV since May 2015. Before joining the Company as the Chief Financial Officer of AboitizPower in 2008, Mr. Lozano was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company. In addition, each SBU is led by the following, who each have over 20 years of experience in their respective industries: Mr. Emmanuel V. Rubio, President and CEO of AboitizPower; Ms. Liza Luv T. Montelibano, Senior Vice President/Chief Financial Officer/Corporate Information Officer of AboitizPower; Mr. Tristan Roberto C. Aboitiz, President and CEO of the Food Group; Mr. Edwin Bautista, CEO of UnionBank; Mr. David Rafael, CEO of AboitizLand; and Ms. Cosette Canilao, President and CEO of Aboitiz InfraCapital.

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

The Company has received a number of awards for its strength in governance and management, including awards for “Most Committed to Corporate Governance” (ranked ninth (9<sup>th</sup>)) and “Best CFO” (Manuel R. Lozano, ranked third (3<sup>rd</sup>)) by FinanceAsia Asia’s Best Companies 2018, “Top-performing Publicly Listed Company in the Philippines” by Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2017, and “Top 50 ASEAN PLCs” at the Second ASEAN Corporate Governance Awards.

#### **4. Strategic partners and key alliances**

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

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

In relation to its infrastructure segment, AEV has partnered with the CRH Group of Ireland to propel its cement business, and formed key alliances with the JV Angeles Construction Company and Balibago Waterworks System, Inc. (“**Balibago Water**”) for various water projects, and Partners Group (through its portfolio company Terra Digital Philippines Corporation) to build and operate passive telecommunication towers and supporting infrastructure across the country.

#### **5. Established corporate reputation**

The Company believes that the corporate reputation of the Aboitiz Group is one of its most valuable assets. The Company’s deep commitment to corporate governance and upholding its reputation can be traced back to 1920 when ACO was formally incorporated. Mr. Ramon Aboitiz (who was commonly

referred to as Don Ramon Aboitiz), who was leading ACO at the time, once wrote “the biggest fortune I have is my word and reputation,” which he upheld even during periods of difficulty.

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

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

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

## **BUSINESS STRATEGIES**

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

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

### **Business Growth**

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

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

## Power

The Philippines' GDP is projected to grow in 2022 by 6.5% and to continue its growth trajectory in 2023 according to the Asian Development Outlook (“ADO”) 2022 Supplement. To sustain this growth, the Philippines will require a sufficient amount of competitively priced power to meet the country's increasing energy needs. The Company believes AboitizPower is strategically constructed to meet this increasing demand; AboitizPower seeks to provide the country with reliable power at a reasonable cost and in a responsible manner. Further, AboitizPower has a strong pipeline which features a generation portfolio of multi-fuel technologies. AboitizPower has been increasing its generation portfolio since 2007 and expects to continue to develop a strong and sustainable pipeline for the future while also protecting and optimizing the Company's current business to drive cost-efficient growth. AboitizPower is committed to growing its attributable capacity which it expects will be sourced from a portfolio of renewables and selective baseload builds. It is expected that the Company's portfolio ratio will be close to a 50:50 Cleanergy (renewable energy including natural gas) and thermal capacity mix by the end of the current decade.

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

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

In February 2022, AboitizPower through its subsidiary PV Sinag, broke ground for its 94MW solar project in Cayanga, Bugallon, Pangasinan. The Cayanga solar project is AboitizPower's second solar venture after its solar facility in San Carlos City, Negros Occidental.

On May 2022, PV Sinag entered into EPCs for its 159-MWp Laoag and Laoag 2 solar power project in Barangay Laoag, Aguilar, Pangasinan. The EPC contracts were awarded to SUMEC Complete Equipment and Engineering Co., Ltd. and Hansei Corporation.

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

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

that a strong distribution business of sufficient scale will continue to provide a springboard for AboitizPower's strategies in electricity generation and electricity-related services.

## **Food**

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

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

## **Financial Services**

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

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

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

## **Real Estate**

AboitizLand's strategy has been looking to expand outside of Cebu and Metro Manila, and to step up mid-market residential launches. AboitizLand is looking to capitalize on the growing provincial house and lot mid-market, to develop commercial spaces that complement existing residential and industrial communities, and to grow its well-performing industrial business. Moreover, AboitizLand expects to

start building recurring income sources focusing on opportunities around current developments, such as microstudio rental apartments strategically located within walking distance of central business districts in Metro Manila developed through its partnership with Point Blue, Inc., a 50/50 joint venture targeting 2,000 units by 2022. Point Blue, Inc. is a company focused on building medium-rise micro studio buildings in key cities within Metro Manila. Furthermore, AboitizLand expects to actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the Lima Technology Center.

## **Infrastructure**

Aboitiz InfraCapital aims to thrive in the Philippine infrastructure space and contribute to its economic recovery amid the COVID-19 pandemic.

Aboitiz InfraCapital is optimistic in achieving plans of larger scale operations by year-end with each sector on track to hit their targets – (i) Apo Agua is expected to start operations; (ii) Unity continues to accelerate its tower rollout; while (iii) Economic Estates continues its expansion.

The Economic Estates business has further strengthened its leadership in Industrial-anchored estates by continuing to expand its footprints in both Batangas and Cebu. It seeks to more than double the footprint of its developments, as well as introduce sustainability and smart city features.

Aboitiz InfraCapital's bulk water project, Apo Agua, has commenced construction of the Apo Agua Project bulk water facility, which is expected to be completed in 2022. Together with LWC and Balibago Water, Aboitiz InfraCapital is now present in all aspects of the water value chain, which includes water supply, distribution and wastewater treatment. Using this water portfolio as a platform, Aboitiz InfraCapital expects to continue to explore unserved or underserved areas within the infrastructure sector for opportunities to enter the water space across the country.

A year since the launch of Unity, a joint venture telecommunications infrastructure platform between Aboitiz InfraCapital and Partners Group, progress is underway in building greenfield macro towers, enabling tower co-locations and providing complementary offerings via deployment of small cell sites.

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 and Bicol International Airports and Laguindingan Airport. Aboitiz InfraCapital believes that these projects are vital to reviving the economy and are aligned with its objective to support regional growth centers outside of the National Capital Region. Aboitiz InfraCapital continues to discuss the best and most prudent way to move forward with the projects with the government.

Already a strong player in the cement sector, the Republic Cement Group remains committed to building capacity for the country's long-term cement requirements, and expects to upgrade facilities in order to ensure best-in-class efficiency standards.

## **Stakeholder Engagement**

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

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

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

### **Human Capital**

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

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

### **Execution Excellence**

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

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

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

### **Sustainability and ESG**

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

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

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

## **COVID-19 IMPACT**

Since the declaration of a State of Public Health Emergency and the implementation of various community quarantine measures on business operations, public transportation, social distancing, international travel bans, and health protocols, the Aboitiz Group has continued implementing work-from-home arrangements, two-week work shifts, and remote plant operations to ensure the health and safety of the Company's employees while continuing to seamlessly serve its customers and other stakeholders.

The Company believes that a majority of its industries are resilient and not as vulnerable as other sectors. It prepared contingency plans and made sufficient adjustments to manage major disruptions. AEV has prepared scenario plans for its businesses and is working to provide accessible health services to all its facilities nationwide.

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

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

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

On People, which is the Aboitiz Group's greatest concern, it has established a system in monitoring the COVID-19 cases across the Aboitiz Group. It has developed a "Re-Entry Assessment and

Management Program” with its healthcare provider in case there is an urgent need to go to the workplace and regularly monitors them for potential exposure history or infection that may put their colleagues at risk. As of July 31, 2022, 96% of the Aboitiz Group’s organic team members had been fully vaccinated with 16% having received a supplementary booster shot. AEV’s organic team members are 100% fully vaccinated with 50% having received their supplementary dose as of July 31, 2022.

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

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

All of the Aboitiz Group’s businesses are operating and business continuity plans are successfully implemented to ensure adequate and reliable supply of its services and products.

Any community quarantine restrictions imposed by the Government will affect demand and economic activity. Despite this, the Aboitiz Group’s businesses are expected to continue their recovery and enhance operational resilience.

The Power group continues to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities. To address the challenges posed by the pandemic, the Power Group developed a program that combines the best of work-from-home, two-week work shifts, 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 Dinginin Project is in the final stages of construction, with Unit 1 achieving first synchronization on February 5, 2021. Its Unit 1 received its Certificate of Compliance from the Energy Regulatory Commission on January 18, 2022 and began running and serving its PSAs from its own generation on January 25, 2022. Meanwhile, its Unit 2 is in the final stages of its construction and commissioning, with it first synchronizing to the grid last April 23, 2022 and expecting to complete the remainder of its testing and commissioning program by October 2022. Meanwhile, Unit 2 is expected to complete the remainder of its testing and commissioning program required for ERC Certificate of Compliance (CoC) issuance in August 2022, while the performance of other tests and works by the EPC contractor are done in parallel.

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.



Registered digital users of the Bank were at 4.1 Million as of December 31, 2021. Of this 1.3 Million customers were digital accounts opened through UnionBank's Online App.

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. Provisions for loan losses were at ₱4.1 Billion as of December 31, 2021, lower by 45% year-on-year as non-performing loans started to stabilize.

In recognition of UnionBank's efforts, it was recognized in both 2020 and 2021 as one of the most helpful banks in the Asia-Pacific region during the COVID-19 crisis.

In a move that is expected to further enable UnionBank to cater to those who are unbanked and underserved by traditional banks, especially during this period of reduced mobility, the BSP approved UnionBank's digital bank application on July 15, 2021. This development is essential in UnionBank's overall digital strategy as it fast tracks the onboarding of customers into its digital channels. The Bank leverages state-of-the-art back-end infrastructure to onboard customer communities while promoting inclusive prosperity as UnionBank enables more Filipinos to bank digitally especially amidst the pandemic.

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

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

The immediate impact of COVID-19 and quarantine restrictions on the performance of the Real Estate Group was the slowdown and restrictions in operations on the construction of its residential projects.

To cope with the above impact, the Real Estate Group adapted innovative selling techniques such as contactless home buying services and launched a series of webcasts that touch on relevant topics in the context of the new normal – from investments to architectural design in order to improve its reach during the community quarantine. This digital strategy, combined with enhanced construction activity, resulted in increased revenues for the residential business.

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

To address the slowdown in construction activities, Apo Agua decided to take over the site from its contractor, JVACC.

The impact on the commercial business, consisting of retail centers and office buildings complementing the group's industrial and residential developments, was the physical closure or limited operating capacity of stores and office spaces during the quarantine period. The industrial business, which caters to export-oriented locators within the group's industrial parks, suffered the least adverse effects.

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

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

## **DESCRIPTION OF THE ISSUER**

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

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

As of June 30, 2022, Aboitiz & Company, Inc. (ACO) owns 48.59% of the outstanding capital stock of AEV, 4.21% are owned by directors, officers, and related parties, while the remaining 47.20% are owned by the public.

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

### **a) Principal Products and Services**

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

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

### **b) Sales**

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

(in ₱ millions)	1H 2022 (Unaudited)	1H 2021 (Unaudited)	2021 (Audited)	2020 (Audited)	2019 (Audited)
Revenue	₱135,852	₱102,334	₱223,929	₱186,726	₱201,157
Operating Profit	₱18,635	₱14,961	₱33,101	₱31,474	₱32,655

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	2021		2020		2019	
	(in ₱ Millions)	%	(in ₱ Millions)	%	(in ₱ Millions)	%
Philippines	₱171,805	71%	₱142,541	72%	₱158,786	77%
Rest of Asia	71,797	29%	56,660	28%	47,157	23%
<b>Total</b>	<b>₱243,602</b>	<b>100%</b>	<b>₱199,201</b>	<b>100%</b>	<b>₱205,943</b>	<b>100%</b>

Contribution to Net Income Attributable to Parent	2021		2020		2019	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Philippines	₱27,306	100%	₱15,125	98%	₱21,999	97%
Rest of Asia	₱4	0%	₱309	2%	₱234	3%
<b>Total</b>	<b>₱27,310</b>	<b>100%</b>	<b>₱15,434</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

	1H 2022 (Unaudited)		1H 2021 (Unaudited)		2021 (Audited)		2020 (Audited)		2019 (Audited)	
	(in ₱ Millions)	%	(in ₱ Millions)	%	(in ₱ Millions)	%	(in ₱ Millions)	%	(in ₱ Millions)	%
Power	82,723	59	60,351	58	134,359	59	110,377	59	125,635	62
Food	53,361	38	40,804	39	87,200	38	72,597	38	71,155	35
Financial Services	-	0	-	0	-	0	-	0	-	0
Real Estate	4,029	3	1,760	2	5,327	2	3,618	2	4,196	2
Infrastructure	68	0	67	0	126	0	96	0	96	0
Others	794	0	565	1	2,004	1	1,450	1	1,550	1
<b>Subtotal</b>	<b>140,975</b>	<b>100</b>	<b>103,547</b>	<b>100</b>	<b>229,016</b>	<b>100</b>	<b>188,138</b>	<b>100</b>	<b>202,632</b>	<b>100</b>
Eliminations	(5,123)		(1,213)		(5,086)		(1,412)		(1,475)	
<b>Total</b>	<b>135,852</b>	<b>100</b>	<b>102,334</b>	<b>100</b>	<b>223,930</b>	<b>100</b>	<b>186,726</b>	<b>100</b>	<b>201,157</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) Distribution Methods of the Product or Services

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

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

### d) New Products/Services

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

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

#### **e) Competition**

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

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

#### **f) Sources of Raw Materials**

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

#### **g) Major Customers**

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

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

#### **h) Transactions with and/or Dependence on Related Parties**

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

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

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

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

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

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

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

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

No other transaction, without proper disclosure, was undertaken by AEV in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

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

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

For detailed discussion on RPTs, please refer to the notes of the Company's consolidated annual financial statements.

#### i) Patents, Copyrights, and Franchises

AEV and its Subsidiaries own, or have pending applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications which AEV and its Subsidiaries have filed with the Philippine Intellectual Property Office (IP Office) and intellectual property offices abroad.

#### Philippine IPO

Trademarks	Owner	Registration No. / Date Issued	Description	Status
Driven to Lead. Driven to Excel. Driven to Serve. word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2012-001132 June 21, 2012	Application for the word mark "Driven to Lead. Driven to Excel. Driven to Serve."	Registered.
Aboitiz word mark (Class Nos. 30, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2018-018635 March 17, 2019	Application for the word mark "Aboitiz".	Registered.
Aboitiz word mark (Additional activities under Class Nos. 36, 37)	Aboitiz Equity Ventures Inc.	04-2019-000086	Application for the word mark "Aboitiz" to cover additional services under Class Nos. 36 and 37.	Registered.
Advancing Business and Communities Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021743	Application for the device mark "Advancing Business and Communities", with color claim.	Registered.
Aboitiz Equity Ventures word mark (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021492	Application for the word mark "Aboitiz Ventures".	Registered.
Aboitiz Equity Ventures Logo	Aboitiz Equity Ventures Inc.	04-2018-021742 October 6, 2019	Application for the device mark "Aboitiz Equity	Registered.

(Class Nos. 35 and 36)			Ventures”, with color claim.	
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.
Cotabato Light & Device (Class No. 39)	Cotabato Light	4-2019-502915 October 20, 2019	Application for the device mark “Cotabato Light”	Registered.
Davao Light & Device (Class No. 39)	Davao Light	4-2019-502917 October 20, 2019	Application for the device mark “Davao Light”	Registered.
Visayan Electric & Device (Class No. 39)	Visayan Electric	4-2019-015288 December 29, 2019	Application for the device mark “Visayan Electric”	Registered.
Subic Enerzone & Device (Class No. 39)	Subic Enerzone	4-2019-502914 October 20, 2019	Application for the device mark “Subic Enerzone”	Registered.
Balamban Enerzone & Device (Class No. 39)	Balamban Enerzone	4-2019-502910 February 10, 2020	Application for the device mark “Balamban Enerzone”	Registered.
Mactan Enerzone & Device (Class No. 39)	Mactan Enerzone	4-2019-502911 February 20, 2020	Application for the device mark “Mactan Enerzone”	Registered.
Lima Enerzone & Device (Class No. 39)	Lima Enerzone	4-2019-502912 February 20, 2020	Application for the device mark “Lima Enerzone”	Registered.
Malvar Enerzone & Device (Class No. 39)	Malvar Enerzone	4-2019-502913 February 20, 2020	Application for the device mark “Malvar Enerzone”	Registered.

*International Trademarks Application (Madrid Protocol)*

Trademarks	Owner	Country of Application	Status
Aboitiz (Word Mark) (#1504418) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	WIPO	Registered.
Aboitiz (Word Mark) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	Laos	Registered.
Aboitiz (Word Mark) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	Singapore	Registered.
Aboitiz (Word Mark) (Class Nos. 30, 35, 36, 27, 29, 40 and 42)	Aboitiz Equity Ventures Inc.	Brunei	Registered.
AboitizPower (word) (Class Nos. 39, 40, and 42)	AboitizPower	WIPO	Registered.
AboitizPower (device) (Class Nos. 39, 40, and 42)	AboitizPower	WIPO	Registered.

Cleanergy (word) (Class Nos. 39, 40, and 42)	AboitizPower	WIPO	Registered.
Cleanergy Get It (Device) (Class Nos. 39, 40, and 42)	AboitizPower	WIPO	Registered.
Cleanergy Got It (Device) (Class Nos. 39, 40, and 42)	AboitizPower	WIPO	Registered.
AboitizPower A Better Future (Class Nos. 39, 40, and 42)	AboitizPower	WIPO	Registered.

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

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



Aboitiz (Class No. 36)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 35)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 30)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.

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

#### **j) Government Approvals**

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

#### **h) Effect of Existing or Probable Governmental Regulations**

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

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

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

#### **1. Tax Reform for Acceleration and Inclusion Law**

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

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal,

the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

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

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

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

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

## **2. Corporate Recovery and Tax Incentives for Enterprises Act**

RA No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act, was signed into law by President Duterte on March 26, 2021 and took effect on April 1, 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) of not more than P100 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% Gross Income Tax (“GIT”) incentive and providing for a ten-year transitory period for all firms that are currently availing of the 5% GIT;
- f. Providing fiscal incentives for activities included in the Strategic Investment Priority Plan, provided that the category of incentives shall be based on the location and industry of the registered project or activity; and
- g. Granting the President the power to modify the mix, period, or manner of availment of incentives or craft a financial support package for a highly desirable project or a specific industrial activity.

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

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

### 3. Revised Corporation Code

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

- a) Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
- b) A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- c) Banks, quasi-banks, pawnshops, non-stock savings and loan associations (NSSLA), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.
- d) Allowing the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such. This restriction also applies with respect to incorporations as Close Corporation.
- e) Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

SEC Circular No. 10-2019 provides for the rules for material RPT of publicly-listed corporations. These rules regulate RPTs amounting to 10% or higher of a company's total assets. Compliance with these rules is mandatory for all publicly-listed companies

- f) The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes

are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

SEC has issued several circulars implementing this provision, as follows:

- i. *SEC Memorandum Circular No. 3-2020 on Notice of the Regular Meeting of Stockholders* - Provides that written notice of regular meetings of stockholders shall be sent at least 21 days before the meeting and must contain all information and deadlines relevant to a shareholders' participation in the meeting and exercise of the right to vote remotely.
  - ii. *SEC Memorandum No. 6-2020 provides for the Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing, and Other Remote or Electronic Means of Communication* - Stockholders may now participate in their respective meetings and vote, whether by remote communication or in absentia. The corporation shall also issue its own internal procedures and mechanics for voting via remote communication or in absentia.
  - iii. *SEC Memorandum Circular No. 14-2020* - Allows stockholders who, alone or together, own at least 5% of outstanding capital stock of a publicly-listed company to include items in the agenda prior to a regular or special stockholders' meeting.
  - iv. *SEC Memorandum Circular No. 7-2021* - Provides that stockholders holding at least 10% of the outstanding capital stock of a publicly-listed corporation has the right to call for a special stockholders' meeting. The purpose must affect the legitimate interest of stockholders but should not include the removal of any director. No stockholder may call for a special meeting within 60 days from a previous meeting where the same nature was discussed unless allowed by the by-laws or approved by the Board.
- g) A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Philippine SEC approves any merger or consolidation; or any voluntary dissolution.
  - h) In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

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

#### **4. The Philippine Competition Act**

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

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

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

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

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

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

On March 1, 2018, the PCC issued Memorandum Circular No. 18-001, which provides that unless otherwise modified or repealed by the Commission, the thresholds set out in Rule 4, Section 3 of the IRR, as amended, shall be automatically adjusted commencing on 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority’s official estimate of the nominal Gross Domestic Product (“GDP”) growth of the previous calendar year rounded up to the nearest hundred millions. The annual nominal GDP from 2017 to 2018 grew by 10.23%.

Violations of the Philippine Competition Act and its IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an

administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

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

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

Pursuant to Bayanihan 2 Act, which was signed into law on September 11, 2020, all mergers and acquisitions with transaction values below ₱50 billion shall be exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two (2) years from the effectivity of Bayanihan 2 Act, or until September 15, 2022. Further, such mergers and acquisitions shall also be exempt from the PCC’s power to review mergers and acquisitions motu proprio for a period of one (1) year from the effectivity of Bayanihan 2 Act.

Beginning September 16, 2022, the PCC raised the thresholds for the Size of Party Test and Size of Transaction Test to ₱6.1 billion and ₱2.5 billion, respectively.

## **5. Foreign Investments Act of 1991**

On March 2, 2022, President Duterte signed into law RA No 11647, “An Act Promoting Foreign Investments, Thereby Amending Republic Act 7042 Otherwise Known as the Foreign Investments Act of 1991, as Amended and For Other Purposes.” (the “Amended FIA”). The law aims to attract foreign investments in activities which contribute to sustainable economic growth, global competitiveness, employment creation, technical advancement, and countrywide development.

Under this law, foreign nationals are now allowed to engage in a domestic market enterprise with a minimum capital requirement of US\$100,000.00 provided that the enterprise: (a) utilizes advanced technology as determined by the Department of Science and Technology; (b) endorsed as a start-up or start-up enabler under RA No. 11337 or the Innovating Startup Act; or (3) composed of a majority of Filipino employees, which shall not be less than 15. Other salient features of the Amended FIA include: (a) a required understudy or skills development program by registered foreign enterprises to ensure skills and technology transfer to Filipinos; (b) allowing 100% foreign investment in a domestic enterprise unless participation of foreigners

is limited to a smaller percentage; and (c) allowing 100% foreign investment in an export enterprise provided that the products or services do not fall under the Foreign Investments Negative List.

Pursuant to the FIA, as amended, the Twelfth Regular Foreign Investment Negative List was promulgated on June 27, 2022 (“Negative List”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, exploration, development and utilization of natural resources, operation of public utilities, and land ownership.

## **6. Amended Public Service Act**

On March 22, 2022, President Duterte signed into law RA No 11659 or “An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act” (“Amended PSA”). Under the Amended PSA, the term “Public Utilities” is confined to public services that operate, manage, or control for public use any of the following: 1) Distribution of Electricity; 2) Transmission of Electricity; 3) Petroleum and Petroleum Products Pipeline Transmission Systems; 4) Water Pipeline Distribution Systems and Wastewater Pipeline Systems, including sewerage pipeline systems; 5) Seaports; and 6) Public Utility Vehicles. The operation of a Public Utility is limited by the Constitution to citizens of the Philippines, or to corporations or associations organized under the laws of the Philippines at least sixty per centum (60%) of whose capital is owned by such citizens.

The Amended PSA now provides that “no other person shall be deemed a public utility unless otherwise subsequently provided by law.” Moreover, nationality requirements shall not be imposed by Philippine administrative agencies on any public service not classified as a public utility.

Under the Amended PSA, the ownership by a foreign national of a business defined as “Critical Infrastructure” is limited to 50%, unless the country of such foreign national accords reciprocity to Philippine Nationals as may be provided by foreign law, treaty or international agreement , in which case foreign ownership may be up to 100%. However, foreign state-owned enterprises may not make any new or additional investments in the capital of critical infrastructure. “Critical Infrastructure” refers to any public service which owns, uses, or operates systems and assets, whether physical or virtual, so vital to the Philippines that the incapacity or destruction of such would have a detrimental impact on national security, including telecommunications and other such vital services as may be declared by the President of the Philippines.

## **7. Data Privacy Act of 2012**

The Data Privacy Act of 2012 is a comprehensive privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission (NPC).

Intended to protect the privacy of individuals, the Data Privacy Act mandates disclosure to individuals about how their personal information is collected and processed. It also ensures that

all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

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

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

In 2020, Aboitiz initiated the integrated approach to information security incident management which brought together actors from Data Privacy, Information Security, IT Security, Business Continuity, Human Resources, Legal and other subject matter experts. This brings a more holistic approach to the handling of information security and data breach incidents.

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

## **8. Registration under the BOI**

Under Executive Order (EO) No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoys certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday; (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees;



(iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

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

## 9. Labor-related Regulations

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

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

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

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

Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program (“**NHIP**”) administered by the Philippine Health Insurance Corporation, a Government corporation attached to the Department of Health tasked with ensuring sustainable,

affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

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

Under the Home Development Mutual Fund Law of 2009 (R.A. No. 9679), all employees who are covered by SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF.

#### b. The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six (6) months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen (15) days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth (13th) month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

#### c. Occupational Safety and Health Law

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

#### d. Other Labor-Related Laws and Regulations

##### (1) Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or

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

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

## (2) DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act (R.A. No. 9165), a national drug abuse prevention program implemented by the Department of Labor and Employment (“**DOLE**”) must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 53-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

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

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

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

## **STRATEGIC BUSINESS UNITS (“SBU(s)”)**

### **POWER**

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

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

AboitizPower’s portfolio of power generating plants consist of a mix of renewable and non-renewable sources and of baseload and peaking power plants. This allows the Company to address the 24-hour demand of the country with its coal and geothermal plants handling base-load demand, while the hydropower, solar, and oil-based plants handle intermediate to peaking demand. Most of these plants are also capable of providing ancillary services, which are also critical in ensuring a reliable grid operation. Based on ERC Resolution No. 01-2022, dated March 31, 2022, its Generation Companies have an installed capacity which is equivalent to an 18% market share of the national grid’s installed generating capacity. AboitizPower has a growth target of 9,200 MW of attributable capacity by 2030 and to achieve a 50:50 balance between its renewable energy portfolio, and thermal capacities without adding new coal plants. AboitizPower’s renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. (“**ARI**”) and its Subsidiaries and joint ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country.

AboitizPower also owns interests in nine Distribution Utilities in Luzon, Visayas, and Mindanao, including Visayan Electric and Davao Light, the second and third largest distribution utilities in the Philippines, respectively. AboitizPower’s Subsidiaries engaged in the distribution of electricity sold a total of 2,778GW for the first half of 2022.

The power generation business is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements (each, an “ASPA”) and for trading in the WESM. The power distribution business is engaged in the distribution and sale of electricity to end-users through its various distribution utilities, and the RES and Others segment includes retail electricity sales to Contestable Customers and provision of electricity-related services, such as installation of electrical equipment. AboitizPower’s Subsidiaries engaged in the supply of retail electricity contracted a total of 899 MW as of May 2022, accounting for the second largest share in the open access market.

On September 27, 2021, the Board of Directors of AEV approved the sale of common shares in AboitizPower, representing approximately 25.01% of the total outstanding common shares of AboitizPower to JERA Asia Pte. Ltd. As of July 31, 2022, AEV owns 52% of the outstanding capital stock of AboitizPower.

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

#### **a) Principal Products and Services**

### **GENERATION OF ELECTRICITY (POWER GENERATION BUSINESS)**

AboitizPower’s power generation portfolio includes interests in both renewable and non-renewable generation plants. As of June 30, 2022, the power generation business accounted for 107% of earning contributions from AboitizPower’s business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies’ operating results as of June 30, 2022 and full year 2021 compared to the same period in 2020 and 2019:

Generation Companies	Energy Sold				Revenue			
	1H 2022	FY 2021	FY 2020	FY 2019	1H 2022	FY 2021	FY 2020	FY 2019
	(in GWh)				(in ₱ Millions)			
APRI	1,523	2,787	3,055	2,968	7,758	11,405	11,253	12,542
Sacasun	29	61	44	49	208	311	250	269
Hedcor	44	149	161	226	237	758	697	881
LHC	160	238	266	262	417	687	761	787
Hedcor Sibulan	127	251	201	191	696	1,858	1,399	1,286
Hedcor Tudaya	19	40	33	29	112	234	261	172
Hedcor Sabangan	13	55	49	51	77	325	395	300
Hedcor Bukidnon	176	271	261	284	1,035	1,827	1,418	1,608
SN Aboitiz Power-Magat	1,452	2,195	1,891	2,054	4,578	7,352	5,352	7
SN AboitizPower-Benguet	873	2,120	1,936	1,975	3,262	7,412	5,668	6,065
TLI	3,272	7,979	6,686	6,812	18,769	33,447	20,505	25,410
TSI	659	1,891	1,531	1,393	7,055	11,173	8,276	9,099
TVI	1,051	2,434	2,232	1,710	6,587	10,686	8,490	6,254
Cebu Energy	764	2,028	2,025	1,900	6,073	8,984	7,719	8,578
STEAG Power	636	1,845	1,845	1,840	2,765	3,918	4,022	4,791
GMEC	1,956	2,703	5,003	3,909	14,919	19,676	17,821	19,373
WMPC	214	802	819	638	844	1,596	1,390	1,158
SPPC	0	0	0	0	0	0	0	0
CPPC	36	381	540	550	419	1,275	998	1,685
EAUC	22	363	226	383	432	963	571	1,013
TMI	337	1,253	743	1,200	491	1,276	990	1,865
TMO	594	1,367	381	938	824	1,293	672	1,970
TPVI*	13	29	3	0	171	367	30	0

Davao Light**(decommissioned)	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Neutral

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

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

## Renewables

### Aboitiz Renewables, Inc. (“ARI”)

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998. As of July 31, 2022, AboitizPower’s renewable energy portfolio comprises attributable net sellable capacity of approximately 928.5 MW in operation, divided into 46.8 MW of solar, 591.62 MW of hydro, and 290 MW of geothermal.

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

Management Company	Percentage of Ownership	Plant Name (Location)	Plant Name (Location)	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
AP Renewables, Inc.	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor, Inc.	100%	Benguet 1-11 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lonyoy, Irisan 1 and 3, and Salangan	Run-of-river hydro	52.7	52.7	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	4.5	4.5	Distribution utility
Hedcor Bukidnon, Inc.	100%	Manolo Fortich (Mindanao)	Run-of-river hydro	68.8	68.8	FIT
Hedcor Sabangan, Inc.	100%	Sabangan (Luzon)	Run-of-river hydro	14	14	FIT
Hedcor Sibulan, Inc.	100%	Sibulan (A, B and Tudaya A) (Mindanao)	Run-of-river hydro	49.1	49.1	Distribution utility
Hedcor Tudaya, Inc.	100%	Tudaya (B) (Mindanao)	Run-of-river hydro	7	7	FIT
Luzon Hydro Corporation	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	74.8	74.8	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46.8	46.8	WESM
SN Aboitiz Power-Benguet, Inc.	60%**	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	52.5	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASPA

SN Aboitiz Power-Magat, Inc.	60%**	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	8.5	4.3	FIT*
<b>Total</b>				<b>1,248.2*</b>	928.45*	

Notes:

\* Sum figures will differ due to rounding effect.

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

## Run-of-River Hydros

### Luzon Hydro Corporation (“LHC”)

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

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

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

### Hedcor, Inc. (“Hedcor”)

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

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

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

The electricity generated from Hedcor’s hydropower plants are taken up by Advent Energy, AESI and Davao Light pursuant to PPAs with the said off-takers. Irisan I Hydro and La Trinidad Hydro sell energy under the Feed-in-Tariff (“FIT”) mechanism through a Renewable Energy Payment Agreement (“REPA”) with the National Transmission Corporation (“Transco”).

In 2021, Hedcor Group had a total generated gross of 994 GWh of Cleanergy across the Philippines. This is higher than the generated gross renewable energy in 2020 of 956 GWh. This 3.95% increase is a great improvement compared to the 0.79% decrease in 2020. Hedcor achieved maximized generation as a result of La Niña in the first half of 2021 and minimized outages.

In 2019, Hedcor's hydropower plants generated a total of 964 GWh of Cleanergy.

In 2017, Hedcor broke ground on its La Trinidad Hydro project in La Trinidad, Benguet. It replaced Bineng 1, 2, and 2B, which originally had a combined capacity of 6 MW, with a new facility that produces 20.4 MW of hydro power of which 100% is attributable to AboitizPower. The plant commenced commercial operations in July 2019.

#### **Hedcor Sibulan, Inc. ("Hedcor Sibulan")**

Hedcor Sibulan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 49.24-MW hydropower plants composed of three cascading plants (the "**Sibulan Project**") located in Santa Cruz, Davao del Sur. The Sibulan Project consists of: Sibulan A Hydro, which produces 16.32 MW; Tudaya 1 Hydro, which produces 6.7 MW; and Sibulan Hydro B which produces another 26.25 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. The energy produced by the Sibulan Plants is sold to Davao Light through a PSA signed in 2021. The company was incorporated on December 2, 2005.

#### **Hedcor Tudaya, Inc. ("Hedcor Tudaya")**

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

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

#### **Hedcor Sabangan, Inc. ("Hedcor Sabangan")**

Hedcor Sabangan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 14.96-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province. The company was incorporated on January 17, 2011.

The Sabangan plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River.

#### **Hedcor Bukidnon, Inc. ("Hedcor Bukidnon")**

Hedcor Bukidnon, a wholly-owned Subsidiary of ARI, owns, operates, and manages the Manolo Fortich hydropower plants with a combined net sellable capacity of 72.8 MW located in Manolo Fortich, Bukidnon. The company was incorporated on January 17, 2011.

The Manolo Fortich plant is composed of the 45.9-MW Manolo Fortich Hydro 1 and the 27.39-MW Manolo Fortich Hydro 2. Both plants produce at least 350 GWh annually, harnessing the power of



the Tanaon, Amusig, and Guihean rivers. The construction of the Manolo Fortich plant was completed in 2018.

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 Manolo Fortich 1 Hydro is now fully operational after the 45% supply generation reduction. Its two pelton units were restored when it re-synchronized to the Mindanao grid in August 2021.

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

### ***Large Hydros***

#### **SN Aboitiz Power-Magat, Inc. (“SN Aboitiz Power-Magat”)**

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

SN Aboitiz Power-Magat’s COC was issued in December 2015 and is valid for five years or until November 28, 2020. SN Aboitiz Power-Magat is ARI’s joint venture with Scatec, a Norway-based leading renewable power producer that delivers affordable and clean energy worldwide. SN Aboitiz Power-Magat is 60% owned by MORE. To date, SN Power Philippines owns the remaining 40% equity interest of SN Aboitiz Power-Magat.

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

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

The new Pmax of the four units was based on the capability test conducted by NGCP in 2018. The Magat Plant has a Provisional Authority to Operate until November 2022.

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

On October 22, 2020, the DOE issued a Green Energy Option Program (“GEOP”) Operating Permit to SN Aboitiz Power-Magat, which authorizes the company to enter into electricity supply contracts

with qualified end-users according to the GEOP or RA No. 9513 or the Renewable Energy Act of 2008. This permit is valid for five years. 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") and the 140-MW Binga HEPP (the "Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province. SN Aboitiz Power-Benguet is also a joint venture between ARI and Scatec through SN Power. The company was incorporated on March 12, 2007.

To date, 60% equity is owned by MORE and 40% equity interest is owned by SN Power Philippines.

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

### ***Geothermal***

#### **AP Renewables Inc. (“APRI”)**

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

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

On August 24, 2018, APRI and Philippine Geothermal Production Company, Inc. (“**PGPC**”) signed a Geothermal Resources Supply and Services Agreement (“**GRSSA**”) for the supply of steam and drilling of new production wells for the Tiwi-MakBan Geothermal Facilities. The GRSSA effective date will run until the expiration of APRI’s initial DOE operating contracts term on October 22, 2034, thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC has committed

to drill at least 12 new production wells over a six-year period with a minimum of 50 MW aggregated individual well capacity, by 2023 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 for MakBan, Bulalo 114, was completed and started flowing into the system on April 10, 2021. This provided additional steam equivalent to 5.41 MW to Makban Plant B. For Tiwi, Kapipihan 36, the first well drilled under the SPEC program, was completed in December 2019 and was tested at 12.11 MW capacity in January 2020. Two additional wells in MakBan were completed, with Bulalo 115 contributing 4.86 MW and Bulalo 116 adding 3.31 MW based on the tests conducted on June 2 and July 29, 2021 respectively. In total, two additional new make-up wells will be contributing to the generation of APRI's 234 MW geothermal power facility in Tiwi, Albay and the six remaining new make-up wells will be contributing to the 394.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") for a total of 12 new make-up wells under the SPEC program within 2021 -2023. APRI was granted a RES license on February 17, 2025.

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

### ***Solar***

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

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

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

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

As of February 28, 2022, the energy generated from the SacaSun Plant benefited more than 33,891 homes within the Visayas Grid and displaced the energy equivalent to 20,994,583 gallons of gasoline or approximately 206,222,535 pounds of coal burned.

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

#### **PV Sinag Power, Inc. ("PV Sinag")**

PV Sinag is the project company for the construction of the 94 MWp Cayanga solar project located in Cayanga, Bugallon, Pangasinan. PV Sinag issued a notice to proceed ("NTP") on September 15, 2021 for the construction of an access road. A NTP to the EPC contractor for the power plant and transmission was issued on December 16, 2021 and pre-works are ongoing. Issuance of NTP signifies that the EPC contractor can start with its scope of work, which usually begins with the EPC contractor's

issuance of a standby letter of credit, PV Sinag's payment of the advance payment, and other activities needed to start construction, such as the mobilization of personnel and equipment to site. The total project cost is estimated at ₱4.5 Billion and will be funded through project finance and equity contributions. The project is expected to commence commercial operations by December 2022, in line with PV Sinag's PSA with a retail customer.

Similarly, ARI entered into an EPC for its 159 MWp Laoag and Laoag 2 solar power project in Barangay Laoag, Aguilar, Pangasinan. These contracts were awarded to SUMEC Complete Equipment and Engineering Co., Ltd. (SUMEC Engineering) and Hansei Corporation for DC and AC, respectively.

The project is targeted for commercial operations by June 2023. Once completed, it is expected to generate approximately 261 GWh of clean energy annually, equivalent to the yearly power consumption of around 100,000 average Filipino households.

PV Sinag was incorporated on October 1, 2013, and is wholly-owned by ARI.

#### **Sinag Naraw Power Inc. ("Sinag Naraw")**

Sinag Naraw was incorporated on June 19, 2020 as a joint venture between ARI and Okeelanta Corporation. Sinag Naraw is the project company for an 11MWp solar project in Pampanga currently under development. As of February 28, 2022, ARI owned 44% of Sinag Naraw.

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

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

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

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

#### ***Renewables Pipeline***

#### **SN Aboitiz Power-Generation, Inc. ("SN Aboitiz Power-Gen")**

SN Aboitiz Power-Gen's most significant project 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 HEPP (the "Alimit Project"). All four of the Indigenous Peoples Organizations that will be impacted by the proposed Alimit hydropower complex have signified their Free and Prior Informed Consent by signing MOAs. With the easing of pandemic restrictions in the country and as the Philippine ancillary services market evolves, SN Aboitiz Power-Gen will continue to evaluate its development strategy for these projects.

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

### **SN Aboitiz Power-Magat, Inc. (“SN Aboitiz Power-Magat”)**

SN Aboitiz Power-Magat is working on the expansion of its 200-kW pilot floating solar project which was switched on June 27, 2019. Placed over a portion of the Magat reservoir in Isabela, the project harnesses the sun’s energy while optimizing the use of water resources in the Magat irrigation system. The pilot project and the initial pre-feasibility study conducted by SNAP on the floating solar have shown positive results. The project is in the detailed feasibility stage and has received the Solar Operating Energy Contract (SEOC) from the Department of Energy and is in the process of securing pertinent permits and agreements.

SN Aboitiz Power-Magat is also exploring complementary non-hydro technologies, such as the Magat Battery Energy Storage System (“**BESS**”) project located within the Magat Plant in Ramon, Isabela. It is an energy storage system with a 24 MW capacity to be used primarily for ancillary services. The project formally broke ground in April 2022 while construction of the Magat BESS project is targeted in the second half of the year. Commercial operation is targeted to commence in the first quarter of 2024.

### **Non-Renewable Energy**

#### **Therma Power, Inc. (“TPI”)**

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

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
<b>Coal Group</b>						
Therma Luzon, Inc.	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/WESM
Pagbilao Energy Corporation	50%	Pagbilao 3 (Luzon)	Coal-fired	388.4	194.2	Bilaterals
Therma South, Inc.	100%	TSI Plant (Mindanao)	Coal-fired	260	260	Bilaterals
Therma Visayas, Inc.	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/WESM
Cebu Energy Development Corporation	26.4%	Cebu Energy (Visayas)	CFB	216	57	Bilaterals/WESM
GNPower Mariveles Coal Plant Ltd. Co.	78.32%	Mariveles Project (Luzon)	Coal-fired	632	495	Bilaterals/WESM
GN Power Dinginin Ltd. Co.	70.00%	GN Power Dinginin Ltd. Co	Coal-fired	668	467.6	Bilaterals / WESM

STEAG State Power, Inc.	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71.4	NPC (2031)
<b>Oil Group</b>						
Cebu Private Power Corporation	60%	CPPC Plant (Visayas)	Bunker-C fired	64	64	Distribution utility
East Asia Utilities Corporation	100%	EAUC Plant (Visayas)	Bunker-C fired	45.5	43.5	Distribution Utility /Bilaterals
Southern Philippines Power Corporation	20%	SPPC Plant (Mindanao)	Bunker-C fired	55	11	NPC
Therma Marine, Inc.	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted	96	96	Bilaterals
Therma Marine, Inc.	100%	Power Barge Mobile 2 (Mindanao)	Barge-mounted	96	96	Bilaterals
Therma Mobile, Inc.	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted	213	165	WESM
Therma Power Visayas, Inc.	100%	Therma Power Visayas, Inc.	Bunker-C fired	39.3	39.3	WESM
Western Mindanao Power Corporation	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
<b>Total</b>				<b>4,087.6*</b>	<b>3,024.3*</b>	

\*Sum figures will differ due to rounding effect

## **Oil Group**

### **Therma Marine, Inc. (“TMI”)**

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

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

TMI Hybrid BESS is 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 sometime in 2022.

### **Therma Mobile, Inc. (“TMO”)**

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

On January 7, 2019, TMO notified Meralco that it will physically disconnect from Meralco's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC and IEMOP, following applicable legal notice requirements. In April 2019, TMO lifted its preservation mode and commenced operations. Consequently, TMO notified all its regulators of its intent to return to commercial operations. TMO signed a PSA with Meralco for a term of one year beginning April 26, 2019 which expired last April 25, 2020. Last 14 July 2020, TMO and the NGCP executed Ancillary Services Procurement Agreements (ASPA). The ASPA is now filed with the ERC for approval.

### **East Asia Utilities Corporation (“EAUC”)**

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

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

### **Therma Power-Visayas, Inc. (“TPVI”)**

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

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

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

### **Cebu Private Power Corporation (“CPPC”)**

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

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

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

### **Southern Philippines Power Corporation (“SPPC”)**

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

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

### **Western Mindanao Power Corporation (“WMPC”)**

WMPC owns and operates a 112-MW Bunker C-fired power station located in Zamboanga City, Zamboanga Peninsula in Western Mindanao. The company was incorporated on March 15, 1996.

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

### **Coal Group**

#### **Therma Luzon, Inc. (“TLI”)**

TLI, a wholly-owned Subsidiary of TPI, is the first IPPA in the country, and assumed the role of the registered trader of the contracted capacity of the 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "**Pagbilao Plant**"). TLI was incorporated on October 20, 2008.

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

TLI was granted a RES license on August 12, 2020, which is valid until August 11, 2025.

#### **Pagbilao Energy Corporation (“PEC”)**

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

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

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



### **Therma South, Inc. (“TSI”)**

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

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

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

### **Therma Visayas, Inc. (“TVI”)**

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

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

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

### **Abovant Holdings, Inc. (“Abovant”) and Cebu Energy Development Corporation (“Cebu Energy”)**

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

Cebu Energy was incorporated on December 5, 2008 by Abovant and Global Formosa, a joint venture between Global Business Power Corporation and Flat World Limited, for the purpose of constructing three units of 82-MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarters of 2010, respectively. Cebu Energy declared commercial operations on February 26, 2011, and is the first commercial clean-coal facility in the country.

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

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

Abovant has a 44% equity interest in Cebu Energy, while Global Formosa owns the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in Cebu Energy.

### **Redondo Peninsula Energy, Inc. (“RP Energy”)**

RP Energy was incorporated on May 30, 2007 to construct, own, and operate the 2x300-MW (net) coal-fired power plant located in the Redondo Peninsula of Subic Bay within the SBFZ, Subic, Zambales.

RP Energy was originally a joint venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

### **STEAG State Power Inc. (“STEAG Power”)**

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

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

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

### **AA Thermal, Inc.**

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

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

### **GNPower Mariveles Energy Center Ltd. Co. (“GNPower Mariveles” or “GMEC”)**

GMEC (formerly GNPower Mariveles Coal Plant Ltd. Co.) is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x316 MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines (“**Mariveles Project**”). The Mariveles Project commenced on January 29, 2010 and was declared commercially available in 2013.

GMEC Unit 1 returned to service on November 17, 2021 from its unscheduled outage starting February 24, 2021. Corrective actions to prevent the recurrence of the damage causing said outage are currently being pursued.

In 2021, GMEC informed AboitizPower of an unscheduled outage of the Mariveles Project’s Unit 1 (“GMEC Unit 1”) attributable to damage found in a portion of GMEC Unit 1’s boiler. Actual repairs to the boiler were completed on August 12, 2021 while, parallel to these repair works, GMEC Unit 1 went on general maintenance outage. With the extended outage activities, GMEC returned to service from these incidents on October 18, 2021. In view of the resulting business interruption, GMEC has initiated an insurance claim for the outage.

Effectively, the partnership interests in GMEC are owned by: (i) TPI; (ii) ACE Mariveles Power Ltd. Co., a joint venture between AA Thermal, Inc., a wholly owned subsidiary of AC Energy and Infrastructure Corporation and AboitizPower and Power Partners Ltd. Co. (“**Power Partners**”); and (iii) Power Partners. Through TPI, AboitizPower owns 78.3% effective partnership interest in GMEC.

### **GNPower Dinginin Ltd. Co. (“GNPower Dinginin” or “GNPD”)**

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

GNPD started the construction of Unit 1 in September 2016. GNPD U1 received its Certificate of Compliance from the Energy Regulatory Commission on January 18, 2022 and began running and serving its PSAs from its own generation on January 25, 2022. Meanwhile, Unit 2 is in the final stages of its construction and commissioning, with it first synchronizing to the grid last April 23, 2022 and expecting to complete the remainder of its testing and commissioning program by October 2022.

GNPD is co-developed by Power Partners, ACE, and TPI. As of June 30, 2022, AboitizPower, through TPI, owns 70% effective partnership interest in GNPD.

### **Other Generation Assets**

Cotabato Light maintains a stand-by 4.45-MW Bunker C-fired power plant capable of supplying approximately 13.26% of its requirements as of February 28, 2022.

### **Future Projects**

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

### **DISTRIBUTION OF ELECTRICITY (POWER DISTRIBUTION BUSINESS)**

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

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

In 2019, the wholly-owned Distribution Utilities and Visayan Electric undertook a rebranding initiative to modernize the look and feel of the brands and visually show their relation to

AboitizPower. The implementation phase for the transition to the rebranded look is currently ongoing, and is expected to be completed by year-end.

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 2021 is equivalent to 19%. The Distribution Utilities had a total customer base of 1,106,783 as of end-2021, compared to 1,068,820 in 2020, and 1,030,726 in 2019.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past three years and the first half of 2022:

Company	Electricity Sold (MWh)				Peak Demand				No. of Customers			
	1H2022	2021	2020	2019	1H2022	2021	2020	2019	1H2022	2021	2020	2019
Davao Light	1,314,420	2,597,592	2,476,991	2,633,920	472	459	452	454	468,039	458,498	404,304	420,666
Cotabato Light	93,771	178,535	170,363	173,114	35	34	31	31	48,103	47,098	45,044	43,449
Visayan Electric	1,474,076	3,144,768	3,119,850	3,500,781	553	554	583	601	483,425	477,732	462,699	450,088
SFELAPCO	384,540	716,888	686,694	714,948	151	147	134	140	123,533	118,806	116,293	112,091
SEZ	140,113	267,047	262,393	329,633	55	50	56	62	3,590	3,581	3,477	3,473
MEZ	50,123	107,541	99,927	117,433	21	21	21	22	86	87	87	87
BEZ	41,966	85,813	92,771	101,885	25	25	28	27	27	28	29	34
LEZ	151,189	296,780	242,455	249,394	56	56	49	44	974	940	882	834
MVEZ	4,566	1,458	158	51	4.77	1.28	0.12	0.06	17	13	5	4

Total	3,654,764	7,396,422	7,151,602	7,821,159	1,373	1,347	1,354	1,381	1,127,794	1,106,783	1,032,820	1,030,726
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### **Visayan Electric Company, Inc. (“Visayan Electric”)**

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

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

Visayan Electric has energized 100% of all the barangays, and electrified 99.77% of all the households within its franchise area. A goal of 100% total electrification is set for 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 (km). As of February 28, 2022, approximately 3.6 kms have been completed. Visayan Electric has reinforced and improved the existing capacity and reliability of its 23kV West Cluster with the addition of another 33 MVA Power Transformer in the Calamba Substation. This will enhance electricity service for the increasing demand of both commercial and densely residential customers within its franchise area.

Visayan Electric’s total systems loss was 6.25% as of June 30, 2022. This included a feeder loss of 4.67%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2022, AboitizPower directly held a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant Group.

### **Davao Light & Power Company, Inc. (“Davao Light”)**

Pursuant to RA No. 11515 which lapsed into law on 26 December 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 was completed in 2021.

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

Davao Light was incorporated on October 11, 1929, and acquired by the Aboitiz Group in 1946. Davao Light's original 50-year franchise, covering Davao City, was granted in November 1930 by the Philippine Legislature.

AboitizPower has a 99.93% equity interest in Davao Light.

#### **Cotabato Light and Power Company ("Cotabato Light")**

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

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 13.54% of its franchise area requirements. The standby power plant, capable of supplying electricity in cases of supply problems with its power suppliers or NGCP and for the stability of voltage whenever necessary, is another benefit available to Cotabato Light's customers.

AboitizPower directly owns 99.94% equity interest in Cotabato Light.

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

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

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms and the municipality of Floridablanca and Barangays Talang and Ligaya, with an estimated area of 175.5 sq. kms.

AboitizPower has an effective equity interest of 43.78% in SFELAPCO.

#### **Subic EnerZone Corporation ("Subic EnerZone")**

On June 3, 2003, Subic Enerzone was incorporated as a joint venture owned by a consortium including Davao Light, AEV, and SFELAPCO, among others, to undertake management and operation of the SBFZ power distribution utility. As of June 30, 2022, Subic Enerzone serves a total of 3,590 customers, consisting of 105 industrial locators, 1,301 commercial locators, 2,082 residential customers, 102 streetlights.

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

#### **Mactan Enerzone Corporation (“Mactan Enerzone”)**

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

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

As of June 30, 2022, Mactan Enerzone served a total of 86 accounts consisting of 27 commercial and 59 industrial customers.

AboitizPower owns a 100% equity interest in Mactan Enerzone.

#### **Balamban Enerzone Corporation (“Balamban Enerzone”)**

Balamban Enerzone was incorporated in February 2007 when CIPDI, a joint venture between AboitizLand and THC, spun off the power distribution system of the WCIP-SEZ. WCIP-SEZ is a special economic zone for light and heavy industries located in Balamban, Cebu. As of June 30, 2022, Balamban Enerzone served a total of 27 accounts which consisted of 11 industrial customers and 16 commercial customers. Balamban Enerzone sources its power from CEDC pursuant to a CSEE.

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

#### **Lima Enerzone Corporation (“Lima Enerzone”)**

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

As of June 30, 2022, Lima Enerzone served a total of 100 captive industrial locators, 18 captive commercial locators, 823 captive residential customers, 8 street lamps, and 25 industrial locators under RES.

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

#### **Malvar Enerzone Corporation (“Malvar Enerzone”)**

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

As of June 30, 2022, Malvar Enerzone served a total of 7 captive industrial locators, 8 captive commercial locators and 2 streetlights.

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

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

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

#### **Aboitiz Energy Solutions, Inc. (“AESI”)**

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

At the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers. As of June 2022 billing period, AESI supplied retail electricity to a total of 176 customers, with total energy consumption of 934.40 Million kWh.

AESI was also granted a Green Energy Option Program (GEOP) operating permit by the DOE valid until April 21, 2026. It authorizes AESI to enter into an electricity supply contract with any qualified end-user pursuant to Section 9 of the Renewable Energy Act of 2008).

AboitizPower owns a 100% equity interest in AESI.

#### **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 December 17, 2022.

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

As of the June 2022 billing period, AdventEnergy supplied retail electricity to 152 customers with a total consumption of 999.73 Million kWh.

AdventEnergy was also granted a GEOP operating permit by the DOE valid until April 21, 2026.

AboitizPower owns a 100% equity interest in AdventEnergy.

#### **Prism Energy, Inc. (“Prism Energy”)**



Prism Energy was incorporated in March 2009 as a joint venture between AboitizPower and Vivant Corporation. It was granted a license to act as a RES valid until November 21, 2022.

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

As of June 2022 billing period, Prism Energy supplied retail electricity to 53 customers with a total energy consumption of 92.96 Million kWh.

Prism Energy was also granted a GEOP operating permit by the DOE valid until April 21, 2026.

AboitizPower directly owns a 60% equity interest in Prism.

**SN Aboitiz Power – Res, Inc. (“SN Aboitiz Power – RES”)**

SN Aboitiz Power-RES is the retail arm of the SN Aboitiz Power Group. SN Aboitiz Power-RES is a joint venture between ARI and SN Power. To date, its 60% equity interest is owned by MORE with the remaining 40% owned by SN Power Philippines.

SN Aboitiz Power-RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last twelve months across all industries under Open Access. It offers energy supply packages tailored to its customers’ needs and preferences.

**SN Aboitiz Power-Magat, Inc. (“SN Aboitiz Power-Magat”)**

SN Aboitiz Power-Magat obtained a Retail Electricity Supplier License from the Energy Regulatory Commission (ERC) on December 16, 2020, valid until December 17, 2025. The retail segment of SNAP-Magat was established in February 2021 as a more sustainable option for growing businesses.

In 2021, the company contributed to the SN Aboitiz Power Group’s financial bottom line, with a net revenue of ₱60 Million compared to ₱81 Million in the first half of 2022.

**Mazzaraty Energy Corporation (“Mazzaraty”)**

Mazzaraty was incorporated on June 19, 2014 as a joint venture among Aboitiz Power, Pasudeco Corporation, L&R Development, Inc., and Alfecon Realty, Inc. It was granted a license to act as a RES until June 18, 2022. Mazzaraty supplies retail electricity customers with a total consumption of 2,903,311 kWh in 2021.

As of February 28, 2022, AboitizPower owned 44.87% of Mazzarty.

**b) Sales**

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

Comparative amounts of revenue, profitability and identifiable assets as of June 30 are as follows:

	2022	2021	2020
Gross Income	₱82,723	₱60,351	₱53,032
Operating Income	15,597	13,080	11,036

Total Assets	<b>₱449,611</b>	<b>₱404,974</b>	<b>₱415,571</b>
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*Note: Values are in ₱ Million Pesos. Operating income is operating revenue net of operating expenses.*

Comparative amounts of revenue contribution and corresponding percentages to total revenue by business group as of June 30 are as follows:

	2022		2021		2020	
Power Generation	₱59,855	60%	₱43,023	57%	₱35,622	55%
Power Distribution	24,766	25%	22,053	29%	21,189	33%
Retail Electricity Supply	14,667	14%	9,456	13%	7,813	11%
Services	661	1%	452	1%	569	1%
<b>Total Revenue</b>	<b>99,949</b>	<b>100%</b>	<b>74,984</b>	<b>100%</b>	<b>65,193</b>	<b>100%</b>
Less: Eliminations	(17,226)		(14,633)		(12,161)	
<b>Net Revenue</b>	<b>₱82,723</b>		<b>₱60,351</b>		<b>₱53,032</b>	

*Note: Values are in ₱ Millions.*

### c) Distribution Methods of the Product or Services

#### POWER GENERATION BUSINESS

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

#### POWER DISTRIBUTION BUSINESS

Ancillary Services are necessary to help ensure a reliable and stable Grid, which co-exist with the energy market or WESM. NGCP signs ASPA with qualified generators to fulfill specific ancillary service requirements per Grid. Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, and TLI have ASPAs with NGCP. The SN Aboitiz Power Group delivers regulating, contingency, and dispatchable reserves, blackstart service and reactive power support, through its three power plants, namely Ambuklao Plant, Binga Plant, and Magat Plant. TLI's Pagbilao plants are also delivering contingency reserves to the Luzon Grid under its ASPA. On March 26, 2018, ERC approved TMI's ASPA with NGCP for a maximum period of five years. TMI provides both contingency and dispatchable reserves to the Mindanao Grid on a non-firm basis.

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

generated by Hedcor Tudaya 2 is covered by a RESA. Currently, Hedcor Bukidnon and Hedcor are applying for FIT eligibility of the 27.38MW Manolo Fortich 2 and 20.4MW La Trinidad Project plants, respectively.

AboitizPower’s Distribution Utilities have exclusive distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV, and 69 kV, while smaller industrial, commercial, and residential customers receive electricity at 240 V or 480 V.

With the exception of Malvar Enerzone, all of AboitizPower’s Distribution Utilities have entered into transmission service contracts with NGCP for the use of NGCP’s transmission facilities to receive power from PSALM to their respective independent power producers to their respective customers. All customers that connect to the Distribution Utilities’ distribution lines are required to pay a tariff approved by ERC.

#### **RETAIL ELECTRICITY SUPPLY BUSINESS**

AboitizPower’s wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI maintain a portfolio of energy-based supply contracts from renewable and non-renewable sources to secure reliable and affordable electricity for its customers. These electricity supply contracts involve a mix of fixed-rate and margin based electricity fees that are updated year on year to ensure that supply is maintained at competitive rates.

#### **d) New Products/Services**

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

#### **System Performance**

The following table sets forth certain information concerning the performance of the Distribution Companies:

Business Unit	As of December 31, 2021		As of December 31, 2020	
	SAIFI	SAIDI	SAIFI	SAIDI
	(frequency)	(minutes)	(frequency)	(minutes)
Visayan Electric	2.87	381.55	3.07	456.45

<b>Davao Light</b>	<b>13.03</b>	<b>763.11</b>	<b>5.59</b>	<b>420.84</b>
<b>Cotabato Light</b>	<b>1.77</b>	<b>292.01</b>	<b>0.47</b>	<b>108.65</b>
<b>SEZ</b>	<b>6.38</b>	<b>6.42</b>	<b>9.16</b>	<b>5.83</b>
<b>MEZ</b>	<b>2.14</b>	<b>270.52</b>	<b>1.80</b>	<b>15.92</b>
<b>BEZ</b>	<b>2.68</b>	<b>34.90</b>	<b>3.18</b>	<b>71.87</b>
<b>LEZ</b>	<b>10.75</b>	<b>780.82</b>	<b>6.68</b>	<b>49.51</b>
<b>SFELAPCO</b>	<b>6.87</b>	<b>284.04</b>	<b>5.03</b>	<b>191.61</b>

### **Electricity Losses**

The Distribution Companies experience two types of electricity losses: technical losses and non-technical losses. Technical losses are those that occur in the ordinary course of distribution of electricity, such as losses that occur when electricity is converted from high voltage to medium voltage. Non-technical losses are those that result from illegal connections, fraud or billing errors.

The Distribution Companies' system loss may be further broken down to feeder loss, substation loss, and sub-transmission loss. Total electricity losses in 2020 were 6.84% for Visayan Electric, 7.88% for Davao Light, 8.88% for Cotabato Light, 3.20% for SEZ, 0.95% for MEZ, 0.44% for BEZ, 5.23% for LEZ, and 4.86% for SFELAPCO. On the other hand, total electricity losses in 2021 were 8.72% for Visayan Electric, 8.30% for Davao Light, 7.99% for Cotabato Light, 3.68% for SEZ, 1.07% for MEZ, 0.40% for BEZ, 4.46% for LEZ, and 4.86% for SFELAPCO.

The system loss cap set by the ERC is 6% for 2020 and 5.5% for 2021, which system loss caps only relate to feeder loss.

The Distribution Companies are also actively engaged in efforts to reduce electricity losses, particularly non-technical losses. To achieve this, the Distribution Companies, particularly Visayan Electric and Davao Light, have deployed teams to conduct inspections, enhanced monitoring for irregular consumption, increased replacements for obsolete measuring equipment and developed a computer program to discover and analyze irregular invoicing.

The Distribution Companies continue to find ways to reduce systems losses in any economically viable manner.

### **Power Outages**

The Distribution Companies seek to improve the quality and reliability of their power supply, as

measured by the frequency and duration of power outages. The Distribution Companies seek to improve the quality and reliability of their power supply, as measured by the frequency and duration of power outages. The number of sustained outages (>5mins) for 2021 was 2.87 interruptions per customer at Visayan Electric, 13.03 interruptions per customer at Davao Light, 1.77 interruptions per customer at Cotabato Light, 6.38 interruptions per customer at SEZ, 2.86 interruptions per customer at BEZ, 2.14 interruptions per customer for MEZ, 10.75 interruptions per customer for LEZ, and 6.87 interruptions per customer at SFELAPCO. For the same period in 2021, the number of minutes of sustained outages was 381.55 minutes per customer at Visayan Electric, 763.11 minutes per customer at Davao Light, 292.01 minutes per customer at Cotabato Light, 6.42 minutes per customer at SEZ, 34.90 minutes per customer at BEZ, 270.52 minutes per customer for MEZ, 780.82 minutes per customer for LEZ, and 284.04 minutes per customer at SFELAPCO.

The Distribution Companies each have “hotline” equipment that allows construction, maintenance and repairs to be conducted with only minimal interruption in electricity service. This reduces the number of service interruptions that the Distribution Companies have to schedule. Unscheduled interruptions due to accidents or natural causes, including typhoons, heavy rains and floods, represented the remainder of the Distribution Companies’ total interruptions.

## **e) Competition**

### **POWER GENERATION BUSINESS**

AboitizPower continues to face competition in both the development of new power generation facilities and the acquisition of existing power plants. Competition for financing these activities, as well as the demand for use of renewable energy sources, remains to be a challenge to AboitizPower’s growth and portfolio of assets.

The continued robust economic growth of the Philippine economy, the presence of a market to sell, such as WESM, and the country’s growing energy needs have attracted many competitors, including multinational development groups and equipment suppliers, to explore opportunities in electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

In particular, AboitizPower is expected to face competition from leading multinationals such as AES Corporation, TeaM Energy, The Electricity Generating Public Company Limited (“**EGCO**”), and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power Corporation, AC Energy, First Gen Corporation, DMCI Holdings, Inc., Meralco PowerGen Corporation, and SMC Global Power.

AboitizPower believes the Philippines has long term energy requirements that will continue to grow. This will attract many competitors, including multinational development groups and equipment suppliers, to explore opportunities in power generation projects in the Philippines. Based on ERC Resolution No. 01, Series of 2022, there are over 30 players representing a total installed capacity of 24,651 MW for the Philippine Grid.

### **RETAIL ELECTRICITY SUPPLY BUSINESS**

Based on ERC’s Competitive Retail Electricity Market Monthly Statistical Data as of March 2022, there are 44 RES companies and 28 Local RES companies participating in the Open Access markets in Luzon and Visayas. MPower, a local RES, has the largest market share at 28.55%, with a contracted capacity

of 1,262.71 MW. Its main strength is its affiliation as a subsidiary of the country's largest distribution utility, MERALCO, which has the financial and market strength, as well as goodwill, that comes from its size, long history, and dominance. AboitizPower, through its RES companies, has the second-largest market share at 20.32%, with contracted capacity of 898.45 MW as of March 2022. The San Miguel Group has the third largest market share at 17.54%, with a contracted capacity of 775.58 MW.

## **POWER DISTRIBUTION BUSINESS**

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

### **f) Sources of Raw Materials and Supplies**

## **POWER GENERATION BUSINESS**

The Generation Companies produce energy using the following fuel types based on attributable net selling capacity: 15% hydropower, 7% geothermal, 1% solar, 63% coal, and 14% oil. In 2022, renewable fuel sources comprised 23% of attributable net selling capacity, while thermal accounted for 77%.

The hydropower facilities of some of the Generation Companies harness the energy from the flow of water from neighboring rivers to generate electricity. These facilities have impounding dams allowing the storage of water for later use. The hydroelectric companies on their own, or through NPC as in the case of LHC, possess water permits issued by National Water Resources Board (NWRB), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

APRI's steam requirement for its geothermal power generation continues to be supplied by PGPC. The terms of the steam supply are governed by a Geothermal Resource Sales Contract under which the price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells over the next six years.

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

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

Likewise, TSI has annual coal supply contracts for its coal plant in Mindanao. It applies the same sourcing strategy as that of Pagbilao where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. GMCP, STEAG Power, and CEDC also have long-term coal supply agreements.

## **POWER DISTRIBUTION BUSINESS**

The rates at which the Distribution Utilities purchase electricity from affiliated Generation Companies are established pursuant to bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with a Distribution Utility. These agreements are entered into on an arms'-length basis, on commercially reasonable terms, and are approved by ERC. ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from affiliated Generation Companies.

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

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a 10-year PSC with San Miguel Consolidated Power Corporation (SMCPC) for a supply of 60MW in 2016. SMCPC began supplying the 60-MW contracted capacity in February 2018. Davao Light also renewed its CSEE with PSALM for a period of three years from 2018, 2019, and 2020 for 133 MW, 140 MW and 140 MW, respectively. To cover its peak demand requirement for 2018 to 2021, Davao Light has Non-Firm ESAs with TMI and WMPC for up to 45MW and 60MW, respectively.

To address long-term power supply requirements, Visayan Electric entered into a 25-year Electric Power Purchase Agreement (EPPA) with CEDC in October 2009 for the supply of 105 MW. In December 2010, Visayan Electric signed a five-year PSA with GCGI for the supply of 60 MW at 100% load factor which was extended for another ten years in October 2014. Visayan Electric also has a PPA with CPPC which expired in 2013. A new PSA has since been signed and is pending for ERC approval. ERC has allowed Visayan Electric to continue drawing power from CPPC under the same terms and conditions of the expired PPA until ERC approves the 2013 PSA. Visayan Electric also has a 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Malvar Enerzone has a power supply contract with Batangas II Electric Cooperative, Inc. to meet the ecozone's power requirements until its electricity demand is stable.

The provisions of the Distribution Utilities' PPAs are governed by ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract. Distribution Utilities also enter into PSAs with various generation companies.

### Transmission Charges

AboitizPower's Distribution Utilities have existing 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
Cotabato Light	August 25, 2023
Subic Enerzone	August 25, 2023
SFELAPCO	December 25, 2023
Davao Light	January 25, 2024
Visayan Electric	January 25, 2024

Balamban Enerzone	January 25, 2025
Mactan Enerzone	January 25, 2025
Lima Enerzone	July 25, 2027

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

**g) Major Customers**

**POWER GENERATION BUSINESS**

*Overview of the business*

As of June 30, 2022, out of the total electricity sold by AboitizPower’s Generation Companies, approximately 83% is covered by bilateral and ancillary contracts with, among others, private distribution utilities, electric cooperatives, industrial and commercial companies, and the grid operator. The remaining, approximately 17%, is sold by the Generation Companies through the WESM.

**POWER DISTRIBUTION BUSINESS**

AboitizPower’s Distribution Utilities have wide and diverse customer bases. As such, the Company believes that loss of any one customer is not expected to have a material adverse impact on AboitizPower. The Distribution Utilities’ customers are categorized into four principal categories:

- (a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations, and shopping malls;
- (b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes;
- (c) *Commercial customers.* Commercial customers include service-oriented businesses, universities, and hospitals; and
- (d) *Other customers.* Customers not falling under any of the above categories.

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government accounts, or special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

As of June 30, 2022, out of the total electricity sold by AboitizPower’s Distribution Utilities, 70% was from industrial and commercial customers, while 30% was from residential customers.

**RETAIL ELECTRICITY SUPPLY BUSINESS**

As of May 2022, AboitizPower’s RES business has approximately 388 Contestable Customers with active contracts, from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.



## h) Patents, Copyrights, and Franchises

### POWER GENERATION BUSINESS

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

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

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

AboitizPower's HEPPs are also required to obtain water permits from NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

AboitizPower, its Subsidiaries, and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by DOE.

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

Title of Document	Issued Under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018

COC No. 18-12-M-00336L*	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 16-05-M-00061M*	Hedcor, Inc.	Talomo 1 – Unit 1	Hydroelectric Power Plant	Calinan, Davao City	500 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 1 – Unit 2			500 kW			
COC No. 16-05-M-00062M*	Hedcor, Inc.	Talomo 2 – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 2 – Unit 2			200 kW			
		Talomo 2 – Unit 3			200 kW			
COC No. 16-05-M-00063M*	Hedcor, Inc.	Talomo 2A – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 2A – Unit 2			200 kW			
COC No. 16-05-M-00064M*	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
COC No. 16-05-M-00065M*	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 16, 2020 - February 16, 2025	August 12, 2020
		Talomo 3 – Unit 2			960 kW			
COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25 years	May 18, 2015
		Sibulan A – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25 years	May 18, 2015
		Sibulan B – Unit 2			13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	March 10, 2019- March 9, 2024	March 5, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No.	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro		March 5, 2019

19-03-M-00013M		Tudaya 2 – Unit 2			2.775 MW	Hydro	April 11, 2019-April 10, 2024	
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25 years	September 29, 2015
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ 1, Lapu-Lapu City, Cebu	49.60 MW	Bunker C	June 11, 2018 – June 10, 2023	March 27, 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	November 11, 2015
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power			90 MW			

		Plant – Unit 4						
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018
COC No. 17-03-M-00309L	SN Aboitiz Power – Benguet, Inc.	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 - March 11, 2022	March 9, 2017
		Binga – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Diesel Auxiliary Generator Set		330.40 KW	Diesel		
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 - August 30, 2021	August 18, 2016
		Ambuklao – Unit 2			34.85 MW			
		Ambuklao – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2016 - August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	March 25, 2015
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	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			
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			
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	Bunke r C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 15-09-M- 00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	September 1, 2015 - August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	January 19, 2016 - August 31, 2020
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 - September 19, 2024	September 20, 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal- Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas- asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		

*\*Awaiting issuance of renewal of COC from ERC.*

## POWER DISTRIBUTION BUSINESS

Under EPIRA, the business of electricity distribution is a regulated public utility business that requires a franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones are not required to obtain a franchise from Congress, but must be duly registered with PEZA in order to operate within the economic zone.

All distribution utilities are required to submit to ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code, which provides the rules and regulations for the operation and maintenance of distribution systems, and the performance standards set out in the Implementing Rules and Regulations (IRR) of EPIRA.

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

Distribution Utility	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. (RA No. 9339 was approved on September 1, 2005.)	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years, or from September 24, 2005 to September 24, 2030	
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960 (Lapsed into law September 7, 2000.)	Valid until September 7, 2025
	ERC CPCN Decision dated February 26, 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	
	RA No. 11515	25 years from expiration of the term granted under RA No. 8960, or from 07 September 2025 to 07 September 2050 (Lapsed into law 26 December 2020.)	Valid until September 7, 2050
Cotabato Light	RA No. 10637	25 years from effectivity of RA No. 10637, as amended (RA No. 10637 was approved on June 16, 2014.)	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 years, or from June 17, 2014 or until June 16, 2039	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	25 years, or from March 24, 2010 to March 23, 2035	
Subic Enerzone	Distribution Management Service Agreement (DMSA) between Subic Enerzone and joint venture of AEV- Davao Light	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028.

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone which operate the power distribution utilities in MEPZ II, WCIP, LTC, and LISP4 respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

House Bill No. 10554 was an enrolled bill that aimed to expand the franchise granted to Davao Light through Republic Act No. 11515, but was vetoed by the President of the Philippines on July 27, 2022. Efforts shall be continued to re-file the bill in the 19th Congress.

## RETAIL ELECTRICITY SUPPLY BUSINESS

Like power generation, the business of supplying electricity is not considered a public utility operation under EPIRA, but is considered a business affected with public interest. As such, EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from ERC. With the implementation of Open Access in 2013, AboitizPower's RES Subsidiaries, AESI, AdventEnergy, SN Aboitiz Power – RES, and Prism Energy, obtained separate licenses to act as RES and wholesale aggregator.


### Trademarks

AboitizPower and its Subsidiaries own, or have pending applications for the registration of, intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications the Company and its Subsidiaries have filed with the Philippine IPO and their pending trademark applications abroad.

#### Philippine IPO

Trademarks	Owner	Registration No./Date Issued	Status
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ November 11,2010	Registered .
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ November 11,2010	Registered .
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ November 11, 2010	Registered .
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ February 10, 2011	Registered .
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ January 13, 2006	Registered .
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019	Registered .
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010	Registered .
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11,2010	Registered .
AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011	Registered .
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ August 20, 2007	Registered .
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ August 20, 2007	Registered .
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007	Registered .



Cotabato Light Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ May 29, 2019	Registered .
Davao Light Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ May 29, 2019	Registered .
Balamban Enerzone Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ May 29, 2019	Registered .
Mactan Enerzone Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ May 29, 2019	Registered .
Lima Enerzone Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ May 29, 2019	Registered .
Malvar Enerzone Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ May 29, 2019	Registered .
Subic Enerzone Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ May 29, 2019	Registered .
Visayan Electric Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ August 29, 2019	Registered .
MORE Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4/2018/00018077 February 21, 2019	Registered .
SN ABOITIZ POWER GROUP Logo (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc.	4-2018-00018076/February 5, 2019	Registered .
SN ABOITIZ POWER-BENGUET, INC. Logo	SN Aboitiz Power-Benguet, Inc.	4-2014-00005209/ December 29, 2016	Registered .
NURTURE NATURE, NURTURE LIFE Logo	SN Aboitiz Power-Benguet, Inc.	4-2011-00001049/ May 19, 2011	Registered .
SNAP ABOITIZ POWER-MAGAT, INC. Logo	SN Aboitiz Power-Magat, Inc.	4-2014-00005208/ March 9, 2017	Registered .
THE POWER TO MAKE A DIFFERENCE Logo	SN Aboitiz Power-Magat, Inc.	4-2011-001048/ May 26, 2011	Registered .
 Logo	SN Aboitiz Power-Magat, Inc.	4-2017-00018969/June 7, 2018	Registered .

*International Trademarks Application (Madrid Protocol)*

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office (WIPO)
AboitizPower Word Mark (Class Nos. 30, 40, 42)	Vietnam

AboitizPower Word Mark (Class Nos. 39, 40, 42)	Indonesia
AboitizPower A Better Future (Class Nos. 39, 40, 42)	World Intellectual Property Office (WIPO)
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Vietnam
AboitizPower A Better Future (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Word Mark (Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40, 42)	Indonesia
Cleanergy (Class Nos. 39, 40, 42)	WIPO
Cleanergy (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Got It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Indonesia
AboitizPower	Myanmar
AboitizPower A Better Future	Myanmar
Cleanergy	Myanmar
Cleanergy Get It	Myanmar
Cleanergy Got It	Myanmar

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

#### **i) Government Approval**

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

#### **j) Effect of Existing or Probable Governmental Regulations**

##### **Independent Market Operator (IMO)**

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)**

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. ERC issued its Decision dated September 24, 2020 denying consumer group Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (“MSK”)’s 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 utility, pursuant to ERC Resolution No. 03, series of 2009.

On December 2, 2021, the ERC issued Resolution No. 10, series of 2021, modifying the Rules for Setting the Distribution Wheeling Rates (“RDWR”) for private DUs, and Resolution No. 11, series of 2021, adopting a Regulatory Asset Base (“RAB”) Roll Forward Handbook. The RDWR and the RAB Handbook as adopted in these resolutions shall be applied in the next regulatory reset of AP DUs.

The ERC is currently undertaking to confirm the implementation of the last approved rate of private DUs during the previous regulatory period, comparing it with the DU’s Actual Weighted Average Tariff (AWAT), in order to determine if there are any over- or under-recoveries of distribution revenues during the lapsed period. The DUs were directed through letters dated April 25, 2022 to file their respective AWAT applications, guided by the 2021 RDWR mentioned above. Second entry group DUs are required to file by August 25, 2022, third entry group DUs by September 25, 2022 and fourth entry group DUs by October 25, 2022.

### **ERC Regulation on Systems Loss Cap Reduction**

On December 16, 2021, ERC issued Resolution No. 12, Series of 2021 entitled “A Resolution Clarifying the Applicable Distribution Feeder Loss Cap for Private Distribution Utilities by 2022 Onwards”. The said Resolution amended the Distribution Feeder Loss Cap stated in ERC Resolution No. 10, series of 2018, maintaining the 2021 Distribution Feeder Loss Cap of 5.50% for the year 2022 onwards until such time that a new feeder loss cap is promulgated by the ERC.

### **Competitive Selection Process**

On June 11, 2015, DOE promulgated Department Circular No. DC2015-06-0008 (“**2015 DOE Circular**”), which mandated all distribution utilities to undergo competitive selection processes (“**CSP**”) in securing PSAs after the effectivity of the said circular. The 2015 DOE Circular also authorized ERC to adopt a set of guidelines for the implementation of the CSP. The 2015 DOE Circular took immediate effect following its publication on June 30, 2015.

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, “A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market” (“**ERC CSP Rules**”). This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed CSPs. For PSAs which were already executed but were not yet filed with the ERC and those that were still in the process of negotiation during the time of the effectivity of the ERC CSP Rules, the relevant distribution utility already had to comply with the CSP requirement before its PSA application would be accepted by the ERC. The ERC CSP Rules took immediate effect following its publication on November 7, 2015.

ERC Resolution 13, Series of 2015, was restated in ERC Resolution No. 1, Series of 2016, entitled, “A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015.” ERC Resolution No. 1, Series of 2016, extended the date of the effectivity of the CSP requirement from November 7, 2015 to April 30, 2016. It further stated that all PSAs executed on or after the said date would be required, without exception, to comply with the provisions of the ERC CSP Rules.

On February 1, 2018, DOE promulgated DC No. DC2018-02-0003 (“**2018 DOE Circular**”) entitled “Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market.” Through this Circular, DOE issued its own set of guidelines (“**DOE CSP Rules**”) for the procurement by distribution utilities of PSAs for the Captive Market.

Under the DOE CSP Rules, all PSAs shall be procured through CSP, except for the following instances: (1) generation project owned by the distribution utility funded by grants or donations; (2) negotiated procurement of emergency power supply; (3) provision of power supply by any mandated Government-Owned and Controlled Corporation for off-grid areas prior to, and until the entry of New Power Providers (NPP); and (4) provision of power supply by the PSALM through bilateral contracts. A PSA may also be entered into by direct negotiation if the CSP fails twice. The DOE CSP Rules took effect upon its publication on February 9, 2018.

The validity of ERC CSP Rules and ERC Resolution No. 1, Series of 2016, was challenged before the SC on the ground that ERC, in issuing the said resolutions, amended the 2015 DOE Circular and effectively postponed the date of effectivity of the CSP requirement. Consequently, on May 3, 2019, the SC in the case of *Alyansa Para sa Bagong Pilipinas, Inc. v. ERC* (G.R. No. 227670), declared the first paragraph of Section 4 of the ERC CSP Rules and ERC Resolution No. 1, Series of 2016, as void *ab initio*. The SC further ruled that all PSAs submitted to ERC on or after June 30, 2015 shall comply with the CSP and that upon compliance with the CSP, the power purchase cost resulting from such compliance shall retroact to the date of the effectivity of the complying PSA, but in no case earlier than June 30, 2015, for purposes of passing on the power purchase cost to the consumers.

On September 24, 2021, the DOE promulgated Department Circular No. DC-2021-09-0030, amending the 2018 DOE Circular on the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market. The new circular included a new exemption from the CSP process and introduced a mechanism of subjecting unsolicited

proposals to competitive bidding. The Circular was published on October 14, 2021 and was effective on October 29, 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

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

On October 4, 2021 the DOE issued Department Circular No. DC2021-10-0031 for the Transparent and Efficient Procurement of Ancillary Services (AS CSP) by the System Operator (SO) that pushed a process similar to the CSP but this time for AS to be procured for all non-firm ASPA be converted to ASPA, and that the Market Operator (MO) can step in to help SO to avoid delays. NGCP has already begun the CSP for AS and as of July 8, 2022, it issued a bid bulletin postponing the original schedule of Submission and Opening of Bids to a later date.

### **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. 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.

On February 8, 2022, the ERC posted its call for comments on the Draft Ancillary Services Rules (AS Rules) under ERC Case Nos. 2017-005 RM and 2018-005 RM with submission deadline of February 22, 2022. It has forwarded again the transition to its new types and definitions of Ancillary Services, with its own specifications and technical requirements, a percentage of procurement of AS, for testing be done only by the SO, and a cost recovery mechanism.

### **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 (“**EEC**”) establishes certain obligations on the part of energy consumers who reach a certain annual energy consumption threshold (“**Designated Establishments**”). These obligations include, among others, reporting to the DOE of annual energy consumption, and energy consumption record keeping.

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 (IAECCC)*”, which created the IAECCC to evaluate and approve government energy efficiency projects and provide strategic direction in the implementation of the Government Energy Management Program (GEMP);
- (d) Department Circular No. DC2020-12-0026 “*Adoption of the Guidelines for Energy Conserving Design of Buildings*”, aims to encourage and promote the energy conserving design of buildings and their services to reduce the use of energy with due regard to the cost effectiveness, building function, and comfort, health, safety, and productivity of the occupants; and
- (e) Department Circular No. DC2021-05-0011 “*Guidelines for the Endorsement of Energy Efficient Projects to the Board of Investments for Fiscal Incentives*”, establishes the rules and procedures in the endorsement of energy efficiency projects to avail fiscal incentives from the BOI.

### **Energy Virtual One-Stop Shop Act**

The DOE already began the implementation of the EVOSS Online Platform, pursuant to the Republic Act No. 11234 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.

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

## **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 their 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 and Republic Act 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 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 (6) months from the effective date on this circular.

The foregoing Net Metering Program became effective on December 18, 2020. The Net Metering Guidebook was published on April 22, 2022.

## **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 as prescribed in Table 1 of the Resolution as a guide in preparing the Grid Operating and Maintenance Program. If the System Operator and Transmission Network Provider shall utilize unplanned outages beyond what is allowed in Table 1, the same shall provide a report as to the reason for such consideration as well as arrange the replacement.

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

In relation to this, the ERC issued a consolidated show cause order dated June 14, 2021, against Hedcor Bukidnon, Inc. requesting the latter to explain why it should not be held liable for violation of Article V of ERC Resolution No. 10, Series of 2020 for the alleged excess unplanned outages for Hedcor Bukidnon's Manolo Fortich 1 Units 2, 3, and 4 (ERC Case Nos. 2021-075 SC, 2021-076 SC, and 2021-077 SC). In a Decision dated February 23, 2022, the ERC found Hedcor Bukidnon liable for exceeding the allowable unplanned outages and directed Hedcor Bukidnon to pay the penalty of Four Million One Hundred Ninety Thousand Pesos (₱ 4,190,000.00) each for two units of Manolo Fortich 1. A motion to reconsider the ERC's Decision dated February 23, 2022 is currently pending before the ERC.

ERC has been actively issuing show cause orders to other GenCos in the industry and we anticipate the possibility of additional show cause orders for AboitizPower GenCos. Efforts have been made to revise the reliability performance indices through a rule-making petition in the ERC entitled "*In the Matter of the Petition to Initiate Rule-Making for the Amendment of the Rules for the Interim Reliability Performance Indices and Equivalent Outage Days Per Year of Generating Units*" docketed as ERC Case No. 2022-003 RM. The Public Consultation for the rule-making petition has been conducted in April 2022, and is currently pending before the ERC.

### **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.

Under Republic Act No. 11646 or the Microgrid Systems Act, which became law on January 21, 2022, all QTPs providing alternative electric service pursuant to Section 59 of Republic Act No. 9136 are now known as microgrid system providers.

### **Promulgating the Renewable Energy Market (REM) Rules**

On June 10, 2022, the Department of Energy issued DOE Department Circular No. DC2022-06-0019, *Declaring the interim Commercial Operations of the Renewable Energy Market*. The Circular provides a significant framework and mechanism for the commencement of the Renewable Energy Market (REM) Interim Commercial Operation (I-COP). The REM I-COP shall not yet involve any financial transactions, until such time that the Commercial Operation of the REM has been declared by the DOE. The DOE launched the I-COP REM on July 28, 2022 to begin validations of Renewable Energy Certificates but no trading yet.

### **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 Contracting Customers will pay the average price, subject to the allocation/calculation of MO, per trading interval.

On November 3, 2021, the DOE issued DC2021-11-0036 providing the Revised GEAP Guidelines listing out the Green Energy Auction steps for the competitive selection process, adopting the FIT framework as the mechanism for RE compensation and introducing an Opt-In mechanism for the Mandated Participants.

The first round of GEAP was completed in June 2022.

### **Green Energy Option Program**

On August 16, 2021, the ERC promulgated Resolution No. 08 on the Green Energy Option Program ("GEOP"). The regulatory framework for GEOP sets the technical and interconnection standards and wheeling fees of Renewable Energy (RE) Generating Facilities. The GEOP is a mechanism that will provide end-users the option to choose RE resources as their sources of energy. The GEOP Rules seek to guide the key stakeholders on who may qualify to avail, how to be licensed to provide the connection and set the fundamental agreements on the details for switching services, special power provision, related rates, and settlement of fees.

### **Retail Competition and Open Access**

Through a Decision dated March 21, 2021, the Supreme Court of the Philippines acted on several petitions regarding the implementation of Retail Competition and Open Access. These petitions were brought by Philippine Chamber of Commerce and Industry, Siliman University, and Batangas II Electric Cooperative (docketed as G.R. No. 228588, 229143, and 229453), among other petitioners and intervenors, against the DOE and the ERC. The Supreme Court struck down Department of Energy Circular No. DC2015-06-0010, series of 2015, and ERC Resolutions No. 5, 10, 11, and 28, all series of 2016, primarily for mandating contestability and prohibiting distribution utilities from participating in the contestable market. It likewise directed the ERC to promulgate guidelines on the DOE's Department Circular Nos. DC2017-12-0013 and DC2017-12-0014 for being more aligned with the objective of the EPIRA to promote robust competition among retail electricity suppliers.

### **The Open Access Transmission Service (OATS) Rules**

The Open Access Transmission Service (OATS) Rules describe the requirements and services provided by the Transmission Network Provider (TNP) that operates the high voltage backbone transmission system. The OATS Rules outline the responsibilities of the TNP and the functions of the System Operator (SO) as specified in the Philippine Grid Code (PGC) and the Wholesale Electricity Spot Market (WESM) Rules. It also sets out the responsibilities accepted by transmission customers as a condition of receiving the services. The OATS Rules aims to ensure the development of an appropriate, equitable and transparent electricity market, along with the safe, reliable, and efficient operation of the power system.

On June 9, 2022, the ERC published the 2022 Edition of the OATS, which was approved and adopted through ERC Resolution No. 03, series of 2022.

### **Amendments to Public Service Act**

Commonwealth Act No. 146, otherwise known as the Public Service Act, is a law governing the regulation of public services, which originally included “electric light, heat and power”. On March 21, 2022, the President approved the amendments to the Public Service Act. The new law, Republic Act No. 11659, included amendments to the classification of certain public services as public utilities, which included both the distribution and transmission of electricity. The amendments also provided for revisions in the regulatory authorities of administrative agencies, but also provided that nothing in the Public Service Act shall be construed as amending or repealing laws and administrative regulations deregulating or delisting services, industries and/or rates.

### **k) Cost and Effects of Compliance with Environmental Laws**

The Safety Health Environment and Security (SHES) group of AboitizPower oversees the SHES programs and activities within its operational control from the corporate center, business units, to facility teams. This includes the accounting of all environmental impacts. For the Generation Group, the facilities include: (1) APRI's Tiwi-MakBan plants, (2) SacaSun San Carlos plant, (3) the Benguet, Bakun, Sabangan, Sibulan A, B, and Tudaya A), Tudaya B, Manolo Fortich, and Talomo HEPPs, (4) SN AboitizPower Group's Ambuklao, Magat, and Maris plants, (5) Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (6) Coal Group's Davao and Toledo plants. In 2019, the reporting boundary of the SHES group expanded to include AboitizPower's Distribution Utilities, namely, Cotabato Light, Davao Light, Visayan Electric, Balamban Enerzone, Mactan Enerzone, Lima Enerzone, and Subic Enerzone.

AboitizPower and its Subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives and programs. All

facilities are in compliance with regulatory requirements, thus noting zero spending for remediation costs.

The alignment to international best practices in all power plants and distribution utilities are exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety.

In 2019, the total environmental management expenses increased to ₱51 Million, which is a 132% increase compared with previous year (₱22 Million). This consists of ₱4.6 Million for APRI, ₱10 Million for Hedcor, ₱15.4 Million for the Coal Group, ₱1.8 Million for the SN AboitizPower Group; ₱12.4 Million for the Oil Group, and a total of ₱7 Million for the Distribution Utilities.

Of the ₱51 Million total environmental management expenses, ₱12.5 Million was allocated for capital expenditure (capex) aimed at improving pollution prevention and control. The following projects were implemented: (1) improvement of SN AboitizPower-Magat HEPP's Sewage Treatment Plant (STP), (2) improvement and total rehabilitation of SN AboitizPower-Benguet HEPP's STP, (3) installation of STP for domestic waste at CPPC, (4) Coal Group's installation of flowmeter at Toledo plant's seal pit to comply with NWRB requirements, (5) APRI Makban's automation of one unit of Continuous Ambient Monitoring System, (6) upgrade of Visayan Electric's hazardous waste storage (7) multiple installation of Davao Light's power transformer oil catch basin as oil spill containment and (8) installation of material recovery facility at Cotabato Light.

Operation expenditure (OPEX) projects were also implemented to improve environmental management practices on site, such as: (1) APRI's energy conservation program which resulted to 5% reduction of electricity consumption for its offices; (2) Hedcor's enhanced waste management program resulting to 65% reduction on the volume of residual wastes in 2019 as compared to the previous year; (3) SN AboitizPower-Benguet's waste minimization through construction of Eco Composting Receptacles which lead diversion of compostable waste into organic fertilizers instead of disposal to landfills; and (4) the Enerzone's Race-to-Reduce program which resulted in reduction of paper, water, electricity, and fuel consumption as compared to previous years.

AboitizPower also supports environmental initiatives that go beyond its compliance requirements. The Company takes part in AEV's A-Park program, various coastal and river clean-up activities, and biodiversity initiatives. In the year 2019, the Company has planted a total of 460,000 trees at an expanse of 960 hectares with the help of almost 3,000 volunteers. AboitizPower organized and conducted 49 coastal and river clean-up activities, wherein over 13,000 kilograms of wastes were collected. Furthermore, AboitizPower supports a number of biodiversity initiatives, such as the Mt. Malinao Biodiversity Assessment supported by APRI, Adopt-a-River supported by Cotabato Light, and Adopt-an-Estero Project at San Isidro Buhangin supported by Davao Light.

AboitizPower and its Subsidiaries received a total of 107 awards, certifications and citations in 2019. SN Aboitiz Power-Benguet and SN Aboitiz Power-Magat received the National Silver Award and National Bronze Award, respectively, during the 11th DOLE Gawad Kaligtasan at Kalusugan (GKK) Awarding Ceremony on December 11, 2019. DOE's Safety & Health Association of the Philippines Energy Sector (SHAPES) Inc. has recognized SNAP on multiple occasions for implementing global-standard health and safety practices in its operations. During the 17th Energy Safety and Health Conference of SHAPES on December 2, 2021, SNAP-Benguet's Ambuklao and Binga plants received the Titanium Award, while the Magat and Maris Hydroelectric plants received the Gold and Silver Awards, respectively.

AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and law in 2019. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

## **FOOD MANUFACTURING**

### *Overview of the Business*

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

#### **a) Products and Services**

##### ***Feeds and Flour***

Pilmico is primarily engaged in the manufacture and sale of flour, feeds, and their by-products. These by-products are largely wheat by-products, particularly wheat bran sold under the Pilmico Brand. It has a wide network of distributors and dealers located in major cities of Metro Manila, Cebu, Davao, Iloilo, Bacolod, and Cagayan and has established representative offices in Jakarta, Indonesia and Ho Chi Minh City, Vietnam, allowing the export and distribution of flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. As of September 15, 2022, it is one of the largest flour manufacturers in the country and is ranked among the top three domestic flour producers based on internal market data.

##### *Flour Products*

Pilmico produces premium quality hard wheat flour for breads and soft wheat flour for cookies and crackers. Hard wheat flour brands include: Sun Moon Star, Sunshine, Glowing Sun and Kutitap. Meanwhile, soft wheat flour brands include: Gold Star and Mega Star. The Food Group also produces a leading brand of specialty flours under the Wooden Spoon Brand. Some notable brands under the Food Group's specialty flour include: Wooden Spoon Cake Flour, Wooden Spoon All-purpose flour, Wooden Spoon Siopao Flour, and Wooden Spoon Whole Wheat Flour.

The Food Group has taken the opportunity to expand its flour business internationally. Currently, Pilmico has a representative office in Ho Chi Minh City, Vietnam. Through these representative offices, Pilmico was able to establish its flour export business, successfully distributing its flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. The Food Group expects to take further efforts to strengthen the presence of its flour business in the ASEAN region.

##### *Feeds Products*

Feeds products offered by the Food Group include aqua feeds for different stages of growing pangasius, tilapia and other species, and animal feeds for different stages of growing swine, poultry, cow, and rabbit. The Food Group also offers animal healthcare products in the Philippines as part of its objective of becoming a total solutions provider for its feeds' customers. Pilmico and PANC also sell feeds raw materials through their commodity trading business.

##### ***Hog and Layer Farms***

The Food Group's hog and layer farms operations are conducted through its subsidiary, PANC. Pilmico, together with another wholly-owned subsidiary, Filagri owns 100% equity interest of PANC. PANC operates farms and feed mill plants in Capas, Tarlac.

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

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

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

### ***International Animal Nutrition***

Pilmico International, a company organized under the laws of Singapore, is the project vehicle of AEV's first international investment in the feeds business. It was established in June 2014 as a wholly-owned subsidiary of the Company.

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

### ***Pilmico Vietnam Company (PVN)***

In 2014, AEV began its expansion into the Vietnamese market via the aqua feeds segment through Pilmico International. Pilmico International acquired 70% of the total outstanding shares in PVN (formerly, Pilmico VHF Joint Stock Company and originally, Vin Hoan 1 Feed JSC), one of the largest aqua feeds producers in Vietnam. This acquisition allowed the Food Group to expand its feeds business in Vietnam and build its market base internationally. To date, Pilmico International owns 100% equity interest of PVN.

PVN's operations are in Dong Thap Province in Vietnam, approximately 165 kilometers from Ho Chi Minh City. It has a current capacity of 270,000 MT per year. This capacity has supported efforts to build a commercial market in Vietnam and export market, in addition to the long-term supply agreement with Vinh Hoan Corporation.

The investment in PVN allowed the Food Group to gain a foothold in the Vietnamese aqua feeds business, and at the same time, build its reach to other aqua farm customers. This strategic move was also intended to establish a gateway to investments in other ASEAN countries like Thailand, Laos, and Cambodia, allowing the Food Group to expand its core feeds business internationally, and to diversify and gain competence in the aqua feeds product segment currently not produced in the Philippines.

### ***Gold Coin Feedmill (Binh Duong)***

In 2019, Pilmico Animal Nutrition Joint Stock Company ("**PAN-JSC**") was folded into the Gold Coin Group as part of the ongoing integration between the businesses of Pilmico International and the Gold Coin Group and was renamed Gold Coin Feedmill (Binh Duong). Pilmico International initially

acquired a 70% equity stake in PAN-JSC from Europe Nutrition Joint Stock Company (Eurofeed), a feed mill operator, in 2017. This acquisition was part of Pilmico International's expansion of its feeds business in Vietnam. Following this acquisition, the Food Group began offering animal feeds products for the different stages of growing swine, poultry, cow and rabbit. See "*GCMH and the Gold Coin Group.*"

### ***Pilmico VN Trading***

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

### ***Gold Coin Management Holdings Private Limited (GMCH) and the Gold Coin Group***

In July 2018, to further expand the Food Group's animal feeds business within the Asian region, AEV, through Pilmico International, acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group. In May 2019, Pilmico International completed its acquisition of the remaining 25% equity interest in GCMH. GCMH is an investment holding company incorporated under the laws of the British Virgin Islands in January 2000. GCMH is the parent holding entity, through which all investments in the Gold Coin Group are held and has subsidiaries in Singapore, China, Hong Kong, Indonesia, Malaysia, Vietnam, Thailand, Sri Lanka, Myanmar, Brunei, and the Philippines.

Headquartered in Singapore, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feeds and is a leading brand in animal nutrition with more than 21 livestock and aqua feed mills across seven countries in the Asia-Pacific, with an installed milling capacity of three Million MT per year as of September 30, 2020. As of September 30, 2020, it has two research facilities located in China and Malaysia. In particular, the Gold Coin Group manufactures and sells animal feed and specialty nutrition products, including compound feed, pre-mix and additives for the livestock and aqua sectors in the Asia-Pacific region. Products and services include: (i) livestock feed such as feed for poultry broiler/layer, swine, duck, other birds and fish; (ii) aqua feed or feeds for aquaculture produce such as shrimp; and (iii) specialty nutrition or the premix and specialty concentrate complete feed. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio.

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

### **b) Distribution Methods**

PFC and PANC sell their feeds and flour products through a nationwide distribution network of dealers. PFC likewise exports its flour products to Hong Kong, Myanmar and Vietnam. PANC's hog and meat products are sold to "*viajeros*" or small-scale distributors and institutional customers (such as hotels, restaurant, and caterers).

In addition to its existing presence through its representative offices, through its acquisition of the Gold Coin Group, the Food Group gained access to a comprehensive platform with an extensive distribution and sales network spread across 11 countries in the Asia-Pacific region.

The Gold Coin Group has established relationships with customers, offering a number of brands of livestock and aqua feeds products with quality feed formulation across various key markets. Moreover, in 2018, the Gold Coin Group launched a sales optimization program to introduce a centrally designed sales program with an aim to integrate livestock operation, distribution, and sales channels to expand its specialty nutrition and aqua feeds. Taking advantage of this program, the Food Group is developing a stronger and multi-branded one-stop shop animal nutrition platform to address the demands of its wide range of customers across the Asia-Pacific region.

The Food Group's businesses are not dependent upon a single customer or a few customers such that a loss of any one would have a material adverse effect on the performance of its sales and distribution. The Food Group has no single customer that, based on existing orders, accounts for 20% or more of its total sale of goods and services.

### **c) New Products and Services**

#### *International Animal Nutrition*

The Gold Coin Group provides nutritional solutions and onsite technical support to customers to optimize aquaculture and farm production across the Asia-Pacific Region. As of 2020, the group has an existing 17 livestock feed mills in six countries (China, Indonesia, Malaysia, Vietnam, Sri Lanka, and Brunei); four aqua feed mills in three countries (Indonesia, Malaysia, and Thailand); and offers specialty nutrition across six countries (Malaysia, Sri Lanka, Philippines, China, Pakistan, and Myanmar). Meanwhile, research and development activities are supported by five research farms located in Malaysia, Indonesia & China, covering both Livestock and Aqua products. Its production facilities are ISO 22000/HACCP certified.

The Gold Coin Group intends to introduce innovative new products, product variants, and line extensions in the livestock and aquaculture feeds segments. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio. The group also relies on technological innovation and feed re-formulation in order to maximize profits. The capabilities of the Gold Coin Group will allow the Food Group to develop a stronger and multi-branded platform of animal nutrition products to address the demands of a wide range of customers across the Asia-Pacific Region.

### **d) Competition**

As an integrated food and agri-business company primarily engaged in the manufacture and sale of animal feeds, flour, flour by-products as well as the production of swine and table eggs, the Food Group operates in a competitive industry driven by global raw material prices with an increasing trend on process improvement and digitization. Moreover, with global food demand on the rise brought by rising income from a growing middle class in developing countries, industry growth has been supported by global and domestic expansions by a growing number of agri-business players.

The Food Group's business model is well positioned at the beginning of the food value chain with facilities in the Philippines located in Tarlac (feedmill and farms) and Iligan (flourmill and feedmill).



The Food Group products are distributed through external distributors and dealers located in major cities all throughout the Philippines.

The Food Group believes that it competes through cost leadership and providing a better customer experience.

PFC believes that it is among the top three domestic flour, swine, and animal feed producers in the Philippines, which include San Miguel Food and Beverage, Inc. and Universal Robina Corporation for flour, B-MEG, and Unahco for feeds, and Monterey and Robina for farms, all of which leverage on strategic logistic hubs, competitive pricing and dedicated sales support teams to drive growth. The Gold Coin Group's competitors in international feeds include Charoen Pokphand Group, Japfa Comfeed, Cargill and Proco Charoen Pokphand Group remains the biggest feed miller in South East Asia with leading market share and capacity in Thailand, Vietnam and Indonesia.

#### **e) Sources of Raw Materials**

The Food Group, through PFC and PANC, imports wheat, soybean meal and other grains mostly from various suppliers in the United States, Canada, and Australia. This exposes the Food Group to risks arising from currency fluctuations and volatile price movements of raw materials.

PVN imports soybean meal from Argentina and the United States, and cassava from Cambodia. Rice bran and other grains are sourced from various suppliers in Vietnam.

A wide variety of raw materials are required by the Gold Coin Group to manufacture its livestock and aqua feeds products, including, but not limited to, corn grains, soya beans and meals, and wheat products. Costs of raw materials account for 80% to 85% of sales value. Corn grains and soybean, sourced from China, Malaysia, Singapore, Indonesia, and Vietnam, account for 65% to 70% raw material usage and can be subject to volatile price movements.

Efficient sourcing of these materials requires a combination of local and import strategies. In order to optimize its position as one of the largest animal nutrition providers in the Asia-Pacific Region and take advantage of the synergies between related parties and affiliates, the Gold Coin Group instituted a centralized commodity trading team for the Food Group that determines procurement and strategic sourcing activities.

#### **f) Major Customers**

The Food Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. The Gold Coin Group has no single customer that, based on existing orders, will account for 20% or more of its total sale of goods and services.

#### **g) Transactions with and/or Dependence on Related Parties**

Transactions with and/or dependence on related parties are discussed at the holding company level.

Additionally, to unlock cost synergies and efficient sourcing of raw materials within the Food Group, the Gold Coin Group instituted a centralized commodity trading team that is tasked to identify and secure procurement and strategic sourcing activities. Transactions are made at arms-length, fair, and compliant with transfer pricing rules.

## h) Patents, Copyrights, and Franchises

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

### Philippine Intellectual Property Office

	Trademark	Registration Date	Expiration Date
1	PILMICO FOODS CORPORATION	November 28, 2005	November 28, 2025
2	SUN-MOON-STAR	October 2, 2006	October 2, 2026
3	GOLD STAR AND DEVICE	August 17, 2006	August 17, 2026
4	SUNSHINE	October 15, 2007	October 15, 2027
5	GLOWING SUN	October 2, 2006	October 2, 2026
6	KUTITAP AND DEVICE	January 17, 2005	January 17, 2025
7	KUTITAP with color claim	December 5, 2004	December 5, 2024
8	SUNFLOUR AND DESIGN	May 5, 2008	May 5, 2028
9	Silver Star	February 24, 2012	February 24, 2022 (IPOP HL Petition for Renewal filed)
10	Silver Star Logo with color claim	January 13, 2012	January 13, 2022 (IPOP HL Petition for Renewal filed)
11	SUN RAYS HARD WHEAT FLOUR	February 20, 2014	February 20, 2024
12	STAR BEAM SOFT WHEAT FLOUR	December 26, 2013	December 26, 2023
13	STAR BLAZE SOFT WHEAT FLOUR	February 20, 2014	February 20, 2024
14	LUNA CAKE FLOUR	February 20, 2014	February 20, 2024
15	SUN STREAM HARD WHEAT FLOUR	February 20, 2014	February 20, 2024
16	PILMICO Device	December 26, 2013	December 26, 2023
17	PILMICO FLOUR	February 20, 2014	February 20, 2024
18	Mahalin Pagkaing Atin with color claim	July 2, 2015	July 2, 2025
19	SUNLIGHT	September 1, 2016	September 1, 2022
20	The Care Package	March 23, 2018	March 23, 2028
21	The Care Package Logo	March 24, 2017	March 24, 2027
22	WOODEN SPOON	May 4, 1993	May 4, 2023

23	WOODEN SPOON word mark for additional classes Nos. 35 and 43	December 17, 2017	December 17, 2027
24	WOODEN SPOON AND DEVICE for additional classes Nos. 35 and 43	December 17, 2017	December 17, 2027
25	PILMICO word mark	March 24, 2017	March 24, 2027
26	Silver 168	February 22, 2018	October 24, 2028
27	Yummii	December 28, 2017	August 25, 2027
28	Silver Star with Chinese Slogan Device.	February 22, 2018	October 24, 2028
29	SOLA ALL PURPOSE FLOUR	February 20, 2014	February 20, 2024
30	PILMICO logo	June 2, 2017	February 21, 2027
31	"M" handshake mark	August 17, 2017	February 20, 2027
32	Flour Solutions	October 31, 2019	April 24, 2029
33	PIGROW with color claim	September 28, 2012	September 28, 2022
34	PIGROW MATERNA	May 24, 2012	May 24, 2022
35	CHICKGROW	October 18, 2019	October 18, 2029
36	PORK SOLUTIONS	August 20, 2007	August 20, 2027
37	POULTRY SOLUTIONS	August 20, 2007	August 20, 2023
38	AQUAMAX	June 6, 2013	June 6, 2023
39	POULTRY EXPRESS	April 14, 2013	April 14, 2023
40	ALAS NG SALTO	February 28, 2013	February 28, 2023
41	AEV MAX	February 8, 2013	February 8, 2023
42	SALTO	February 8, 2013	February 8, 2023
43	ANGAT SARADO	February 8, 2013	February 8, 2023
44	BASIC	February 8, 2013	February 8, 2023
45	LAKAS GATAS	February 8, 2013	February 8, 2023
46	GALLIMAX	February 8, 2013	February 8, 2023
47	SUPREMECON	July 22, 2011	July 22, 2021
48	POWERMIX	January 13, 2012	January 13, 2022
49	PILMICO FEEDS	March 8, 2012	March 8, 2022
50	GROW YOUR PROFIT	December 26, 2013	December 26, 2023
51	PARTNERS FOR GROWTH	July 16, 2010	July 16, 2030
52	PILMICO FARMS LOGO	April 17, 2014	April 17, 2024

53	PILMICO FEEDS	April 17, 2014	April 17, 2024
54	GROWING PIG LOGO	April 17, 2014	April 17, 2024
55	GROWING CHICKEN LOGO	April 17, 2014	April 17, 2024
56	GROWING QUAIL LOGO	April 17, 2014	April 17, 2024
57	GROWING PIGEON LOGO	April 17, 2014	April 17, 2024
58	GROWING DUCK LOGO	December 26, 2013	December 26, 2023
59	POWERHEAL	April 17, 2017	April 17, 2027
60	POWERBOOST	December 8, 2016	December 8, 2026
61	Immunodigest	December 8, 2016	December 8, 2026
62	AVEMAX	September 29, 2016	September 29, 2026
63	CIVIC	June 22, 2017	June 22, 2027
64	ELITE	June 22, 2017	June 22, 2027
65	SALTO	July 29, 2017	July 29, 2027
66	ULTIMAX	September 7, 2017	September 7, 2027
67	EGG2GO	September 13, 2018	September 13, 2028
68	Bagwis	September 13, 2018	September 13, 2028
69	Gut Protech	January 23, 2018	January 23, 2028
70	With Gut ProTech	July 19, 2018	July 19, 2028
71	Worm Buster word mark	November 1, 2018	November 1, 2028
72	Worm Buster device mark	November 1, 2018	November 1, 2028
73	YOLO! Chicha, atbp.	September 23, 2018	September 23, 2028
74	Dok Tilaok	March 31, 2019	March 31, 2029
75	Beat the Day	November 1, 2018	November 1, 2028
76	Taste Adventure	November 1, 2018	November 1, 2028
77	Arya	June 6, 2019	June 6, 2029
78	The Good Meat	December 12, 2018	December 12, 2028
79	Woofy	May 9, 2019	May 9, 2029
80	Prime Kennel	August 25, 2019	August 25, 2029
81	Primum	May 9, 2019	May 9, 2029
82	Power Armor	July 14, 2019	July 14, 2029
83	Powerguard	July 14, 2019	July 14, 2029

84	Powershield	July 14, 2019	July 14, 2029
85	Maxime	July 4, 2019	July 4, 2029
86	Powercharge	August 4, 2019	August 4, 2029
87	Powersurge	November 7, 2019	November 7, 2029
88	Powercure	August 4, 2019	August 4, 2029
89	Powerboost	September 23, 2019	September 23, 2029
90	Classic	September 23, 2019	September 23, 2029
91	Maxime Smiley (“X”)	February 17, 2020	February 17, 2030
92	Woofy Smiley (“W”)	February 17, 2020	February 17, 2030
93	M3TimE	February 17, 2020	February 27, 2030
94	BETTER NOURISHMENT, BETTER CARE	February 17, 2020	February 27, 2030
95	FORK THE PORK	October 14, 2019	October 14, 2029
96	Pilmico Foods Corporation an Aboitiz Company	November 28, 2015	November 28, 2025
97	Kutitap Hard Wheat Flour	January 17, 2015	January 17, 2025
98	Basco	March 24, 2021	March 24, 2031
99	With Worm Buster	February 2, 2018	February 2, 2028
100	Liver Protech	February 9, 2021	February 9, 2031
101	Suki by Pilmico	December 23, 2020	December 23, 2030
102	Tammy	March 24, 2021	March 24, 2031
103	Kunemax	March 24, 2021	March 24, 2031
104	XP	March 24, 2021	March 24, 2031
105	Kitchen Specials	February 9, 2021	February 9, 2031
106	Catsby	March 24, 2021	March 24, 2031
107	Nobuddy Left Behind	June 4, 2020	June 4, 2030
108	Do Good For Doggo	June 4, 2020	June 4, 2030
109	Ave Max	August 10, 2012	August 10, 2022
110	With Great Flour Comes Great Responsibility	October 29, 2021	October 29, 2031
111	GOLD COIN FEED	August 11, 2016	August 11, 2026
112	GOLD COIN FEED & device	October 24, 2019	October 24, 2029

113	GOLD COIN FEED & device & chinese characters	December 8, 2019	December 8, 2029
114	Tommy	April 23, 2021	April 23, 2031
115	The Good Hens	February 7, 2022	February 7, 2032
116	The Good Pick	February 7, 2022	February 7, 2032
117	Partners in Pethood	August 13, 2021	August 13, 2031
118	Commisari	Filed October 5, 2021	Pending
119	Tarlac Meatmasters	Filed June 24, 2021	Pending
120	The Good Egg	Filed November 25, 2021	Pending
121	The Good Yolk	Filed November 25, 2021	Pending
122	Eggdrop! Eggdrop!	Filed November 25, 2021	Pending
123	Live the Best Life Together	Filed August 25, 2021	Pending
124	Unleash the Fun Together	Filed August 25, 2021	Pending
125	Nurture Heartwarming Moments	Filed August 25, 2021	Pending
126	ABAQA	Filed September 14, 2020	Pending

#### International Trademarks Application (Madrid Protocol)

Trademarks	Owner	Country of Application
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	Singapore, Turkey, Vietnam, South Korea
Luna Cake Flour (#1173339) (Class No. 30)	Pilmico Foods Corporation	WIPO, South Korea, China
Sola All Purpose Flour (#1341959) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, South Korea, China, Turkey
PILMICO word mark (#1392327) (Class Nos. 5, 29, 30, 31, 35, 43, and 45)	Pilmico Foods Corporation	WIPO, USA (Guam), Cambodia, Ghana, Singapore
Aquamax (#1372599) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Singapore, Ghana
Civic (#1377276) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, USA, Singapore
Elite (#1377277) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Singapore

Powermix (#1372598) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, USA
Ultimax (#1404587) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, USA, Singapore, Ghana
Salto (Word Mark) (#1407635) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, Singapore, USA
Gallimax (Word Mark) (#1372097) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, Singapore, USA
ABAQA (#1562844) (Class No. 35)	Pilmico International Pte., Ltd.	WIPO, Brunei, Cambodia, China, Indonesia, Laos, Malaysia, Thailand, Vietnam
TOMMY (#1606502) (Class No. 31)	Pilmico International Pte., Ltd.	WIPO, Cambodia, China, Indonesia, Malaysia, Thailand, Vietnam,
Maxime (#1648100) (Class No. 31)	Pilmico International Pte., Ltd.	WIPO, Cambodia, Indonesia, Malaysia, Philippines, Thailand and Vietnam
Woofy (#1647804) (Class No. 31)	Pilmico International Pte., Ltd.	WIPO, Cambodia, Indonesia, Malaysia, Philippines, Thailand and Vietnam
Maxime Smiley (“X”) (Pending) (Class No. 31)	Pilmico International Pte., Ltd.	WIPO, Cambodia, Indonesia, Malaysia, Philippines, Thailand and Vietnam
Woofy Smiley (“W”) (Pending) (Class No. 31)	Pilmico International Pte., Ltd.	WIPO, Cambodia, Indonesia, Malaysia, Thailand and Vietnam
FYTONIX (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	WIPO, China, Indonesia, Malaysia, Philippines, Thailand and Vietnam
BOOSTIX (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	WIPO, China, Indonesia, Malaysia, Philippines, Thailand and Vietnam
VIDALIX (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	WIPO, China, Indonesia, Malaysia, Philippines, Thailand and Vietnam
PROBIX (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	WIPO, China, Indonesia, Malaysia, Philippines, Thailand and Vietnam

Pilmico and its Subsidiaries have other pending trademark applications under the Madrid Protocol for the following countries: China and Ghana.

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

Trademarks	Owner	Country of Application
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PILMICO (#304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Hong Kong
PILMICO (#180100375) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Thailand
PILMICO (#493122018) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Myanmar
PILMICO (#20170603657, 20170603660 to 20170603662, 20170603665 to 2017060365767) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Malaysia
PILMICO (DO020180111108, DO020180111110, DO020180111116, DO020180111119, DO020180111122, DO020180111123) (Class Nos. 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Indonesia
Gallimax – (#4201632522) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Aquamax - (#4201632521) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Avemax - (#4201632524) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Civic - (#4201632523) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Gallimax (DO020180111118) (Class No. 31)	Pilmico Foods Corporation	Indonesia
Ultimax - (DO020180111127) (Class No. 31)	Pilmico Foods Corporation	Indonesia
Avemax - (DO020180111114) (Class No. 31)	Pilmico Foods Corporation	Indonesia
Civic - (DO020180111120) (Class No. 31)	Pilmico Foods Corporation	Indonesia
Star Beam + Lukisan Bintang (DO0213055441) (Class No. 30)	Pilmico Foods Corporation	Indonesia
Star Blaze + Lukisan Bintang (DO0213055439) (Class No. 30)	Pilmico Foods Corporation	Indonesia
Sun Rays + Lukisan Matahari (DO0213055443) (Class No. 30)	Pilmico Foods Corporation	Indonesia
Sun Stream (DO0213055445) (Class No. 30)	Pilmico Foods Corporation	Indonesia
ABAQA (249721) (Class No. 35)	Pilmico International Pte., Ltd.	Sri Lanka
ABAQA (2020/019105) (Class No. 35)	Pilmico International Pte., Ltd.	Myanmar



ABAQA (40202005797X) (Class No. 35)	Pilmico International Pte., Ltd.	Singapore
TOMMY (40202020332T) (Class No. 31)	Pilmico International Pte., Ltd.	Singapore
TOMMY (255080) (Class No. 31)	Pilmico International Pte., Ltd.	Sri Lanka
BETTER NOURISHMENT, BETTER CARE (262874) (Class No. 31)	Pilmico International Pte., Ltd.	Sri Lanka
Maxime (58082062) (Class No. 31)	Pilmico International Pte., Ltd.	China
Maxime (262875) (Class No. 31)	Pilmico International Pte., Ltd.	Sri Lanka
Maxime (40202117806S) (Class No. 31)	Pilmico International Pte., Ltd.	Singapore
Maxime Smiley (“X”)(58088861, Back up: 60472621) (Class No. 31)	Pilmico International Pte., Ltd.	China
Maxime Smiley (“X”) (40202117810U) (Class No. 31)	Pilmico International Pte., Ltd.	Singapore
Maxime Smiley (“X”) (262878) (Class No. 31)	Pilmico International Pte., Ltd.	Sri Lanka
Woofy (58068877) (Class No. 31)	Pilmico International Pte., Ltd.	China
Woofy (262876) (Class No. 31)	Pilmico International Pte., Ltd.	Sri Lanka
Woofy (40202117809V) (Class No. 31)	Pilmico International Pte., Ltd.	Singapore
Woofy Smiley (“W”) (58082044) (Class No. 31)	Pilmico International Pte., Ltd.	China
Woofy Smiley (“W”) (262877) (Class No. 31)	Pilmico International Pte., Ltd.	Sri Lanka
Woofy Smiley (“W”) (40202117808R) (Class No. 31)	Pilmico International Pte., Ltd.	Singapore
Live the Best Life Together (DID2021056098) (Class No. 31)	Pilmico International Pte., Ltd.	Indonesia
Live the Best Life Together (TM20211023504) (Class No. 31)	Pilmico International Pte., Ltd.	Malaysia
Live the Best Life Together (4-2021- 33266) (Class No. 31)	Pilmico International Pte., Ltd.	Vietnam
Unleash the Fun Together (DID2021056109) (Class No. 31)	Pilmico International Pte., Ltd.	Indonesia
Unleash the Fun Together (TM2021023506) (Class No. 31)	Pilmico International Pte., Ltd.	Malaysia
Unleash the Fun Together (4-2021- 33267)	Pilmico International Pte., Ltd.	Vietnam

(Class No. 31)		
Nurture Heartwarming Moments (DID2021056124) (Class No. 31)	Pilmico International Pte., Ltd.	Indonesia
Nurture Heartwarming Moments (TM2021023507) (Class No. 31)	Pilmico International Pte., Ltd.	Malaysia
Nurture Heartwarming Moments (4-2021-33268) (Class No. 31)	Pilmico International Pte., Ltd.	Vietnam
Maxime (Stylized) (61103103)	Pilmico International Pte., Ltd.	China
Maxime & Better Nourishment, Better Care (61184144) (Class No. 31)	Pilmico International Pte., Ltd.	China
Maxime & Live the Best Life Together (61103106) (Class No. 31)	Pilmico International Pte., Ltd.	China
Maxime & Unleash the Fun Together (61103105) (Class No. 31)	Pilmico International Pte., Ltd.	China
Maxime & Nurture Heartwarming Moments (61103104) (Class No. 31)	Pilmico International Pte., Ltd.	China
Nurture Heartwarming Moments (4-2021-33268) (Class No. 31)	Pilmico International Pte., Ltd.	Vietnam
Gold Coin, WANG EMAS & Chinese Characters Device (42094) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Bangladesh
GOLD COIN FEED & Chinese Characters & Device (234799) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Bangladesh
GOLD COIN FEED & Chinese Characters & Device (234800) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Bangladesh
GOLD COIN FEED & Device (235197) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Bangladesh
GOLD COIN FEED & Device (235198) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Bangladesh
GOLD COIN FEED & Chinese Characters & Device (234799) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Bangladesh
GOLD COIN & Device - 8212 (Class No. 21)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device - 8210 (Class No. 1)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device - 8211 (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device - 8214 (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam

GOLD COIN & Device - 8213 (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN FEED & Chinese Characters & Device - TM/50672 (Classes Nos. 1, 5, 31)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN FEED & Device - TM/50673 (Classes Nos. 1, 5, 31)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
Gold Coin, Chinese characters & Device (19385/03) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Cambodia
GOLD COIN FEED & Chinese Characters & Device (KH/T/2019/85358) (Classes Nos. 1, 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	Cambodia
GOLD COIN FEED & Device (KH/T/2019/85360) (Classes Nos. 1, 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	Cambodia
GOLD COIN (3505731) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
GOLD COIN FEED & Chinese characters & device (3021536) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
Gold Coin, Chinese Characters and device (300776) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
JIN QIAN BAO in Chinese Character (3011619) (Class No.31)	Gold Coin Management Holdings, Pte. Ltd.	China
JIN QIAN HUANG in Chinese Characters (8080015) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
JIN QIAN in Chinese Character (3505730) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
JIN QIAN LE in Chinese Character (8080016) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
GOLD COIN FEED device and chinese characters (38091645) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
GOLD COIN FEED device and chinese characters (38091646) (Class No. 30)	Gold Coin Management Holdings, Pte. Ltd.	China
GOLD COIN FEED device and chinese characters (38091647) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	China
GOLD COIN FEED & device (38091648) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
GOLD COIN FEED & device (38091649) (Class No. 30)	Gold Coin Management Holdings, Pte. Ltd.	China
GOLD COIN FEED & device (38091659) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	China
金钱鸽1号 (59963535) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China

金钱鸽2号 (59960171) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
金钱鸽3号 (59954804) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
金虾1号 (Gold Shrimp 1 in Chinese) (59072093) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
虾中宝 (Shrimp in the Treasure in Chinese) (59072092) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
虾之大 (Big Shrimp in Chinese) (59072090) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
鳅博士 (Dr.Loach in Chinese) (59072089) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
金奶宝 (Gold Milk Treasure in Chinese) (59072085) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
VIDALIX in Chinese (61414200) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	China
VIDALIX in Chinese (61436683) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	China
Gold Coin, Chinese characters & Device -199601055 (Class No. 31)	Gold Coin Management Holdings Pte. Ltd.	Hong Kong
GOLD COIN FEED & device -304919446 (Classes Nos. 5, 31)	Gold Coin Management Holdings Pte. Ltd.	Hong Kong
GOLD COIN FEED device and Chinese characters -304919437 (Classes Nos. 5, 31)	Gold Coin Management Holdings Pte. Ltd.	Hong Kong
Gold Coin, WANG EMAS & Chinese characters device - 644125 (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	India
GOLD COIN FEED & device & chinese characters - 4175548 (Classes Nos. 5, 30, 31)	Gold Coin Management Holdings, Pte. Ltd.	India
GOLD COIN FEED & device - 4175549 (Classes Nos. 5, 30, 31)	Gold Coin Management Holdings, Pte. Ltd.	India
GOLD COIN UANG MAS & Device (IDM000023251) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia
GOLD COIN UANG MAS LOGO (IDM000051919) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia

TELOR MAS (IDM000235454) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd	Indonesia
AYAMAS (IDM000212187) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN & UANG MAS and Device (IDM000248677) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN FEED & device (IDM000834277) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN FEED & device (IDM000863012) (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN FEED & device (IDM000794502) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN FEED & device & chinese characters (IDM000834275) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN FEED & device & chinese characters (IDM000792996) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN FEED & device & chinese characters (IDM000793660) (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN UANG EMAS FEED device (b&w) (IDM000737557) (Classes Nos. 5, 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
GOLD COIN UANG EMAS FEED device (color) (IDM000815793) (Classes Nos. 5, 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
POWER SPECTA (IDM000860231) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
SEAWEED (Pending) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
POWER CHAMPION (IDM000860232) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
WHITE MILLET (Pending) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
POWER HEAL (IDM000860617) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
POWER BOOSTER (Pending) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
Gold Coin Seaweed (Pending) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
Gold Coin Power Booster (Pending) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia
Gold Coin White Millet (Pending) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Indonesia

Gold Coin, Chinese characters & Device (N/012262) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Macao
GOLD COIN FEED & device (N/154117) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Macao
GOLD COIN FEED & device (N/154118) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Macao
GOLD COIN FEED & device & chinese characters (N/154119) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Macao
GOLD COIN FEED & device & chinese characters (N/154120) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Macao
GOLD COIN & Device (M/066884) (Class No. 1)	Gold Coin Services Singapore Pte. Ltd.	Malaysia
GOLD COIN & Device (M/066886) (Class No. 21)	Gold Coin Services Singapore Pte. Ltd.	Malaysia
GOLD COIN & Device (M/066885) (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	Malaysia
GOLD COIN & Device (M/066887) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Malaysia
GOLD COIN & Device (M/066888) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Malaysia
GOLD COIN FEED & chinese characters & device (TM2019013270) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & chinese characters & device (TM2019013273) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & chinese characters & device (TM2019013274) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & device (TM2019013282) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & device (TM2019013265) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & device (TM2019013269) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Malaysia
Gold Coin, WANG EMAS & Chinese characters Device (87002355) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & Device & Chinese Characters (Colour) (4/20760/2019)	Gold Coin Management Holdings, Pte. Ltd.	Myanmar

(Class Nos. 5 and 31)		
GOLD COIN FEED & Device (Color) (4/20759/2019) (Class Nos. 5 and 31)	Gold Coin Management Holdings, Pte. Ltd.	Myanmar
GOLD COIN & Device (4/2027/2012,4/1123/2007) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Myanmar
Gold Coin, WANG EMAS & Chinese characters Device (A52255) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Papua New Guinea
GOLD COIN & Device (S/018303) (Class No, 31)	Gold Coin Management Holdings, Pte. Ltd.	Sabah
GOLD COIN & Device (S/018302) (Class No. 29)	Gold Coin Management Holdings, Pte. Ltd.	Sabah
GOLD COIN & Device (S/018300) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Sabah
GOLD COIN & Device (S/018301) (Class No. 21)	Gold Coin Management Holdings, Pte. Ltd.	Sabah
GOLD COIN & Device (S/018299) (Class No. 1)	Gold Coin Management Holdings, Pte. Ltd.	Sabah
GOLD COIN & Device (R/017137) (Class No. 1)	Gold Coin Management Holdings, Pte. Ltd.	Sarawak
GOLD COIN & Device (R/017136) (Class No. 21)	Gold Coin Management Holdings, Pte. Ltd.	Sarawak
GOLD COIN & Device (R/017135) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Sarawak
GOLD COIN & Device (R/013574) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN BRAND WANG EMAS with Chinese Characters device (R/013576) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (T7462342A) (Class No. 1)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN & Device (T7462346D) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN & Device (T7462345F) (Class No. 29)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN & Device (T7462344H) (Class No. 21)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN & Device (T7462343Z) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN BRAND ZUELLIG WANG EMAS with Chinese Characters & device (T9105225I) (Class No. 1)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN FEED & chinese characters & device (40201910888P) (Classes Nos. 1, 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN FEED & device (40201910897X)	Gold Coin Management Holdings, Pte. Ltd.	Singapore

(Classes Nos. 1, 5, 31)		
VIDALIX (40202117821Y) (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
BOOSTIX (40202117822T) (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
FYTONIX (40202117823U) (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
PROBIX (40202117824S) (Classes Nos. 5, 31)	Gold Coin Management Holdings, Pte. Ltd.	Singapore
GOLD COIN & Device (39635) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sri Lanka
GOLD COIN FEED & device (241189) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sri Lanka
GOLD COIN FEED & device (241176) (Class No.31)	Gold Coin Services Singapore Pte Limited	Sri Lanka
GOLD COIN FEED & device & chinese characters (241193) (Class No.31)	Gold Coin Services Singapore Pte Limited	Sri Lanka
GOLD COIN FEED & device & chinese characters (241190) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sri Lanka
VIDALIX (262885) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sri Lanka
VIDALIX (262886) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sri Lanka
BOOSTIX (262879) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sri Lanka
BOOSTIX (262880) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sri Lanka
FYTONIX (262881) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sri Lanka
FYTONIX (262882) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sri Lanka
PROBIX (262883) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sri Lanka
PROBIX (262884) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sri Lanka
GOLD COIN SPECIALITIES & Thai Characters and Device (Kor87762) (Class No. 31)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
Gold Coin, WANG EMAS & Chinese characters Device (Kor135370) (Class No. 42)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
GOLD COIN FEED & device (211108419) (Class No.5)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
GOLD COIN FEED & device (211108439) (Class No.29)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
GOLD COIN FEED & device (211108441) (Class No.31)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
GOLD COIN FEED device and chinese characters (211108448)	Gold Coin Management Holdings, Pte. Ltd.	Thailand



(Class No.5)		
GOLD COIN FEED device and chinese characters (211108418) (Class No.29)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
GOLD COIN FEED device and chinese characters (211108421) (Class No.31)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
Zeta ZAD Logo (201100582) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
Zeta TOF Logo (2011005830) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
Zeta TOF Xtra Logo (201102101) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
Zeta L-Tonic Logo (201102102) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
Zeta Plus Logo (201102103) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
Zeta 8 Logo (201100584) (Class No. 5)	Gold Coin Management Holdings, Pte. Ltd.	Thailand
GOLD COIN FEED & Device (123293) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Vietnam
GOLD COIN FEED LIVESTOCK AQUIACULTURE & Device (123294) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Vietnam
Gold Coin, Chinese characters and Device (5263) (Class Nos. 29, 30, 31)	Gold Coin Services Singapore Pte Limited	Vietnam
Gold Coin, Kim Tien & Device (66493) (Class Nos. 29, 31)	Gold Coin Services Singapore Pte Limited	Vietnam
GOLD COIN FEED device and chinese characters (395639) (Classes Nos. 5, 29, 30, 31)	Gold Coin Services Singapore Pte Limited	Vietnam
GOLD COIN FEED & device (395640) (Classes Nos. 5, 29, 30, 31)	Gold Coin Services Singapore Pte Limited	Vietnam

Pilmico and its Subsidiaries have other pending trademark applications to individual countries such as Indonesia, Thailand, Bangladesh, Brunei Darussalam, China, Macao, Malaysia, Singapore, Sri Lanka, and Vietnam.

**i) Effect of Existing or Probable Governmental Regulations**

The laws and regulations that govern the Food Group’s business operations in the Philippines include the: (i) Food Safety Act of 2013 (RA No. 10611); (ii) Food and Drug Administration Act of

2009 (RA no. 9711) and the established standards and quality measures by the Food and Drug Administration in relation to the manufacturing and branding of food products to ensure its safe supply; (iii) the Livestock and Poultry Feeds Act and its implementing rules and regulations on the manufacture, importation, labelling, advertising and sale of livestock and poultry feeds; (iv) the Meat Inspection Code of the Philippines (RA No. 9296) establishing measures on quality and safety standards for the slaughter of food animals and the processing, inspection, labelling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products; (v) Consumer Act of the Philippines (RA No. 7394) and the as enforced by the Department of Trade and Industry, and the quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of food products and prohibits the manufacture for sale, offer for sale, distribution, or importation of food products which are not in conformity with applicable consumer product quality or safety standards; (vi) Price Act (RA No. 7581, as amended by RA No. 10623) on matters concerning price controls for basic and prime commodities on select circumstances of calamities and state of public emergency.

The Gold Coin Group, with companies and plant operations across several countries in the Asia-Pacific region, has secured the necessary registrations, permits, and licenses to allow it to do business in the following countries: China, Indonesia, Malaysia, Thailand, Sri Lanka, and Vietnam, among others.

#### **j) Major Risk/s Involved in the Business**

Risks particular to the Food Group are as follows:

##### ***Outbreak of diseases, food safety and foodborne illness concerns could adversely affect the Food Group's financial condition and results of operations***

Part of the inherent business risk of swine and poultry farms are animal diseases (e.g., African Swine Fever and Avian Influenza) which can impact demand and supply for certain products of the Food Group. A major outbreak can affect the entire industry, significantly affecting demand and supply. There can only be a certain level of assurance that the Food Group's internal controls and policies will be fully effective in preventing all food safety issues concerning the products it sells, including any occurrences of foodborne illnesses such as Salmonella, E. coli and Hepatitis A. New illnesses resistant to current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. As part of taking on a proactive approach in managing this risk, the Food Group continually understands changes in the risk profile and context to better understand and manage this risk. This may come in the form of continuous testing and evaluation of new lab tests or vaccine and medicine programs or new regulatory requirements to comply with.

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

- Supplier Quality - focuses on the development and implementation of quality supplier accreditation process

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

***The Food Group's financial performance may be materially and adversely affected by disruptions in the supply of, or price fluctuations in, major raw materials***

Many of the Food Group's products depend on raw materials, most of which are procured from third parties, including purchases of some critical raw materials from both within and outside of the Philippines. These raw materials are subject to price volatility caused by a number of factors including changes in global supply and demand, foreign exchange rate fluctuations, shipping and other transport-related factors, weather conditions, quality of crop and yield and trade and tariff policies, and government regulations and controls. Moreover, the market prices of raw materials may increase significantly if there are material shortages due to, among others, competing usage or drastic changes in weather or natural disasters or shifts in demand from other countries such as China and India.

The ability to pass on higher costs through price increases is also influenced by competitive conditions and pricing methodologies used in the various markets in which we compete. As such, there is no assurance that all or significant increases in product costs will be passed on to consumers and that any price increases that are passed along to consumers will not have a material adverse effect on price competitiveness.

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

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

***The business and sales of the Food Group are affected by seasonality***

The business and sales of the Food Group are affected by seasonality of customer purchase patterns. The Food Group's products generally experience increased sales during months leading to major holiday seasons, such as Christmas and Lunar New Year. Moreover, other inputs such as grains may be affected by planting and harvest seasons as well as other weather conditions. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and its financial condition and results of operations may fluctuate significantly from quarter to quarter.

***The business and prospects of the Food Group may be materially and adversely affected by increased imports of lower-priced products as import duties are decreased or eliminated***

The Food Group may face increased competition from less expensive products imported to the Philippines as import duties on those products are decreased or eliminated. In particular, the Philippines is a signatory to several free trade agreements, including the ASEAN Trade in Goods

Agreement (“**ATIGA**”) and the ASEAN Free Trade Agreement. With the implementation of ATIGA, the Philippines eliminated intra-ASEAN import duties on 99.56% of its tariff lines including poultry, meat of bovine animals, flour, sausage, prepared or preserved meat, cereals, bread, pastry, cakes, biscuits, fruit juices, coffee, tea or maté, sauces and preparations, ice cream, beer, certain spirits, liqueurs, and spirituous beverages.

The Food Group has already experienced the effects of increased competition as a result of the elimination of these import duties, and expects that competition from imported products will continue to increase. In addition, any reduction in tariffs on imports from other ASEAN countries and from other countries party to a free trade agreement with the Philippines, such as China and Japan, could give rise to increased competition for the Food Group’s products.

The Food Group also faces competition from other countries. If the Food Group is unable to compete effectively with lower-priced imports, its market share and sales may decrease, and its business, financial condition, results of operations and prospects could be materially and adversely affected.

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

#### ***The Food Group engages in derivative and hedging transactions***

From time to time, the Food Group enters into various commodity derivative instruments, such as forward purchases, caps and collars for wheat and soybean meal, to manage price risks on strategic commodities. For hedging transactions, if prices decrease, hedging positions may result in mark-to-market losses, which are, in turn, expected to be offset by lower raw material costs. As its hedging transactions are mark-to-market, to the extent that the market price of the raw materials subject to such hedging transactions falls below the fixed price under futures contracts, the Food Group’s net income will be lower had it not engaged in such transactions. Consequently, its financial performance could be adversely affected during periods in which prices of raw materials are volatile.

#### ***Sales of certain products may be adversely affected if the Food Group’s relationship with dealers and distributors deteriorate***

The products of the Food Group are primarily sold through dealers and distributors. There is no assurance that these dealers and distributors will continue to purchase and distribute the Food Group’s products, or that these dealers and distributors can continue to effectively distribute its products without delays or interruptions. In addition, the financial instability of, contractual disputes with, or labor disruptions at its dealers and distributors could disrupt the distribution of its products and adversely affect its business.

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

## **FINANCIAL SERVICES**

### *Overview of the Business*

UnionBank, originally known as Union Savings and Mortgage Bank, was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. UnionBank's common shares were listed on the PSE in June 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. As of August 8, 2022, UnionBank's principal shareholders are AEV, the Social Security System of the Philippines (a government-owned and-controlled corporation that provides social security to workers in the private sector), and The Insular Life Assurance Company, Ltd. (one of the leading and largest Filipino-owned life insurance companies in the Philippines).

UnionBank's core businesses are retail banking, consumer finance (comprising credit card services, mortgage and auto loans, and salary loans), corporate banking, commercial banking (comprising middle-market banking), SME banking, cash management, trust banking, treasury products distribution, funding and trading (involving management of UnionBank's liquidity and funding requirements and handling of transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives). In addition, UnionBank has a private banking unit which offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier & Co. (a Swiss global wealth asset manager), and various life insurance products through its bancassurance partnership with Insular Life. As of December 31, 2021, UnionBank and its subsidiaries had 385 branches across the Philippines and a network of 497 ATMs.

For the six (6) months ended June 30, 2022:

- UnionBank's consolidated net profit was ₱6,056.16 Million;
- UnionBank's total consolidated resources was ₱874,913 Million;
- UnionBank's total loan portfolio was ₱381,484 Million; and
- UnionBank's total deposits was ₱554,801 Million.

For the six (6) months ended June 30, 2022, Tier 1 capital adequacy ratio was 20.6% while total capital adequacy ratio was 22.7%. 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; UBPIC; a holding company, and UBX PH, an innovation and technology company.

In 2013, UnionBank acquired CitySavings, a premier thrift bank that, among other services, grants teacher's loans under the Department of Education's APDS. In May 2018, the Department of Education approved the "Terms and Conditions of the APDS Accreditation (TCAA)" of CitySavings valid until December 2020, subject to renewal. CitySavings has since expanded its microfinance and SME banking business through the acquisition of First Agro-Industrial Rural Bank (FAIRBank), Progressive Bank, Inc., and Bangko Kabayan Private Development Bank (Bangko Kabayan); and entered the motorcycle lending business through its merger with Philippine Resource Savings Bank ("PR Savings Bank").

In 2018, CitySavings and UBP Investments Corporation (formerly "Union Properties, Inc."), acquired AEV's 51% interest in PETNET. PETNET is one of the country's largest remittance networks, with

over 3,000 branches composed of company-owned and sub-agent locations nationwide. PETNET is a BSP-licensed remittance agent, money changer and foreign exchange dealer. Apart from the Western Union money transfer service, PETNET offers money changing, bills payment, airline ticketing, personal accident insurance, and e-loading in its company-owned locations. In addition, PETNET, an outsourced service provider of CitySavings, facilitates and accepts applications for the Department of Education’s salary loans and GSIS pension loans. PETNET, more widely known by its retail brand, Pera Hub, continues its initiatives to provide complementary products, cash, and payment-related solutions to its growing market.

UnionBank is currently strengthening its business model by repositioning itself into a digital bank to compete in the evolving banking landscape. After transforming its back-end IT infrastructure to be digital to the core and equipping its people to imbibe a digital and agile culture, UnionBank launched its transformed customer touchpoints. In August 2017, it launched UnionBank Online, its mobile app that offers a wide range of banking services; and the Ark, the first fully digital bank branch in the Philippines. In May 2019, UnionBank introduced its new business banking platform for corporates called The Portal. UnionBank also launched a digital platform for SMEs called GlobalLinker which aims to connect suppliers and customers, with services aimed at helping SMEs expand their businesses. These were part of UnionBank’s digital transformation plan that focuses on delivering superior customer experience while at the same time achieving cost efficiencies.

UnionBank is concurrently expanding its core business model to the underbanked or underserved segment of the population (i.e., the portion of the adult population that is not necessarily unbanked, but actually serviced by the information and fragmented institutions relying on traditional brick-and-mortar and face-to-face delivery segments). UnionBank’s approach is to deliver products using innovative technologies to service these segments in a more cost-efficient manner. Leading UnionBank in this area is CitySavings together with its other rural bank subsidiaries.

**b) Distribution Methods**

UnionBank services its clientele through its well-trained relationship managers, strategically-located branch networks, and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service Group. This is complemented by UnionBank’s strong digital footprint, exhibited by its website ([www.unionbankph.com](http://www.unionbankph.com)); online banking and mobile application (“**UnionBank Online**”), cash management platform for corporates (“**The Portal**”), customer service chatbot, Rafa, EON digital bank website and mobile app, and various financial services digital platforms/channels.

<i>Relationship Managers</i>	UnionBank’s sales force are trained to have expertise regarding UnionBank’s solutions-based financial services, and equipped with tools that allow them to service clients remotely through digital channels. They are also licensed by the Insurance Commission to provide customers with bancassurance products.
<i>Branch Network</i>	UnionBank has 198 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>UnionBank also has an increased its presence nationwide through the physical network of its subsidiaries which include CitySavings (149 branches), FAIRBank (11 branches mainly in Visayas), Bangko Kabayan (24 branches mainly in Luzon), Progressive Bank (3 branches in Visayas) and PETNET (over 3,500 locations nationwide).</p>
<i>ATM Networks</i>	<p>UnionBank and its subsidiaries' network of 497 ATMs as of December 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 to access almost 13,000 ATMs nationwide.</p>
<i>Call Center</i>	<p>UnionBank's 24-hour ISO-certified call center handles retail customer relationship 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 on 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 also introduced the upgraded version of its cash management platform for corporates called The Portal. Unique features include single sign-on for customers with multi-org access, a fully-featured mobile app, real-time fund transfers, and many more.</p>
<i>EON</i>	<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 local government units for loans and aid disbursement (i.e. Social Amelioration Program, etc.).</p>
<i>Platforms and Other Digital Channels</i>	<p>UnionBank's thrust for digital transformation prompted it to launch digital platforms and channels intended to deliver products/services to various customer segments. Some of them include: Financial Supply Chain (FSC) platform for corporate clients and their ecosystem of suppliers and dealers; GlobalLinker which creates a network of SME suppliers and customers; and other platforms launched by UBX PH to include i2i, which connects rural banks to the country's main financial network; Sentro, an online business-to-business marketplace for the SME ecosystem, with business solutions to include BUX, a payment and logistics fulfillment platform for online merchants; and SeekCap, an SME lending marketplace that offers affordable financing options. UBX also invested in Shiptek Solutions, Inc. to embed financial solutions into its shipping and logistics platform, XLog.</p>

### c) New Products and Services

UnionBank offers a broad range of products and services, which include deposits and related services, corporate lending, middle market and SME lending, consumer finance loans such as mortgage, auto loans, credit cards, and salary loans, investments, treasury and capital market, private banking, trust and fund management, cash management and electronic banking, as well as bancassurance. UnionBank continues to reinvent itself from a traditional two-product bank (deposit-taking and lending) to a multi-product financial services company that leverages on technology.

Technology is at the core of UnionBank's strategy. To further drive its digital shift, UnionBank launched UBX PH, its innovation and technology company. This wholly-owned subsidiary will focus on innovation projects such as FinTech investments and providing technological services to its clients, in addition to building ecosystems and platforms.

Since its inception, UBX has launched several of its digital platforms such as: Project i2i, which aims to connect rural banks to the country's main financial network; Sentro, an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants; and SeekCap, an SME lending marketplace. UBX also invested in select financial technology firms that are aligned with its strategy of embedding financial services in platforms under an open banking regime. At the same time, it provided technology support to several of UnionBank's pioneering digital initiatives in the financial services space such unveiling the world's first bank-operated cryptocurrency ATM, conducting the first blockchain-based cross-border remittance transaction, and launching the country's first stablecoin, PHX.

### d) Competition

UnionBank primarily competes against domestic and foreign banks in the Philippines that offer similar products and services. As of June 30, 2022, based on data from the BSP, there were a total of 45 domestic and foreign universal and commercial banks operating in the Philippines with total assets of ₱20.72 trillion, total loan portfolio (inclusive of Interbank Loans and RRPs) of ₱10.96 trillion, and total deposits of ₱15.23 trillion. The industry is currently dominated by the three largest universal banks with over ₱2 trillion in assets, namely Banco de Oro (BDO), Bank of the Philippine Islands (BPI) and Metropolitan Bank and Trust Company (Metrobank). These banks, in particular, have greater financial and other capital resources, and a greater market share than UnionBank. As a publicly-listed bank, UnionBank also monitors its performance against the ten largest publicly-listed universal banks, which comprise 85.47% of total assets, 87.15% of total loans, and 86.27% of total deposits of all universal and commercial banks, based on published balance sheets as of March 31, 2022.



### e) Major Customers



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

### f) Patents, Copyrights, and Franchises

	Trademark	Registration Date	Expiration Date
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1	UNIONBANK	December 19, 2005	December 19, 2025
2	UNIONBANK LOGO	October 21, 2010	October 21, 2030
3	UNIONBANK EON	December 5, 2013	December 5, 2023
4	UBP	August 7, 2014	August 7, 2024
5	UNIONBANK OF THE PHILIPPINES	August 7, 2014	August 7, 2024
6	UREKA	November 10, 2016	November 10, 2026
7	SELFIE BANKING	December 22, 2019	December 22, 2029
8	DIGITAL ME	June 29, 2017	June 29, 2027
9	EON FOR THE DIGITAL ME	July 30, 2017	July 20, 2027
10	EON	July 30, 2017	July 30, 2027
11	EON CYBER	November 2, 2017	November 2, 2027
12	THE ARK	April 5, 2018	April 5, 2028
13	THE ARK	April 5, 2018	April 5, 2028
14	THE ARK	April 5, 2018	April 5, 2028
15	THE ARK	April 5, 2018	April 5, 2018
16	I2I	May 30, 2019	May 30, 2029
17	THE FUTURE BEGINS WITH U.	October 24, 2019	October 24, 2029
18	CYBERSURE	January 12, 2020	January 12, 2030
19	1U HUB	February 6, 2020	February 6, 2030
20	1U HUB	February 6, 2020	February 6, 2030
21	THE FIRST FINANCIAL SUPPLY BLOCKCHAIN IN THE PHILIPPINES - POWERED BY UNIONBANK	February 6, 2020	February 6, 2030
22	UB	February 24, 2020	February 24, 2030
23		February 24, 2020	February 24, 2030
24		February 24, 2020	February 24, 2030
25	THE EDGE BY UB UNIONBANK	July 31, 2020	July 31, 2030
26	UB UNIONBANK	August 14, 2020	August 14, 2030
27	UB UNIONBANK	October 16, 2020	October 16, 2030

28	THE FIRST DIGITAL ACCOUNT OPENING FOR BUSINESS BY UNIONBANK	January 17, 2021	January 17, 2031
29	THE FIRST MOBILE CHECK DEPOSIT FOR BUSINESSES BY UNIONBANK	February 19, 2021	February 19, 2031
30	BANK THE WAY YOU LIVE	March 29, 2021	March 29, 2031
31	SITH SYSTEM FOR INTEGRATED TRACING OF HUMANS	March 29, 2021	March 29, 2031
32		April 16, 2021	April 16, 2031
33		April 16, 2021	April 16, 2031
34	UNIONBANK ONLINE	April 16, 2021	April 16, 2031
35	UB ONLINE	April 16, 2021	April 16, 2031
36	UNIONBANK APP	April 16, 2021	April 16, 2031
37	UB MOBILE APP	April 16, 2021	April 16, 2031
38	P PHX COMMERCIAL BANK-BACKED PHILIPPINE STABLECOIN	April 16, 2021	April 16, 2031
39	PHX	May 21, 2021	May 21, 2031
40	UBP XCELLERATOR GAMECHANGERS	May 21, 2021	May 21, 2031
41	UBP XCELLERATOR BLOCKCHAIN BUSINESS SPECIALIST PROGRAM	June 18, 2021	June 18, 2031
42	UBP XCELLERATOR BLOCKCHAIN BASICS PROGRAM	June 18, 2021	June 18, 2031
43	BLOCKCHAIN XCELLERATOR POWERED BY UB UNIONBANK	June 18, 2021	June 18, 2031
44	UBXCELLERATOR	July 16, 2021	July 16, 2031
45	XCELLERATOR	July 16, 2021	July 16, 2031
46	UB GARAGE INNOVATION AND INCUBATION LAB POWERED BY UB UNIONBANK.	July 23, 2021	July 23, 2031
47	XCELLERATOR	July 23, 2021	July 23, 2031
48	UBXCELLERATOR	July 30, 2021	July 30, 2031
49	BLOCKCHAIN XCELLERATOR	July 30, 2021	July 30, 2031
50	UBP XCELLERATOR PROGRAM	August 6, 2021	August 6, 2031

51	UB GARAGE INNOVATION AND INCUBATION LAB POWERED BY UB UNIONBANK	October 1, 2021	October 1, 2031
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### **g) Government Approvals**

The BSP, SEC, Philippine Deposit Insurance Corporation (PDIC), PSE, and the BIR are the major regulatory agencies that provide rules, regulations and guidelines to UnionBank's activities.

UnionBank ensures that its products, services and systems have the necessary regulatory approvals and are in compliance with existing rules prior to launch.

### **h) Effect of Existing or Probable Governmental Regulations**

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

#### ***Anti-Money Laundering Laws and Know Your Customer Procedures***

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

Since June 2015, UnionBank has put in place a new AML System equipped with monitoring tools and reporting capabilities. Beginning last September 2016, UnionBank has likewise implemented a real-time sanctions screening system to screen transactions that pass through the SWIFT network. Since last year, UnionBank has also implemented monitoring processes for transactions based on pre-approved alert parameters, comprising of a combination of threshold amounts and specific customer/transaction attributes. KYC and customer due diligence process remains robust through documentation of client information, review of customer risk rating and identification of ultimate beneficial owners and obtaining senior management approval, where warranted.

AML topics are part of the new employee orientation two-day course. On an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides formal AML training to the members of the Board of Directors and Senior Management. All personnel branches and other units are also required to take the AML e-learning refresher module regularly in coordination with the HR Group and the Compliance and Corporate Governance Office.

#### ***Capital Adequacy***

Per existing BSP regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to 10% of its risk assets. Risk assets consist of total resources after exclusion of cash on hand, due from BSP, loans covered by holdout on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items

as determined by the Monetary Board of the BSP.

Pursuant to BSP Circular No. 538, Series of August 4, 2006, UnionBank's capital adequacy ratio (CAR) as of December 31, 2021 and June 30, 2021 is at 18.4% and 22.7%, respectively.

#### **i) Major Risk/s Involved in the Business**

Risks particular to the Financial Services Group are as follows:

***UnionBank's ability to identify, assess, monitor and manage risks inherent in its business is anchored on the quality and timeliness of available industry and internal risk data***

UnionBank, through its Enterprise Risk Management (ERM) Group, monitors all risk exposures which include, among others, credit risk, market risk, operational risk, operational risk, liquidity risk, and Information Technology ("IT") risk. The effectiveness of UnionBank's risk management, particularly on management of credit risk which is inherent in its core businesses, is bounded by the quality and timeliness of available data in the Philippines as well as internal risk data in relation to different factors such as, but not limited to, the proposed borrowers' credit history, loan exposures with other financial institutions and other external and market factors affecting overall credit. Insufficient or inaccurate risk and financial data and limitations of UnionBank's risk management systems, if any, may result to UnionBank granting loans that may expose UnionBank to significant credit risk, take positions that may expose UnionBank to market and liquidity risks, or undertake business activities that may result in operational, IT and other material risks.

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

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

UnionBank plans to continue to expand its small and medium-sized enterprises ("SMEs") and consumer loan operations, such as credit card services, mortgage loans, and salary loans. Such expansion plans will increase UnionBank's exposure to SMEs and consumer debt, and volatile economic conditions in the Philippines may adversely affect the future ability of UnionBank's borrowers, including SMEs and individual borrowers, to meet their obligations under their indebtedness and, as a result, UnionBank may experience an increase in the levels of NPLs and provisions for impairment losses in the future.

Volatile economic conditions in the Philippines, including volatile exchange and interest rates, may adversely affect many of UnionBank's customers, causing uncertainty regarding their ability to fulfill obligations under UnionBank's loans and significantly increasing UnionBank's exposure to credit risk. These and other factors could result in an increased number of NPLs and delinquencies in UnionBank's loan portfolio in the future. Any significant increase in UnionBank's NPLs or

delinquencies in UnionBank's loan portfolio would have a material adverse effect on its business, financial condition, results of operations and capital adequacy.

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

***UnionBank may be unable to recover the assessed value of its collateral when its borrowers' default on their obligations, which may expose UnionBank to significant losses***

UnionBank's secured loans have, historically, represented a significant portion of UnionBank's total loans. There can be no assurance that the collateral securing any particular loan will protect UnionBank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of UnionBank's collateral may not accurately reflect its liquidation value, which is the maximum amount UnionBank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover UnionBank's loans.

In addition, some of the valuations in respect of UnionBank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing UnionBank's loans, including with respect to any future collateral taken by UnionBank, would mean that its provisions for credit losses may be inadequate and UnionBank may need to increase such provisions. Any increase in UnionBank's provisions for credit losses could adversely affect its business, its financial condition, results of operations and capital adequacy.

Furthermore, UnionBank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, UnionBank to legal liability while in possession of the collateral. These difficulties may significantly reduce UnionBank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. UnionBank initially carries the value of the foreclosed properties at the lower of loan exposure or fair value of the properties at the time of foreclosure. Subsequently, the foreclosed properties are carried at the lower of the amount initially recognized or the fair value less cost to sell. While UnionBank, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and to prevent their deterioration. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees

and taxes associated with such realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans.

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

***UnionBank's provisioning policies, which are based on Philippine Financial Reporting Standards expected credit loss standards and on other relevant Philippine regulations, may be more or less stringent than those in other countries***

The level of loan loss provisions which UnionBank recognizes are aligned with the PFRS 9 accounting standard. Subjective determinations of significant change in credit risk may increase the variation of application of such policies and affect UnionBank's results of operations. Moreover, regulations of the BSP require that Philippine banks classify loans into several categories corresponding to various levels of credit risk as follows: pass, loans especially mentioned, substandard, doubtful and loss. These are considered in PFRS 9 expected credit loss ("ECL") stage determination, in addition to BSP Circular No. 941. Generally, the classification of loans depends on a combination of qualitative and quantitative factors, such as the number of months that payment is in arrears. Periodic examination by the BSP of these classifications in the future may also result in changes being made by UnionBank to such classifications and to the factors relevant thereto.

The BSP requirements in certain circumstances may be less or more stringent than those applicable to banks in other countries and may result in particular loans being classified as non-performing later or earlier than would be required in such countries or being classified in a category reflecting a lower or higher degree of risk. As a result, the amount of UnionBank's NPLs as well as reserves may be lower or higher than what would be required if UnionBank was located in such countries. Further, if UnionBank changes its provisioning policies to become more in line with international standards or practices or otherwise, UnionBank's results of operations may be adversely affected.

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

***UnionBank is subject to credit, market and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds***

To the extent any of the instruments and strategies UnionBank uses to manage its exposure to market or credit risk is not effective, UnionBank may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. UnionBank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. UnionBank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. UnionBank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual

results, UnionBank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by UnionBank to effectively manage its credit, market and liquidity risk could have a negative effect on its business, financial condition and results of operations.

***A downgrade of UnionBank's credit rating could have a negative effect on its business, financial condition and results of operations***

In the event of a downgrade of UnionBank by one or more credit rating agencies, UnionBank may have to accept terms that are not as favorable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on UnionBank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in UnionBank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce UnionBank's liquidity and negatively impact its operating results and financial condition.

## **REAL ESTATE**

### *Overview of the Business*

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. The first attempt of Aboitiz in real estate development was in 1975. Today, through AboitizLand, it is mainly engaged in the development of real estate projects with a primary focus on residential communities, integrated industrial townships and commercial hubs.

AboitizLand currently has 13 residential projects selling three different product types: lot only, house and lot, and condominiums.

AboitizLand's strategy has been to step up mid-market residential launches to capitalize on the growing provincial house and lot mid-market. It expects to grow its well-performing industrial business through the continued acquisition of land in key geographic corridors and the development of complementary recurring revenue businesses and residential communities within these areas. Through this approach, AboitizLand not only looks to expand its industrial footprint but also create thriving townships in the future.

AboitizLand is also capitalizing on the new and upcoming segment of vertical developments in urban zones through its partnership with Point Blue, Inc. which created the microstudio category in the Philippines. This joint venture looks to build microstudio buildings strategically located near Metro Manila's central business districts. In addition, AboitizLand recently signed a joint venture agreement with Cebu Landmasters Inc. to develop a mixed-use vertical project in Mandaue City, Cebu. Pre-selling of the first condominium tower is expected to begin by November 2020.

In conjunction with these developments, AboitizLand expects to actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the Lima Technology Center.

## **a) Products and Services**

### **Residential Business**

During the early 1990s, AboitizLand developed upper-mid to high-end residential subdivisions, focusing mainly on horizontal (lot-only and house-and-lot) developments. Having expanded its portfolio to include mid-market residential products, AboitizLand has also introduced a number of products to the Cebu real estate market, including: (a) the New Urbanism concept of live-work-play in the large master-planned community of Pristina North; (b) Zen living, which takes off from the spa lifestyle trend, in Kishanta; (c) the commercial and residential “urban village”, such as The Persimmon; (d) shophouses as a residential product in Ajoya; (e) fully-furnished affordable studio units, such as The Persimmon Studios; (f) Asian Contemporary designed units in Almiya; and (g) inspired by traditional Filipino residences in Amoa.

Cebu District Property Enterprise Inc. (“**CDPEI**”) is a joint venture between AboitizLand and Ayala Land which was incorporated on February 20, 2014. The partnership is focused on the development of Gatewalk Central – a 17-hectare mixed-use project in Mandaue City, Cebu. The partnership leverages the strengths of both companies, as it brings together AboitizLand’s deep-rooted real estate experience in Cebu and Ayala Land’s proven track record in developing master-planned and sustainable communities. AboitizLand owns a 50% equity interest in CDPEI with Ayala Land holding the remaining 50% equity interest.

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

In 2018, AboitizLand launched two new residential projects in Luzon – Ajoya Capas (13 hectares) and Ajoya Cabanatuan (20 hectares). The Ajoya brand represents AboitizLand’s flagship mid-market residential product, featuring modern housing units inspired by contemporary Filipino architecture, and amenities such as a town plaza, a clubhouse, and pocket parks, among others.

Subsequently in July and August of 2019, respectively, AboitizLand further strengthened its position in the Luzon region through the launch of two new residential projects – The Villages at Lipa (50 hectares) and Ajoya Pampanga (21 hectares).

### **Industrial Business**

A critical component to AboitizLand’s overall success is the industrial business unit, which comprised ~60% of AboitizLand’s total revenues in 2019 a substantial portion of which was contributed by LimaLand. Additionally, AboitizLand is a registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a BOT agreement with MCIAA. The 63-hectare zone is home to 52 light-to-medium manufacturing locators and has a 100% occupancy rate.

### ***Cebu Praedia Development Corporation (“CPDC”)***

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



CPDC is a wholly-owned subsidiary of AEV.

***Propiedad del Norte, Inc.***

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

PDNI is a wholly-owned subsidiary of AboitizLand.

***Cebu Industrial Park Developers, Inc.***

CIPDI is a company owned by AboitizLand and the Kambara Group from Japan, through its wholly-owned subsidiary, Tsuneishi Holdings (Cebu), Inc. Incorporated on June 15, 1992, CIPDI began operations in 1993 with the development and operation of the West Cebu Industrial Park (WCIP) in Balamban, Cebu. WCIP is a 283-hectare industrial zone, catering to medium to heavy industries such as shipbuilding and allied activities. WCIP currently has 11 industrial locators as well as five commercial locators in the area. In April 2017, CIPDI brought to market the first phase of its 250-hectare sustainable mountain town community, Foessa, also located in Balamban, Cebu. This first phase is expected to be 55% sold while the site development is expected to be 83% complete by the end of 2020.

As of June 30, 2022, AboitizLand owns a 60% equity interest in CIPDI.

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

A2 Airports is a joint venture company between AboitizLand and E360, Inc., and is engaged in carrying out the business of build-to-rent microstudio developments catering to young urban professionals. Currently, A2 Airports wholly owns 78 Point Blue, Inc., Triplecrown Properties Inc. and Firmwall Systems Inc. and collectively has 4 buildings in operations located in the prime areas of Taguig and Makati City.

AboitizLand has a 50% equity interest in A2 Airports as of June 30, 2022.

**b) Distribution Methods**

AboitizLand’s residential projects currently target a diverse base of customers, ranging from the middle to upper income brackets. AboitizLand now also caters to young urban professionals working in and around central business districts given its recent partnership with E360, Inc. to co-develop microstudio developments.

AboitizLand’s industrial division aims to serve various locators from different industries and countries with significant interests in the Philippines.

**c) New Products and Services**

In September 2019, AboitizLand and Point Blue partnered to co-develop microstudio rental apartments, an innovative new category in the real estate residential sector. These microstudio apartments are leased ready for move-in and all units are equipped with a bed, ample storage space, a desk and chair, roller blinds, air-conditioner, microwave, free high-speed internet, and within walking distance of Metro Manila’s Central Business Districts. In addition, AboitizLand

entered into a joint venture agreement with Cebu Landmasters Inc. to develop a mixed-use vertical project in Mandaue City, Cebu. Pre-selling of the first condominium tower is expected to begin by the end of 2020.

#### **d) Competition**

AboitizLand considers Ayala Land and Vista Land as its main competitors in the residential business. They currently enjoy market dominance in the locations where they compete and are considered as brand leaders in the market because of their presence in both primary and secondary cities nationwide. Both competitors target the same market that falls within their sub-brands that cater from the high-end A market to the broad C market. AboitizLand also caters to the same markets depending on the location and type of product that it offers. According to an industry report of Colliers International dated February 6, 2019, the full year 2018 market was able to pre-sell 54,000 residential units. By way of comparison, AboitizLand sold around 600 residential units in 2019, generating a substantial amount in sales revenue. Furthermore, according to an industry report of Colliers International dated October 29, 2021, the market was able to pre-sell 7,900 residential units for the first nine months of 2021. By way of comparison, AboitizLand sold around 626 residential units in the same period with the full year 2021 total of 834 units, generating a substantial amount in sales revenue.

In terms of the commercial business, AboitizLand looks to strategically develop commercial spaces that will enhance its current communities. By doing so, AboitizLand aims to maximize the value footprint in these areas while servicing the needs of the community. Furthermore, the continued relevance of AboitizLand's successful track record in traditional retail formats provide a positive outlook for its largest commercial project to date, The Outlets at Lipa. Although relatively new in this segment, it was able to successfully implement new retail formats in locations it already serves. However, traditional big-box retail companies such as SM and Vista Land remain market leaders in the commercial business and are considered as our main competitors in this segment. While SM caters to all market classes, AboitizLand caters to the broad C to the upper B market currently focusing on the latter for its offerings at The Outlets.

Lastly, the industrial parks continue to serve as key hubs for economic activity. With its expertise, AboitizLand looks to further capitalize on these hubs not only by expanding its industrial footprint, but also through the development of recurring revenue businesses and residential communities adjacent to its industrial areas. Through this approach, AboitizLand looks to transform these industrial spaces into thriving townships. Among the national developers in the country, Ayala Land, Vista Land, and Megaworld are the main proponents of township developments. With their years of experience and land banks around the country, they remain AboitizLand's competitors in this segment. Similar to the residential and commercial business, AboitizLand caters to several markets that encompass its township developments. For example, The Villages at Lipa caters to mid – to upper-mid-market residents, *The Outlets* at Lipa serves retail customers, while Lima Technology Center is home to industrial locators and soon, BPO offices.

#### **e) Sources of Raw Materials**

AboitizLand and its Subsidiaries have a broad base of suppliers, both local and foreign. They are not dependent on one or a limited number of suppliers.

#### **f) Major Customers**

AboitizLand’s residential projects currently targets a diverse base of customers, ranging from the middle to upper income bracket. The Group’s industrial division serves various locators, with the slight exception of its industrial segment operated through CIPDI, which has commitments to Tsuneishi Holdings (Cebu), Inc. of Japan.

The Real Estate Group’s businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group’s total sale of goods and services.

**g) Patents, Copyrights, and Franchises**

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

Trademark	Registration Date	Expiration Date
ABOITIZLAND AND DEVICE, with color claim	March 11, 2020	March 11, 2030
ABOITIZLAND	April 15, 2010	April 15, 2030
THE OUTLETS	December 4, 2014	December 4, 2024
THE OUTLETS AND DEVICE, with color claim	February 26, 2015	February 26, 2025
Ajoya word mark	March 9, 2017	March 24, 2027
Ajoya device mark	March 24, 2017	March 24, 2027
Foressa word mark	March 24, 2017	March 24, 2022
Foressa device mark	June 15, 2017	March 24, 2027
Seafront Residences word mark	July 14, 2017	July 14, 2027
Seafront Residences device mark	August 10, 2017	August 10, 2027
The Outlets Logo	July 14, 2017	July 14, 2027
Seafront Villas word mark	July 14, 2017	July 14, 2027
Seafront Villas device mark	August 14, 2017	August 17, 2027
Lima Exchange word mark	December 7, 2017	December 7, 2027
Lima Exchange device mark	October 26, 2017	October 26, 2027
Lima Land word mark	April 12, 2018	April 12, 2028
Lima Land device mark	March 22, 2018	March 22, 2028
Lima Technology Center word mark	June 15, 2018	June 15, 2028
Lima Technology Center device mark	April 12, 2018	April 12, 2028
The Villages at Lipa word mark	October 16, 2018	October 16, 2028

The Villages at Lipa device mark	October 16, 2018	October 16, 2028
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#### **h) Effect of Existing or Probable Governmental Regulations**

The laws and regulations that govern the Real Estate Group’s business operations include the: (i) Subdivision and Condominium Buyer’s Protective Decree (P.D. 957) which outlines the necessary approvals and permits required for subdivision and condominium development projects. The Housing and Land Use Regulatory Board (“**HLURB**”) is the administrative agency of the government which, together with local government units (“**LGUs**”), enforces these decrees and has jurisdiction to regulate the real estate trade and business. (ii) Urban Development and Housing Act of 1992 (RA No. 7279), as amended recently by Republic Act No. 10884, requiring developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least fifteen percent (15%) of the total subdivision area or total subdivision project cost, and at least five percent (5%) of condominium area or project cost, at the option of the developer, within the same city or municipality whenever feasible, and in accordance with the standards set by HLURB and other existing laws. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development; and (iii) the Condominium Act (RA No. 4726), as amended, providing additional regulation on the development and sale of condominium projects. The Condominium Act requires the annotation of the master deed or the declaration of restrictions on the title of the land on which the condominium project shall be located. The declaration of restrictions shall constitute a lien upon each condominium unit in the project, and shall bind all condominium owners in the project.

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

The Condominium Act (RA No. 4726), as amended, providing additional regulation on the development and sale of condominium projects. The Condominium Act requires the annotation of the master deed or the declaration of restrictions on the title of the land on which the condominium project shall be located. The declaration of restrictions shall constitute a lien upon each condominium unit in the project, and shall bind all co  
condominium owners in the project

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

#### **Anti-Money Laundering Act**

On January 29, 2021, the Anti-Money Laundering Act of 2001, as amended, was further amended by Republic Act No. 11521. Republic Act No. 11521 expanded the scope of the law to include real estate developers and brokers as covered persons. AboitizLand and its relevant subsidiaries engaged in the sale and/or lease of real properties are now considered covered persons under the amended law and are required to register with the AMLC, as well as to report single cash transact

transaction involving an amount in excess of ₱7.5 mn and other suspicious transactions. The relevant Business Units under the Real Estate Group have taken steps to ensure compliance with the rules and regulations of the AMLC.

**i) Major Risk/s Involved in the Business**

Risks particular to the Real Estate Group are as follows:

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

AboitizLand's ability to lease sites in its development projects, including its industrial projects, could be affected by a number of factors including competition for tenants, changes in market rates, the inability to renew leases, bankruptcy of tenants, the increase in operating expenditures, and efficiency in collection, property management and tenant relations. In addition, adverse trends in the industries that are located in Aboitiz Land's commercial and industrial projects could result in lower demand for leases or the inability of existing tenants to honor their lease commitments. The inability of AboitizLand to lease spaces could materially affect its business, financial condition and results of operations.

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

***AboitizLand may not be able to complete its development projects within budgeted project costs or on time or at all***

Property development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take a year or longer before generating positive net cash flow through sales or pre-sales. As a result, AboitizLand's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. The schedules of AboitizLand's projects depend on a number of factors, including the performance and efficiency of its third-party contractors and its ability to finance construction. Other factors that could adversely affect AboitizLand's project development schedules include:

- (a) natural catastrophes and adverse weather conditions;
- (b) changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- (c) delays in obtaining government approvals and permits;
- (d) changes in relevant regulations and government policies;
- (e) relocation of existing residents and/or demolition of existing constructions;
- (f) shortages of materials, equipment, contractors and skilled labor;
- (g) labor disputes;

- (h) construction accidents;
- (i) errors in judgment on the selection and acquisition criteria for potential sites; and
- (j) other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm AboitizLand's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. If a property project is not completed on time, the purchasers of pre-sold units within the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and claim damages. There is no assurance that AboitizLand will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

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

## **INFRASTRUCTURE**

### *Overview of the Business*

The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital, Inc. and AEV CRH, the holding company of Republic Cement & Building Materials, Inc.

#### **a) Products and Services**

##### **Aboitiz InfraCapital**

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

##### **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 (i) Apo Agua in 2015, (ii) Lima Water in 2017, and (iii) BWSI in 2017.

##### ***Apo Agua Infraestructura, Inc. ("Apo Agua")***

Incorporated on August 8, 2014, Apo Agua is a Joint Venture between AEV and JVACC. The overall objective of Apo Agua is to provide a sustainable, reliable, and safe supply of bulk water to the DCWD.

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with DCWD for the Davao City Bulk Water Supply Project (“**DCBWSP**”). Apo Agua is progressing with the construction of the bulk water treatment facility. The bulk water treatment facility is expected to supply over 300 Million liters of water per day, equivalent to an annual supply volume of 109.5 Million cubic meters.

A unique component of the project is a pioneering innovation which utilizes the “water-energy nexus” concept. The bulk water treatment facility will be powered by its own run-of-river hydroelectric power plant.

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

AEV and its wholly-owned subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

#### ***LIMA Water Corporation (“Lima Water”)***

LIMA Water was incorporated on May 28, 1999. LIMA Water provides industrial and potable water to over 130 industrial locators at the Lipa, Batangas- based LIMA Estate. LIMA Water has a daily water capacity of 8,800 cubic meters. LIMA Water also operates its own centralized wastewater treatment plant with a capacity of over 20,000 cubic meters to ensure the proper treatment of wastewater generated within the LIMA Estate. On August 1, 2017, Aboitiz InfraCapital acquired and took full operational control of LIMA Water from its Affiliate, AboitizLand.

Aboitiz InfraCapital owns a 100% equity interest in LIMA Water.

#### ***Balibago Waterworks System, Inc. (BWSI)***

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

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

Aboitiz InfraCapital owns a 16% equity interest in BWSI.

### **Transport and Mobility**

#### ***Regional Airports***

Aboitiz InfraCapital was granted original proponent status by the DOTr for its unsolicited proposal to expand, operate, and maintain the new Bohol-Panglao International Airport on September 3, 2018. Aboitiz InfraCapital believes this international airport located on the island of Panglao has significant growth prospects given Bohol’s strong tourism potential, especially with the international market. The new Bohol-Panglao International Airport replaced the old Tagbilaran Airport and was inaugurated on November 28, 2018 with an estimated capacity of 2 Million passengers per annum.

On August 10, 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the upgrade, expansion, operations and maintenance of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor. On February 26, 2019, Aboitiz InfraCapital was granted original proponent status by the CAAP for its unsolicited proposal on Laguindingan Airport. The proposal involves the operations and maintenance, including the much-needed upgrade works, of the Laguindingan Airport. The airport has been operational since 2013 with a design capacity of 1.6 Million passengers per annum. According to CAAP, in 2018, the Laguindingan Airport served more than 2 mn passengers.

On October 7, 2019, Aboitiz InfraCapital submitted an unsolicited proposal to operate and maintain Bicol International Airport located in Daraga, Albay. The new gateway is expected to serve up to 2 million passengers per year.

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

The company received original proponent status for its proposal to operate and maintain the Bicol International Airport on September 7, 2021. The newly constructed airport will replace Legazpi Airport.

## **Digital Infrastructure**

### ***Towers***

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the DICT. The Memorandum of Understanding recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. Aboitiz InfraCapital signed separate MOUs with Globe Telecom, Smart Communications, Dito Telecommunity, and NOW Telecom.

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 company has deployed over 400 sites to date.

On April 28, 2021, Aboitiz InfraCapital partnered with leading global private markets firm, Partners Group, acting on behalf of its clients through its portfolio company Terra Digital Philippines Corporation, to establish a telecommunications infrastructure platform called Unity Digital Infrastructure, Inc. Through Unity, Aboitiz InfraCapital and Terra Digital Philippines will build and operate passive telecommunication towers and supporting infrastructure across the country. This supports the Government's vision to improve the country's internet connectivity in local communities by increasing the number of cell sites of MNOs. Unity secured its Certificate of Registration as an Independent Tower Company from the DICT in February 2021. The company is targeting completion of ~1,000 sites by the end of 2022.

## **Economic Estates**



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

The industrial developments include three economic zones: (a) the LIMA Estate in Malvar, Batangas; (b) the Mactan Economic Zone 2 Estate in Lapu-Lapu City, Cebu; and (c) the West Cebu Estate in Balamban, Cebu. Meanwhile, the commercial projects include: (i) The Outlets at Lipa in Lipa, Batangas; (ii) LIMA Exchange in Lipa, Batangas; (iii) Lima Square in Lipa, Batangas; (iv) Pueblo Verde, Lapu-Lapu City, Cebu; (v) The Outlets at Pueblo Verde, Lapu-Lapu City, Cebu; (vi) the iMez Building, Lapu-Lapu City, Cebu; (vii) The Persimmon Plus in Mabolo, Cebu City; and (viii) build-to-rent microstudio developments in various locations in Makati and Taguig Cities through AllRise Development Corp.

LIMA Land, Inc. recently broke ground on LIMA Tower One, a PEZA-certified building which boasts 34,000 square meters of Gross Floor Area. It is the first of its planned seven-tower office park at the heart of LIMA's CBD, which aims to capitalize on the anticipated boom of business process outsourcing (BPO) companies outside the National Capital region. LIMA has also put four hectares of commercial lot inventory up for sale in 2021. With its growing 30-hectare Central Business District (CBD) – the first to rise in Batangas – LIMA has emerged as more than just a leading industrial estate, but also the center for commerce in the Batangas province. It currently houses various commercial components such as The Outlets at Lipa, LIMA Exchange, LIMA Park Hotel, LIMA Square, and LIMA Transport Hub .

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

## **Cement**

### ***AEV CRH Holdings, Inc. (AEV CRH) and CRH Aboitiz Holdings, Inc. (CRH Aboitiz)***

AEV, in partnership with CRH plc, formed two investment vehicles for their infrastructure projects, AEV CRH and CRH Aboitiz, incorporated in July 2015. On September 15, 2015, CRH Aboitiz acquired equity interests in RCSI (formerly Lafarge Cement Services Philippines, Inc.).

AEV CRH was initially granted the option to acquire 5,174,720,568 shares of RCBM (formerly Lafarge Republic, Inc.), representing 88.85% of RCBM's outstanding capital stock in a private sale from its major shareholder. In compliance with the requirements of the Securities Regulation Code, AEV CRH conducted a mandatory tender offer to acquire the remaining shares from the minority shareholders of RCBM. On September 9, 2015, AEV CRH accepted from the public a total of 596,494,186 shares representing 10.24% of the outstanding shares of RCBM. The tendered shares brought up AEV CRH's total shares in RCBM to 99.09% as of February 29, 2016. As of September 30, 2020, AEV CRH owns 99.40% of RCBM's outstanding capital stock.

As of June 30, 2022, AEV owns 60% and 45% equity interests in its Associates, AEV CRH and CRH Aboitiz, respectively.

### ***Republic Cement & Building Materials, Inc. (RCBM)***

Incorporated on May 3, 1955, RCBM is primarily engaged in the manufacture, development, exploitation, and sale of cement, marble and a number of other building materials, and the processing or manufacture of materials for a range of industrial or commercial purposes.

In September 2015, AEV CRH acquired a total of 99.09% equity interest in RCBM partly through private sale and partly through a mandatory tender offer. AEV CRH was required to conduct a mandatory tender offer subsequent to its acquisition of approximately 88.85% of the issued and outstanding shares of RCBM through a private sale. On January 14, 2016, RCBM filed a Petition for Voluntary Delisting with the PSE, which was approved by the PSE Board of Directors, effective on April 25, 2016.

On 26 September 2016, AEV CRH's equity interest in RCBM increased to 99.37% following the increase in the par value and decrease in its authorized capital stock. RCBM's number of shareholders also fell below 200, as a result of which it ceased to be a public company. In its Order of Revocation dated January 4, 2017, the Philippine SEC granted RCBM's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities. As of 30 September 2019, AEV CRH's equity interest in RCBM has since increased to 99.40% through the purchase of three shares of minority shareholders.

RCBM's operating cement manufacturing plants are located in the following sites: (a) Barangay Minuyan, Norzagaray, Bulacan (Bulacan Plant); (b) Bo. Bigte, Norzagaray, Bulacan (Norzagaray Plant); (c) Bo. Mapulo, Taysan, Batangas (Batangas Plant); and (d) Barangay Dulumbayan, Teresa, Rizal (Teresa Plant). RCBM also has a cement grinding facility located in Bo. Dungo-an, Danao, Cebu (Danao Plant). RCBM serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers. The amount of products supplied to the Aboitiz Group is insignificant.

RCBM owns 99.97% equity interest of Republic Cement Iligan, Inc. (formerly Lafarge Iligan, Inc.) and 99.40% of Republic Cement Mindanao, Inc. (formerly Lafarge Mindanao, Inc.).

#### ***Republic Cement Mindanao, Inc. (RCMI)***

RCMI was incorporated on May 25, 1957 to engage and deal in the production, purchase and sale of cement, concrete and allied products; quarrying, crushing and dealing in limestone in all its forms; and mixing, processing and sale of limestone with binder of any description. To facilitate the transition of RCMI from a Lafarge-associated entity to a CRH-Aboitiz company following the completion of the purchase of the Lafarge Philippine assets, in 2015 it changed its corporate name from "Lafarge Mindanao, Inc." to "Republic Cement Mindanao, Inc."

In its Order dated April 6, 2018, the Philippine SEC granted RCMI's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities.

Since 1999, RCMI's business operations have been concentrated mainly on cement distribution and the contracting for the manufacture of cement by an affiliate, RCII. RCMI serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers. The amount of products supplied to the Aboitiz Group is not material.

As of June 30, 2022, RCBM owned a 99.90% equity interest in RCMI. On October 1, 2020, the SEC approved the merger of RCMI and Republic Cement Iligan, Inc. (RCII), with RCMI as the surviving entity.

### ***Republic Cement Iligan, Inc. (RCII)***

Incorporated on June 1, 1967, RCII's primary purpose is to acquire, own, construct, manage and operate a cement plant for the manufacture and production of a range of cement and cement products or by-products, including any derivatives thereof.

RCII manufactures cement for RCMI. RCII's operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City.

On December 27, 2019, RCBM's equity interest in RCII increased to 100% following the increase in the par value and decrease in the authorized capital stock of RCII.

### ***Republic Cement Land & Resources, Inc. (RCLR) (formerly: Luzon Continental Land Corporation)***

RCLR was incorporated on October 26, 1998 primarily to acquire, develop and operate land, quarries, mining rights, buildings and other real or personal property used for mining, and process a range of ore and cement materials. It currently leases land and supplies limestone and other raw materials to its affiliate, RCBM. -No updates.

AEV CRH acquired RCLR from Calumbuyan Holdings, Inc. on September 15, 2015. AEV CRH owned a 100% equity interest in RCLR.

### ***Republic Cement Services, Inc. (RCSI)***

RCSI was incorporated on August 21, 2001 and is the managing company of RCBM, RCMI, and RCII. CRH Aboitiz owns a 100% equity interest in RCSI.

## **b) Distribution Methods**

In 2021, the cement sales of the Republic Cement Group were primarily made through distributors and dealers, with other sales made directly to contractors, developers, pre-cast manufacturers and ready-mix concrete companies. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

Meanwhile, Lima Water, with a daily water capacity of 8 million liters, provides industrial and potable water to over 80 industrial locators at the Lipa, Batangas based Lima Technology Center.

## **c) New Products and Services**

Aboitiz InfraCapital is currently undertaking project development activities in relation to its various infrastructure projects. Meanwhile, the Republic Cement Group continues to develop high quality cement products for the builder's ease, efficiency, and flexibility.

## **d) Competition**

The main competitors of the Republic Cement Group for its cement products consist of the cement manufacturers in the Philippines, such as Holcim Philippines, Inc., Eagle Cement Corporation,

Cemex Philippines, and Taiheiyo Cement Philippines, Inc., as well as traders who import cement into the Philippines.

The Republic Cement Group’s brand names and product lines have long been respected in the local construction industry, enabling it to effectively compete in the market. The Republic Cement Group continuously innovates and improves its product lines and production efficiency, to respond to the growing needs of the quality-conscious Filipino builder.

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

**e) Sources of Raw Materials**

The principal raw materials for the manufacture of cement consist of minerals such as limestone, silica sand and shale, which are quarried from the Republic Cement Group’s or RCLR’s sites, mining claims, or purchased from local suppliers or affiliates. Cement manufacture is the result of a definite process – the crushing of minerals, grinding, mixing, calcining/sintering, cooling and adding of retarder or gypsum. Other raw materials, slag, coal, other fuel and spare parts are obtained locally and abroad.

The Republic Cement Group is not dependent upon one or a limited number of suppliers for essential raw materials.

*Energy Requirements*

Cement manufacture is an energy-intensive process requiring reliable and affordable power supply for uninterrupted production. The operating plants source their power requirements from the following power providers:

Company	Location	Power Provider
RCBM	Bulacan, Norzagaray, Teresa and Batangas Plants	Aboitiz Energy Solutions, Inc. and Masinloc Power Partners Co. Ltd.
	Danao Plant	Aboitiz Energy Solutions, Inc.
RCMI	Barangay Kiwalan, City of Iligan, Province of Lanao del Norte	Power Sector Assets and Liabilities Management Corporation and PowerSource Philippines Energy, Inc.

The Republic Cement Group has its own generator sets in most of its operating plants to provide back-up power in case of power shortage or interruptions or poor power quality. In November 2014, RCII entered into a PSA with PowerSource Philippines Energy, Incorporated (PSPEI), wherein RCII invested in PSPEI as a minority shareholder. This PSA is effective upon financial close of the PSPEI’s financing for the development, construction and operation of the power plant which will supply power to RCII, with a term of fifteen years commencing from the date of commercial operations.

**f) Major Customers**

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

### g) Patents, Copyrights, and Franchises

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

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

### h) Major Risk/s Involved in the Business

Risks that are particular to Aboitiz InfraCapital and its Subsidiaries are:

#### ***Aboitiz InfraCapital may not be able to fully realize the benefits of implementing its infrastructure business***

Aboitiz InfraCapital's ability to successfully grow and operate its infrastructure business is subject to various risks, uncertainties and limitations, including:

- (a) the need to procure materials, equipment and services at reasonable costs and in a timely manner;
- (b) reliance on the performance of third-party providers and consultants which have an impact on the overall operating performance of Aboitiz InfraCapital's business units;
- (c) the possible need to raise additional financing to fund infrastructure projects, which Aboitiz InfraCapital may be unable to obtain on satisfactory commercial terms or at all;
- (d) deficiencies or delays in the design, engineering, construction, installation, inspection, commissioning, management or operation of projects where applicable;
- (e) penalties if concession requirements are not satisfied;
- (f) the timely delivery by the Government of any rights of way for its projects;
- (g) its ability to complete projects according to budgeted costs and schedules;
- (h) market risks;
- (i) non-implementation of toll or fare adjustments provided under its concession;
- (j) regulatory risks; and
- (k) delays or denials of required approvals, including required concessional and environmental approvals.

Occurrence of any of the foregoing or a failure by Aboitiz InfraCapital to successfully operate its infrastructure business could have a material adverse effect on its business, financial condition and results of operations.

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

#### ***Aboitiz InfraCapital may not be successful in securing new concessions or projects***

Aboitiz InfraCapital's future plans in relation to the infrastructure business contemplate the continued acquisition of new concessions and projects, successful participation in bids for projects as well as exploring opportunities in other sectors. Aboitiz InfraCapital's ability to expand its

business and increase operating profits is dependent on many external factors and events that are outside of Aboitiz InfraCapital's control, including changes in governmental laws and policies.

## AMOUNT SPENT ON RESEARCH AND DEVELOPMENT ACTIVITIES

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

## COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

AEV and its Subsidiaries, Associates and Joint Ventures are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These standard laws and regulations that govern AEV's business operations include the Philippine Clean Air Act (RA No. 8749), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. Power plant operations are considered environmentally critical projects for which an EIS and an ECC are mandatory.

AEV has incurred, and is expected to continuously incur, operating costs to comply with these laws and regulations. However, these costs cannot be segregated or itemized as these are embedded in, and are part and parcel of, each SBU's overall system in compliance with both industry standards and regulatory requirements. Each SBU has appointed and designated a Pollution Control Officer to closely monitor compliance with the requirements of these regulations.

As of the date hereof, neither AEV nor any of its Subsidiaries, Associates or Joint Ventures has been subject to any material fines or legal action involving non-compliance with any applicable environmental laws and regulations.

## EMPLOYEES

On the parent company level, AEV has a total of 230 employees as of June 30, 2022, composed of executives, managers, supervisors, and rank and file employees. There is no existing CBA covering AEV's employees.

The following table provides a breakdown of total employee headcount per SBU, divided by function, as of June 30, 2022:

Employees								
Number of Employees	AEV Corporate	UnionBank and Subsidiaries**	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	Gold Coin and Subsidiaries**	Aboitiz InfraCapital and Subsidiaries	RCBM and Subsidiaries***	AboitizPower and Subsidiaries****
Executives	59	364	71	10	101	19	6	203
Managers	75	1,372	109	30	257	49	122	362
Supervisors	43	2,809	486	123	780	94	298	750
Rank & File	53	2,745	408	80	2,423	114	355	1,887
<b>TOTAL</b>	<b>230</b>	<b>7,290</b>	<b>1,074</b>	<b>243</b>	<b>3,561</b>	<b>276</b>	<b>781</b>	<b>3,202</b>
Unionized Employees**	N/A	1,543*	24	N/A	939	N/A	595	376
Expiry of CBA	N/A	UBP: 2020 CBS: 2025	May 31, 2020	N/A	GCSI: August 2023	N/A	Batangas	LHC:

					<u>GCSSB:</u> February 2024 <u>AFC:</u> January 2024 GCFHN: January 6, 2023 <u>GCFD:</u> March, 2025 <u>PVC:</u> July 2023		Rank & File - February 28, 2024 Supervisory - June 30, 2024 <u>Iligan</u> Rank & File - December 2023 Supervisory - May 2024 <u>Teresa</u> Rank & File - October 2023 Supervisory - January 2024 <u>Bulacan</u> Rank & File - July 2026 Supervisory - December 2026 <u>Norzagaray</u> Rank & File - February 2025 Supervisory - December 2022	September 2022 <u>APRI:</u> February 2022 <u>Visayan</u> <u>Electric:</u> December 2016 <u>Davao Light:</u> July 2024 <u>Cotabato</u> <u>Light:</u> June 2021 <u>SFELAPCO:</u> May 2024
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\* UBP Parent Bank only  
\*\*Headcount as of December 31, 2021  
\*\*\*Headcount as of January 31, 2022  
\*\*\*\* Does not include team members from GN Power

In addition to mandated statutory benefits (such as holiday pay, service incentive leave, maternity leave, paternity leave, and 13th-month pay), the Company provides benefits to its employees in the following areas: healthcare, annual leave, loans and financial assistance applicable to a variety of uses, retirement benefits to qualified employees, and productivity bonuses. Salaries and benefits are reviewed regularly and adjusted to retain current employees and attract new talent. The Company currently has no stock option plans available to its employees. As of the date hereof, the Company does not anticipate any increase in manpower within the next 12 months unless new development projects and acquisitions materially require an increase.

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

**INSURANCE**

Insurance is part of AEV’s enterprise-wide risk management program. AEV has diversified its insurance programs in order to create an optimized portfolio where it balances risk retention and transfer strategies. Over the years, the total cost of insurable risks has remained at a consistent level despite the expansion of its businesses. This is a direct result of the organization’s continuous improvement of its risk profile and exploration of non-traditional risk transfer programs. Insurable risks of AEV and its affiliates are covered by policies, some of which have been tested through claims settlement.

**PROPERTIES**

The office space occupied by AEV is leased from a third party.

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



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

On a consolidated basis, the property, plant and equipment of the AEV Group had a carrying value of ₱221.41 Billion, ₱220.02 Billion and ₱219.54 Billion as of June 30, 2022, December 31, 2021 and 2020, respectively. Breakdown of these assets as of December 31, 2021 and 2020 is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2021	2020
Power Plant Equipment and Steam Field Assets	₱126,267,975	₱138,325,267
Construction in progress	10,105,230	7,287,650
Buildings, Warehouses and Improvements	61,446,891	47,509,690
Transmission, Distribution and Substation Equipment	25,319,519	23,002,108
Machinery & Equipment	11,624,708	9,930,653
Office Furniture, Fixtures and Equipment	16,100,110	13,317,976
Leasehold Improvements	3,349,237	3,216,534
Land and Land Improvements	3,874,417	3,677,559
Transportation Equipment	2,813,608	6,446,901
Tools and Others	6,178,670	5,980,779
Less: Accumulated Depreciation and Amortization	78,932,431	72,308,653
Accumulated Impairment	3,588,720	3,248,123
<b>TOTAL PPE</b>	<b>184,559,214</b>	<b>183,138,341</b>
Right-Of-Use Assets	35,458,993	36,399,754
<b>TOTALS</b>	<b>220,018,207</b>	<b>219,538,095</b>

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

Property, plant and equipment with carrying amount of ₱68.1 Billion and ₱110.5 Billion as of December 31, 2021 and 2020, 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 2021 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light	Industrial land, buildings/plants, equipment and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment and machineries	P. Reyes Street, Davao City: Bajada, Davao City	In use for operations

VECO	Industrial land, buildings/plants, equipment and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/plants, eqpt. & machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
GNPower - Mariveles	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
LEZ	Industrial land, buildings/plants, equipment and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Buildings/plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use

Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for future use
Aseagas	Raw land and improvements	Lian, Batangas	Undergoing development
PETNET	Raw land and improvements	Better Living Subdivision, Paranaque City	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor. Matco Road Lagao General Santos City	In use for operations
RCBM	Cement manufacturing plants	Barangay Minuyan, Norzagaray, Bulacan; Bo. Bigte, Norzagaray, Bulacan; Bo. Mapulo, Taysan, Batangas; Baranagay Dulumbayan, Teresa, Rizal	In use for operations
RCBM	Cement grinding stations	Bo. Dungo-an, Danao, Cebu	In use for operations
RCII	Cement grinding plant	Baranagay Kiwalan, Iligan City, Iligan	In use for operations

### International Animal Nutrition

Locations of Principal Properties and Equipment of Gold Coin Group are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
GCKM	Livestock mill (broiler, swine and fish feeds)	Kunming, Yunnan Province, China	In use for operations
GCZZ	Livestock mill (swine, broiler, pigeon feeds and SN products)	Zhangzhou, Fujian Province, China	In use for operations
GCZH	Livestock mill (poultry, swine, floating fish feeds and SN products)	Zhuhai, Guangdong Province, China	In use for operations
GCDG	Livestock mill (poultry, swine, floating fish and pigeon feeds)	Dongguan, Guangdong Province, China	In use for operations
GCFM-BW	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCFM-PK	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCSSB	Aqua mill (shrimp feed)	Selangor, Malaysia	In use for operations
GCS	Production mill (poultry broiler and layer feed; conducts commodities trading for the region)	Sarawak, East Malaysia	In use for operations
BFF	Production mill (fish meal)	Sarawak, East Malaysia	In use for operations
GCFS	Livestock mill (poultry broiler feed)	Sabah, East Malaysia	In use for operations

GCIBKS	Livestock mill (poultry layer and broiler feed)	Bekasi, Indonesia	In use for operations
GCIMDN	Livestock mill (poultry layer and broiler feed)	Medan, Indonesia	In use for operations
GCSIBY	Livestock mill (poultry layer and broiler feed)	Surabaya, Indonesia	In use for operations
GCSILPG	Aqua mill (shrimp feeds)	Lampung, Indonesia	In use for operations
GCSIBKS	Aqua mill (shrimp feeds)	Bekasi, Indonesia	In use for operations
Ayam Unggul	Breeder farm (hatchery)	Bekasi, Indonesia	In use for operations
AFC	Livestock mill (swine feed and some poultry feed; has fish production lines)	Hai Duong, North Vietnam	In use for operations
GCFHN	Livestock mill (swine feed and some poultry feed; has fish production lines)	Ha Nam, North Vietnam	In use for operations
GCFD	Livestock mill (swine feed)	Dong Nai, South Vietnam	In use for operations
GCFL	Livestock mill (poultry feed)	Colombo, Sri Lanka	In use for operations
GCST	Aqua mill (shrimp feed)	Songkhla, Thailand	In use for operations

#### **MATERIAL CONTRACTS**

The following summary should not be considered to be a full statement of the terms and provisions of such contract. Accordingly, the following summary is subject to the full text of the contract.

#### **AEV ₱ 8 Billion Fixed-Rate Bonds Due 2020 and 2023**

On November 21, 2013, AEV issued fixed -ate bonds (the “**2013 Bonds**”) in two series: (a) Series A 2013 Bonds, with a term of seven (7) years from issue date, and (b) Series B 2013 Bonds, with a term of ten (10) years from issue date. The Series A 2013 Bonds has a fixed interest rate of 4.4125% per annum and an optional redemption on the fifth (5<sup>th</sup>) year and one (1) quarter from issue date, and on the sixth (6<sup>th</sup>) year from issue date. On the other hand, the Series B 2013 Bonds has a fixed interest rate of 4.6188% per annum and an optional redemption on the seventh (7<sup>th</sup>) year form issue date, the eighth (8<sup>th</sup>) year from issue date, and ninth (9<sup>th</sup>) year from issue date. First Metro Investment Corporation (“**First Metro**”) acted as the Issue Manager and Lead Underwriter while Metropolitan Bank and Trust Company – Trust Banking Group was appointed as Trustee.

The 2013 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2013 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the PDTC as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

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

- a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:
  - i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
  - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
  - iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;
  - iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
  - v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed thirty five percent (35%) of the Issuer's total assets;
  - vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US\$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
  - vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and

- viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;
- b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;
- c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2013 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

#### **AEV ₱24 Billion Fixed-Rate Bonds Due 2020, 2022, and 2027**

On August 5, 2015, AEV issued fixed-rate bonds (the "2015 Bonds") in three series: (a) Series A 2015 Bonds, with a term of five (5) years and three (3) months; (b) Series B 2015 Bonds, with a term of seven (7) years; and (c) Series C 2015 Bonds, with a term of twelve (12) years from issue date. The Series A 2015 Bonds has a fixed interest rate of 4.4722% per annum. The Series B 2015 Bonds has a fixed interest rate of 5.0056% and an optional redemption on the fifth (5<sup>th</sup>) year and one (1) quarter from issue date, and on the sixth (6<sup>th</sup>) year from issue date. The Series C 2015 Bonds has a fixed interest rate of 6.0169% and an optional redemption on the seventh (7<sup>th</sup>), eighth (8<sup>th</sup>), ninth (9<sup>th</sup>), and tenth (10<sup>th</sup>) year from issue date. BPI Capital Corporation ("BPI Capital") acted as the Issue Manager. BPI Capital and First Metro Investment Corporation acted as Joint Lead Underwriters while BPI Asset Management and Trust Corporation was appointed as Trustee.

The 2015 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2015 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

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

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

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

- i. any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
- ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
- iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
- iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
- v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
- vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
- vii. any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("**foreign currency**"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness
- viii. any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed thirty five percent (35%) of the Issuer's total assets;
- x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US\$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- xi. other Liens: (i) created solely by operation of law; and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the Trust Agreement; and



- xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;
- b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2015 Bonds are current and updated;
- c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2015 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

#### **AEV ₱ 5 Billion Fixed-Rate Bonds Due 2024 and 2029**

On June 18, 2019, AEV issued fixed-rate bonds (the "2019 Bonds") in two series: (a) Series A 2019 Bonds, with a term of five (5) years from issue date, and (b) Series B 2019 Bonds, with a term of ten (10) years from issue date. The Series A 2019 Bonds has a fixed interest rate of 6.0157 % per annum and an optional redemption on the 4<sup>th</sup> anniversary of the Issue Date of the Series A 2019 Bonds or the immediately succeeding Banking Day if such date is not a Banking Day. On the other hand, the Series B Bonds has a fixed interest rate of 6.3210 % per annum and an optional redemption on the 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup> anniversary of the Issue Date of the Series B 2019 Bonds, or in each case, the immediately succeeding Banking Day if such date is not a Banking Day. BDO Capital & Investment Corporation and First Metro Investment Corporation were appointed as joint issue managers, joint lead underwriters, and joint bookrunners while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2019 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2019 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

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

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

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



- i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
  - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
  - iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;
  - iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
  - v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed thirty five percent (35%) of the Issuer's total assets;
  - vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US\$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
  - vi. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and
  - vii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;
- b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2019 Bonds are current and updated;

- c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "Net Debt to Consolidated Equity Ratio" means with respect to the 2019 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

#### **AEV ₱ 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 have a fixed interest rate of 2.8403 % per annum. On the other hand, the Series D 2020 Bonds has a fixed interest rate of 3.3059 % per annum and an optional redemption on the 3rd and 4th anniversary of the Issue Date of the Series D 2020 Bonds, and every quarter thereafter before the Maturity Date of such Series D 2020 Bonds. BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital were appointed as Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2020 Bonds constitute direct, unconditional, unsecured and unsubordinated Philippine 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 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.

## **AEV ₱ 10 Billion Fixed-Rate Bonds Due 2025 and 2028**

On August 9, 2021, AEV issued fixed-rate bonds (the “2021 Bonds”) in two series: (a) Series E 2021 Bonds, with a term of four (4) years from issue date, and (b) Series F 2021 Bonds, with a term of seven (7) years from issue date. The Series E 2021 Bonds have a fixed interest rate of 3.2977% per annum. On the other hand, the Series F 2021 Bonds has a fixed interest rate of 4.1018% per annum. 2021 Series E Bonds shall have optional redemption on the second (2nd) year from issue date and every interest payment date thereafter until before the third (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. 2021 Series F Bonds shall have optional redemption dates on the fourth (4th) year from the issue date and every interest payment date thereafter until before the fifth (5th) anniversary, on the fifth (5th) year from the issue date and every interest payment date thereafter until before the sixth (6th) anniversary, and the sixth (6th) 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. BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital were appointed as joint issue managers, joint lead underwriters, and joint bookrunners while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2021 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 of the 2021 Bonds or as may be allowed therein, 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 the Issuer’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. Transfers of the Bonds shall be coursed through the 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 Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:
  - i. any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) 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 (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
  - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

- iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
- iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
- v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
- vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
- vii. any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("**foreign currency**"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of indebtedness in any currency;
- viii. any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (y) 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 (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed thirty-five percent (35%) of the Issuer's total assets;
- x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- xi. other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement; and
- xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

b. Nature of Business. Except as required by Applicable Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Applicable Law;

c. Merger or Consolidation. The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or

consolidation is required by law, regulation, or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;

d. Guarantee. The Issuer shall not assume (or agree contingently or otherwise to do so) the Indebtedness, or guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than (i) obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances; and (ii) loans and other obligations of employees and officers pursuant to their employment and forming part of their compensation package.



## CERTAIN LEGAL PROCEEDINGS

AEV and its Subsidiaries are currently involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that the results of these actions will not have a material effect on the Company's financial position and results of operations.

Visayan Electric, for example, received several assessments of real property taxes ("**RP Tax**") on its electric posts, transformers, wires, machineries, air-conditioning units, and water pumps. Visayan Electric consistently maintains that the electric posts, transformers, wires, machineries, air-conditioning units, water pumps and their appurtenances are not considered real properties under the Civil Code and therefore, are not lawful objects of RP Tax. Further, Section 270 of the Local Government Code of 1991 (LGC) provides that the collection of RP Tax is mandatory within five years from the date they become due, and that failure to collect the RP Tax within the said period will bar collection thereof.

Visayan Electric has availed of Cebu City's tax amnesty ordinance in settlement of its real property taxes assessment case amounting to ₱183 Million covering the period from 1989 to 2019 pending before the Cebu City Assessor's Office. Visayan Electric was issued a tax certificate on January 5, 2021 clearing Visayan Electric of any and all real property taxes liabilities for all its electric poles and their attachments located in Cebu City.

The other material pending legal proceedings involving the Company and its Subsidiaries are as follows:

**Luzon Hydro Corporation vs. The Provincial Government of Benguet, represented by Governor Melchor D. Diclas; Orlando T. Oidi, in his official capacity as the Provincial Assessor of Benguet Province; Imelda I. Macanes, in her official capacity as the Provincial Treasurer of Benguet Province; Bado K. Pasule, in his official capacity as the Municipal Assessor of Bakun, Benguet; and Merlita Tolito, in her official capacity as the OIC-Municipal Treasurer of Bakun, Benguet, Civil Case No. 20I-CV-3558**

In view of the finality of the SC's Decision in the case entitled: "*National Power Corporation vs. LHC, Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet*" docketed as GR No. 244450 and GR No. 244659, the Municipal Treasurer of Bakun issued real property tax bills for the period covering 2002 to 2019 amounting to ₱284,448,073.24 on January 16, 2020.

On February 3, 2020, LHC wrote to the Provincial Governor requesting for the amendment of the real property tax bills to align with the MOA dated December 20, 2012 by and between LHC and the Province of Benguet. In the same letter, LHC also cited Executive Order (EO) No. 88, Series of 2019, which reduced the liability for real property tax of IPPs such as LHC with BOT Agreements with Government Owned and Controlled Corporations to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2018.

On September 14, 2020, LHC filed a Petition with the Regional Trial Court ("**RTC**") of La Trinidad, Benguet, praying for the issuance of a writ of mandamus to compel the Province of Benguet to comply with the provisions of the EO and recompute the real property tax liabilities of LHC. The Province of Benguet filed its Comment with Motion to Dismiss, which was denied by the RTC. The RTC also directed the parties to immediately manifest their conformity to the statement of undisputed facts,

admitted documentary exhibits, and the statement of legal issues. LHC filed its Comment on January 21, 2021 while the Province filed its Compliance with Manifestation on February 5, 2021.

On March 23, 2021, a hearing was held through video conference to discuss the factual issues raised by the Province. The judge advised that an Amended Order will be issued containing the summary of admitted facts, list of admitted facts, list of admitted documents, and statement of legal issues based on the respective Comments or Manifestations filed by the parties. LHC filed its Memorandum on April 28, 2021.

On December 17, 2021, LHC received the RTC's Decision dated November 18, 2021 denying the Petition. On December 28, 2021, LHC filed with the Supreme Court a motion for extension of time, requesting a 30-day extension from January 1, 2022, or until January 31, 2022, within which to file its Petition for Review on Certiorari.

On February 2, 2022<sup>6</sup>, LHC filed its Petition for Review on Certiorari with the Supreme Court.

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

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

**G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; 8 January 2014**

On 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, which the ERC approved, subject to confirmation and post-verification proceedings, on December 9, 2013 (the "**December 9, 2013 Order**"). The ERC, however, did not approve MERALCO's request to recover carrying costs but directed it to file a formal application for this.

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.

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<sup>6</sup> On January 12, 2022, the Supreme Court issued Memorandum Order No. 10-2022 which, among others, extended until February 1, 2022 the filing periods of any and all pleadings and other court submissions that will fall due in the month of January 2022 in view of the rising cases of COVID-19 due to the Omicron variant. Further, through Proclamation No. 1236 dated October 29, 2021, February 1, 2022 has been declared a Special (Non-Working) Day in view of the celebration of Chinese New Year. Hence, all pleadings that will fall due on said date may be filed on the next working day.



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.

In a Decision dated August 5, 2021, the Supreme Court (i) affirmed the December 9, 2013 Order approving Meralco's rate increase on staggered basis, but without carrying costs; (ii) dismissed the petitions of Bayan Muna and NASECORE; and (iii) nullified the March 3, 2014 ERC Order, which imposed regulated prices in lieu of Luzon WESM prices during the relevant period.

Subsequently, ERC filed its Motion for Partial Reconsideration dated July 19, 2022. Bayan Muna and NASECORE also filed their Motions for Reconsideration. In view of the filing of these motions, as of July 31, 2022, the August 5, 2021 Decision is not yet final and executory.

**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>7</sup>, Investigation Summary Report, dated 4 August 2014")**

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation ("PEMC-ECO") conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period 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 P234.9 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.

In its letter dated January 30, 2015, the PEMC Board of Directors ("PEMC Board") denied TMO's request for reconsideration and confirmed its earlier findings of 3,578 counts of breach of the Must-Offer-Rule and sustained the imposition of financial penalties amounting to P234.9 Million on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

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<sup>7</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.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013. At this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five (5) years.

On February 13, 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 million as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMCECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 Million to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favour of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals ("CA") which sought to reverse and set aside the Decision of the RTC.

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

On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the December 14, 2015 CA Decision. On November 14, 2016, TMO filed its Comment to PEMC's Petition for Review. In its Motion for Leave to File Reply to Comment dated December 9, 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On June 1, 2017, TMO received the Supreme Court Notice dated March 29, 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.

As of July 31, 2022, PEMC's Petition is still pending before the Supreme Court.

**Regulated Price Case (Energy Regulatory Commission vs. San Miguel Energy Corporation, et al, G.R. Nos. 246621-30, and Manila Electric Company vs. San Miguel Energy Corporation, et al, G.R. Nos. 247352-61) Petition for Review on Certiorari, Supreme Court;**

**Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;**

**ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants" 28 March 2014**

The ERC conducted an investigation on the alleged collusion by the Generation Companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated 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.

The Company’s affiliates and subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others.

The ERC, in its Order dated 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 and December 1 and 4, 2014, respectively. The CA ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the CA granted the Petitions. The CA declared null and void ERC’s Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 (the “**ERC Orders**”), and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and MERALCO filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated March 29, 2019, the CA denied the motions for reconsideration filed by the ERC and MERALCO, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

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

In September to October 2019, the SC issued Resolutions denying the Petitions for Review on Certiorari filed by several entities, including Calco Industries Inc., Paperland, Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan (AGHAM), Ateneo De Manila University, Citizenwatch, Riverbanks Dev’t. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated November 7, 2017 and Omnibus Resolution dated March 29, 2019 with respect to their motions.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to ERC’s Petition for Review on Certiorari. On January 28, 2020, TMO and TLI filed their Consolidated

Comment (to the Petition for Review on Certiorari dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated June 13, 2019) on February 11, 2020.

In a Resolution dated February 10, 2020, the SC required respondents to file their Comments on MERALCO's Petition for Review on Certiorari dated June 13, 2019. On July 9, 2020, APRI filed its Comment. On even date, TLI and TMO also filed their Consolidated Comment on MERALCO's Petition.

As of July 31, 2022, ERC's and MERALCO's Petitions are still pending before the Supreme Court.

## MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### MARKET INFORMATION

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

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

	2022		2021		2020	
	High	Low	High	Low	High	Low
First Quarter	65.15	52.35	47.60	34.50	54.00	29.10
Second Quarter	60.00	44.85	43.70	34.00	52.20	38.25
Third Quarter	n.a	n.a	54.20	37.00	51.60	45.05
Fourth Quarter	n.a	n.a	59.05	46.70	48.90	42.10

The closing price of AEV common shares, as of July 29, 2022 is ₱57.05 per share.

### HOLDERS

As of July 29, 2022, AEV has 8,311 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 July 29, 2022 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	1,014,695,710	18.02%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	316,632,954	5.62%
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 Catpial Partners Inc.	Filipino	11,600,000	0.21%
17	Arrayanes Corporation	Filipino	10,750,070	0.19%
18	UnionBank TISG For IMA#PH3Q201692	Filipino	8,709,900	0.15%
19	Les Folatieres Holdings Inc.	Filipino	8,056,119	0.14%
20	Ramjay Management & Dev. Corp	Filipino	7,826,493	0.14%
	<b>SUB-TOTAL</b>		5,014,263,546	89.06%
	<b>Other Stockholders</b>		615,961,911	10.94%
	<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 from fiscal year 2015 to 2022 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2022 (regular)	₱1.62	03/04/2022	₱9.12 Billion	03/18/2022	03/30/2022
2021 (regular)	₱0.91	03/05/2021	₱5.12 Billion	03/19/2021	03/31/2021
2020 (regular)	₱1.30	03/06/2020	₱7.32 Billion	03/20/2020	04/03/2020
2019 (regular)	₱1.32	03/07/2019	₱7.44 Billion	03/21/2019	04/05/2019
2018 (regular)	₱1.28	03/08/2018	₱7.21 Billion	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 Billion	03/21/2017	04/10/2017

2016 (regular)	₱1.06	03/08/2016	₱5.89 Billion	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 Billion	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the Board approved the policy of distributing at least 1/3 of its previous year's earnings as cash dividends to its stockholders for subsequent years. There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 20, 2020.

Under the Trust Agreements covering the 2013 Bonds, the 2015 Bonds, 2019 Bonds, 2020 Bonds and the 2021 Bonds, the Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds, 2015 Bonds, 2019 Bonds, 2020 Bonds and the 2021 Bonds are current and updated. As of the date of this Prospectus, all payments due under the 2013 Bonds, 2015 Bonds, 2019 Bonds, 2020 Bonds and the 2021 Bonds are current and updated.

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

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

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

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

*The Group's operating segments are as follows: a.) Aboitiz Power Corporation and subsidiaries (collectively, the "Power Group"), b.) Banking and Financial Services, c.) Pilmico Foods Corporation and subsidiaries, and Pilmico International Pte. Ltd. and subsidiaries (collectively, the "Food Group"), d.) Aboitiz InfraCapital Inc. and its Subsidiaries and Republic Cement Group (collectively, the "Infrastructure Group"), and e.) AboitizLand, Inc. and its 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. NET DEBT-TO-EQUITY RATIO**

Net 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 interest-bearing debt less cash by total equity.

### **KEY PERFORMANCE INDICATORS (KPI)**

**(Amounts in thousands except financial ratio data)**

	<b>JAN-JUN 2022</b>	<b>JAN-JUN 2021</b>
EQUITY IN NET EARNINGS OF INVESTEES	<b>₱7,368,508</b>	₱10,684,450
EBITDA	<b>32,742,624</b>	32,772,086
CASH FLOW GENERATED:		
Net cash flows from operating activities	<b>9,450,113</b>	16,874,238
Net cash flows used in investing activities	<b>(58,420,295)</b>	(5,365,165)
Net cash flows used in financing activities	<b>(26,892,824)</b>	(20,113,358)
Net decrease in Cash & Cash Equivalents	<b>(75,863,006)</b>	(8,604,285)
Cash & Cash Equivalents, Beginning	<b>147,534,035</b>	65,966,411
Cash & Cash Equivalents, End	<b>74,019,003</b>	57,619,828
	<b>JUNE 30, 2022</b>	<b>DECEMBER 31, 2021</b>
CURRENT RATIO	<b>2.0</b>	2.3
NET DEBT-TO-EQUITY RATIO	<b>0.7</b>	0.6

Equity earnings in investees decreased by 31% from ₱10.7 Billion during the first six months of 2021 to ₱7.4 Billion during the first six (6) months of 2022. The decrease was due to: (i) lower earnings of Union Bank of the Philippines ("UnionBank", or the "Bank"; (ii) lower trading margins from SN Aboitiz Power-Magat, Inc.'s and SN Aboitiz Power-Benguet, Inc.; and (iii) lower earnings of RCBM due to weaker market demand, and tax adjustments resulting from the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act") in the first quarter of 2021.

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

Net Debt-to-Equity ratio as of June 30, 2022 increased to 0.7x, from the end-2021 level of 0.6x, as the increase in net debt was higher than the growth in total equity. The Current Ratio as of June 30, 2022

was at 2.0x, a decline from the end-2021 level of 2.3x, as current assets decreased while current liabilities increased.

## **REVIEW OF JANUARY-JUNE 2022 OPERATIONS COMPARED TO JANUARY-JUNE 2021**

### **RESULTS OF OPERATIONS**

For the six-month period ended June 30, 2022, AEV and its Subsidiaries posted a Net Income to Equity Holders of AEV of ₱11.8 Billion, a 12% decrease year-on-year (YoY). This translated to earnings per share of ₱2.10 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 52%, followed by the Banking and Financial Services, Real Estate, Infrastructure, and Food Groups at 31%, 12%, 4%, and 2%, respectively.

During the first six (6) months of 2022, the Group generated non-recurring gains of ₱2.7 Billion (compared to ₱169 Million losses for the corresponding period in 2021) due to the revaluation of dollar-denominated assets. Without these one-off gains, the Group's core net income for the first six months of 2022 was ₱9.1 Billion, 33% lower YoY. AEV recorded consolidated EBITDA of ₱32.7 Billion during the first six (6) months of 2022, relatively flat compared to ₱32.8 Billion recorded in the same period in 2021.

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

The following discussion describes material changes in the line items of the Company's statement of income and of comprehensive income for the six (6) months ended June 30, 2022 compared to the six (6) months ended June 30, 2021.

#### **Revenues**

##### *Sale of Power*

The Group's revenue from the sale of power increased by 37%, or ₱22.3 Billion, from ₱60.2 Billion in the six (6) months ended June 30, 2021 to ₱82.5 Billion in the six (6) months ended June 30, 2022. The increase was primarily attributable to (i) higher availability of the GNPowder Mariveles Energy Center Ltd. Co. (GMEC) facility, (ii) higher sales from retail electricity, and (iii) higher Wholesale Electricity Spot Market (WESM) dispatch. The Group's sale of power comprised 59% and 61% as a percentage of total revenues in both the six months ended June 30, 2021 and June 30, 2022, respectively.

##### *Sale of Goods*

The Group's revenue from sale of goods increased by 22%, or ₱8.8 Billion, from ₱39.9 Billion in the six months ended 30 June 2021 to ₱48.7 Billion in the six months ended June 30, 2022. The increase was primarily due to higher volume and selling prices for the Food Group. The Group's sale of goods comprised 39% and 36% as a percentage of total revenues in the six months ended 30 June 2021 and June 30, 2022, respectively.

### *Real Estate*

The Group's revenue from real estate increased by 150%, or ₱2.3 Billion, from ₱1.5 Billion in the six months ended June 30, 2021 to ₱3.8 Billion in the six months ended June 30, 2022. The increase was primarily attributable to AboitizLand's higher revenue recognition from increased construction activity for its residential business, as well as significant site development achievements. As a percentage of total revenues, the Group's revenue from real estate comprised 1% and 3% for the six months periods ended June 30, 2021 and June 30, 2022, respectively.

### *Other Revenues*

The Group's combined revenue from the sale of swine, service fees, and other sources increased by 22% or ₱0.1 Billion, from ₱0.6 Billion in the six (6) months ended June 30, 2021 to ₱0.8 Billion in the six months ended June 30, 2022. This was mainly due to higher service fees. As a percentage of total revenues, the Group's other revenues comprised 1% in both the six months ended June 30, 2021 and June 30, 2022.

## **Costs and Expenses**

### *Cost of Generated and Purchased Power*

The Group's cost of generated and purchased power increased by 65%, or ₱20.5 Billion, from ₱31.6 Billion in the six (6) months ended June 30, 2021 to ₱52.1 Billion in the six months ended June 30, 2022. The increase was primarily attributable to higher volume of power generated and higher purchased power rates driven by higher WESM prices. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 36% and 44% in the six months ended June 30, 2021 and June 30, 2022, respectively.

### *Cost of Goods Sold*

The Group's cost of goods sold increased by 19%, or ₱6.9 Billion, from ₱35.9 Billion in the six (6) months ended June 30, 2021 to ₱42.8 Billion in the six months ended June 30, 2022. The increase was primarily attributable to higher raw materials costs of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 41% and 36% in the six months ended June 30, 2021 and June 30, 2022, respectively.

### *Operating Expenses*

The Group's operating expenses increased by 6%, or ₱1.2 Billion, from ₱19.1 Billion in the six months ended 30 June 2021 to ₱20.3 Billion in the six months ended June 30, 2022. The increase was primarily attributable to higher expenses related to the ramp-up of activities in the Infrastructure Group, freight and delivery and professional fees of the Food Group. As a percentage of total costs and expenses, the Group's operating expenses comprised 22% and 17% in the six months ended June 30, 2021 and June 30, 2022, respectively.

### *Cost of Real Estate Sales*

For the six months ended June 30, 2022, the Group's cost of real estate increased by 167%, or ₱1.3 Billion, from ₱0.8 Billion in the six months ended 30 June 2021 to ₱2.1 Billion in the six months ended June 30, 2022. The increase was mainly driven by higher real estate sales. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% and 2% in the six months ended June 30, 2021 and June 30, 2022, respectively.

### **Operating Profit**

As a result of the foregoing, the Group's operating profit increased by 25%, or ₱3.7 Billion, from ₱15.0 Billion in the six months ended 30 June 2021 to ₱18.6 Billion in the six months ended June 30, 2022.

### **Income Before Income Tax**

The Group's income before income tax increased by 9%, or ₱1.5 Billion, from ₱17.7 Billion in the six (6) months ended June 30, 2021 to ₱19.3 Billion in the six months ended June 30, 2022. The increase was mainly due to higher operating profit partly offset by lower equity earnings.

### **Net Income**

As a result of the foregoing, coupled with the application of the provisions of the CREATE Act in the first quarter of 2021, the Group's Net Income to Equity Holders of AEV decreased by 12%, or ₱1.7 Billion, from ₱13.5 Billion in the six months ended June 30, 2021 to ₱11.8 Billion in the six (6) months ended June 30, 2022.

Net income attributable to non-controlling interests (NCI) for the six months ended June 30, 2022 increased to ₱5.5 Billion, from ₱3.2 Billion in the six months ended June 30, 2021. This was primarily due to the increase in NCI as a result of the sale of shares of AboitizPower.

## **STRATEGIC BUSINESS UNITS (SBU)**

The following discussion describes the performance of the Group's SBUs for the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

### **Power**

For the six months ended June 30, 2022, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱5.2 Billion, a 34% decrease from ₱7.8 Billion in the six months ended June 30, 2021.

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 28%, from ₱7.7 Billion in the six months ended 30 June 2021 to ₱5.5 Billion in the six months ended June 30, 2022. The variance was primarily due to (i) the lower ownership of AEV in AboitizPower, (ii) collection of liquidated damages (LD) for the delay in the construction of GNPowder Dinginin Ltd. Co. (GNPD) and business interruption (BI) claims for the GMEC plant outages in the first quarter of 2021, (iii) Typhoon Odette-related outages, and (iv) advanced planned outages in anticipation of the country's 2022 national elections.

Capacity sold increased from 3,600 MW for the six months ended June 30, 2021 to 3,785 MW for the six months ended June 30, 2022. Energy sold in the six months ended June 30, 2022 increased by 17% to 13,762 GWh from 11,790 GWh in the same period in 2021.

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 55%, from ₱1.8 Billion for the six months ended June 30, 2021 to ₱0.8 Billion for the six months ended June 30, 2022. This decrease was mainly due to delayed pass through of higher generation charges. Energy sales increased by 1% to 2,778 GWh during the six months ended June 30, 2022 from 2,745 GWh in the six (6) months ended June 30, 2021.

### **Banking & Financial Services**

UnionBank's contribution to Net Income to Equity Holders of AEV decreased by 26%, from ₱4.2 Billion in the six (6) months ended June 30, 2021 to ₱3.1 Billion in the six (6) months ended June 30, 2022. The decrease was primarily attributable to the absence during the first six (6) months of 2022 of the extraordinary trading gains recorded in the first half of 2021.

### **Food**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group decreased by 82% to ₱194 Million for the six (6) months ended June 30, 2022, compared to ₱1.1 Billion for the six months ended June 30, 2021.

For the six months ended June 30, 2022, the Agribusiness segment, which consists of the regional animal nutrition businesses (feed, petfood, and specialty nutrition) reported a net loss of ₱167 Million, 128% lower YoY. The decrease was due to the recognition of unrealized foreign exchange losses from the devaluation of the Sri Lankan Rupee and Goodwill impairment of its Sri Lanka and Thailand operations.

The Food and Nutrition segment, which consists of the flour, farms, meats, and trading divisions, recorded net income of ₱166 Million for the six months ended June 30, 2022, 71% lower YoY. The decrease was due to (i) lower taxes recognized for its farms division in the same period in 2021 from tax adjustments pertaining to its 2020 Income Tax Holiday incentives, (ii) weaker margins from its flour division, and (iii) higher foreign exchange losses due to the depreciation of the Philippine Peso against the US Dollar impacting its USD denominated payables from raw material purchases.

### **Real Estate**

The contribution of AboitizLand and Lima Land, Inc. to Net Income to Equity Holders of AEV for the six months ended June 30, 2022, before elimination of transactions within the Group, amounted to ₱1.2 Billion, a 212% increase from ₱385 Million for the six (6) months ended 30 June 2021. The increase was mainly due to higher revenue recognition from increased construction and site development activities for AboitizLand's residential business during the first half of 2022.

### **Infrastructure**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group decreased by 72% to ₱356 Million for the six (6) months ended June 30, 2022, compared to ₱1.3 Billion for the six (6) months ended June 30, 2021. The decrease was mainly due to the decline in the contribution of RCBM to ₱177 Million during the six months ended June 30, 2022, compared to a ₱1.3 Billion for the six (6) months ended June 30, 2021. The decrease was attributable to lower market demand for cement due to the increase in prices of steel and other construction materials, pre-election construction ban and post-election transition. RCBM also benefited during 2021 from a one-time gain brought about by the CREATE bill which reduced its deferred tax liabilities.

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

### **Assets**

Consolidated assets (as of June 30, 2022 compared to December 31, 2021) increased by 2% to ₱747.5 Billion, due to the following:

- Trade and other receivables (current and noncurrent) increased by 20% (₱58.0 Billion as of June 30, 2022 compared to ₱48.4 Billion as of December 31, 2021) mainly due to increased receivables of the Power and Food Groups resulting from higher revenues.
- Inventories increased by 30% (₱41.7 Billion as of June 30, 2022 compared to ₱32.0 Billion as of December 31, 2021) mainly due to higher spare parts, supplies and fuel inventory of the Power Group, and higher raw materials inventory of the Food Group.
- Investment Property increased by 12% (₱13.7 Billion as of June 30, 2022 compared to ₱12.2 Billion as of December 31, 2021) mainly due to improvements in land and ongoing construction in the properties for leasing operations.
- Investments in and Advances to Associates and Joint Ventures increased by ₱21.4 Billion (₱176.2 Billion as of June 30, 2022 compared to ₱154.8 Billion as of December 31, 2021) mainly due to the recording of ₱7.4 Billion share in net earnings of Associates and Joint Ventures, ₱20.2 Billion additional investment in UnionBank, and ₱4.0 Billion other comprehensive income. The increase was partially reduced by the ₱2.2 Billion dividends from Associates and Joint Ventures during the period.
- Intangible assets increased by 6% (₱78.7 Billion as of June 30, 2022 compared to ₱74.3 Billion as of December 31, 2021) mainly due to the forex revaluation of GMEC goodwill partly offset by amortization of existing assets.
- Other Current Assets (OCA) increased by 127% (₱57.8 Billion as of June 30, 2022 compared to ₱25.4 Billion as of December 31, 2021) primarily due to the increase in short-term cash deposits.
- Derivative Assets (net of Derivative liabilities, current and noncurrent) increased to ₱8.7 Billion as of June 30, 2022 compared to ₱0.1 Billion as of December 31, 2021 mainly due to hedging gains.

The above increases were offset by decrease in the following:

- Cash & Cash Equivalents decreased by 50% (₱74.0 Billion as of June 30, 2022 compared to ₱147.5 Billion as of December 31, 2021). The decrease was mainly due to the movement of cash to short-term cash deposits, debt servicing and dividend payments.
- Other Noncurrent Assets (ONCA) decreased by 5% (₱14.4 Billion as of June 2022 compared to ₱15.1 Billion as of December 31, 2021) primarily due to the decrease in Input VAT, the regular reduction in Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment, and the partial collection of TVI's advances to National Grid Corporation of the Philippines (NGCP).

## Liabilities

Total Liabilities (as of June 30, 2022 compared to December 31, 2021) increased by 1% to ₱410.8 Billion due to the following:

- Bank loans increased by 22% (₱43.3 Billion as of June 30, 2022 compared to ₱35.4 Billion as of December 31, 2021) mainly due to short-term debt availments by the Food Group.
- Long-term debt, which includes both current and non-current portions, decreased by 1% (₱268.1 Billion as of June 30, 2022 compared to ₱271.7 Billion as of 31 December 2021) mainly due to the prepayment of US Dollar loan of AEV International and AboitizPower, and principal payments made on existing loans. These were partly offset by the issuance of retail bonds by AboitizPower amounting to ₱10.0 Billion.
- Long-term obligation on Power Distribution System, which includes current and non-current portions, increased by 6% (₱175 Million as of June 30, 2022 compared to ₱166 Million as of December 31, 2021) due to the accretion of interest.
- Lease liabilities, which includes current and non-current portions, decreased by 8% (₱31.6 Billion as of June 30, 2022 compared to ₱34.3 Billion as of December 31, 2021) due to Therma Luzon, Inc.'s (TLI) payment on its obligation to PSALM.
- Trade and other payables, inclusive of noncurrent portion, increased by 8% (₱50.3 Billion as of June 30, 2022 compared to ₱46.8 Billion as of December 31, 2021) mainly due to the increase of trade and fuel purchases in the Power Group.
- Income tax payable increased by 18%, from ₱0.4 Billion as of 31 December 2021 to ₱0.5 Billion as of June 30, 2022, mainly due to higher quarter-to-quarter taxable income during the second quarter of 2022 compared to the fourth quarter of 2021.
- Deferred Income Tax Liabilities (net of Deferred income tax assets) decreased by 41% (₱175 Million as of June 30, 2022 compared to ₱294 Million asset as of 31 December 2021) mainly due to the recording of deferred tax asset on Therma Visayas, Inc.'s (TVI) Net Operating Loss Carry Over.



- Pension Liabilities (net of Pension assets) increased by 16% to ₱232 Million as of June 30, 2022 compared to ₱200 Million as of December 31, 2021 due to the Group's retirement cost for the period.

## Equity

Equity attributable to equity holders of the parent (as of June 30, 2022 compared to December 31, 2021) increased by ₱3.3 Billion, from ₱244.7 Billion to ₱247.9 Billion, due to the following:

- ₱11.8 Billion net income recorded during the period; and
- ₱0.6 Billion movement in other comprehensive income.

These were partly offset by the ₱9.1 Billion cash dividends paid by AEV during the first half of 2022.

## MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the six (6) months ended June 30, 2022, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates and Joint Ventures.

Compared to the cash inflow in the six (6) months ended June 30, 2021, consolidated cash generated from operating activities in the six months ended June 30, 2022 decreased by ₱7.4 Billion to ₱9.5 Billion. This was mainly due to higher working capital requirements.

As of June 30, 2022, ₱58.4 Billion net cash was used in investing activities compared to ₱5.4 Billion during the six (6) months ended June 30, 2021. Out of the cash usage for the current period, ₱32.0 Billion was invested in short-term cash deposits to maximize interest income, while ₱20.2 Billion was invested in UnionBank.

Net cash used in financing activities was ₱26.9 Billion for the six (6) months ended June 30, 2022 compared to ₱20.1 Billion in the six (6) months ended June 30, 2021. The increase was largely attributed to higher cash dividends paid compared to the same period in 2021.

For the six (6) months ended June 30, 2022, net cash outflows surpassed cash inflows, resulting in a 50% decrease in cash and cash equivalents from ₱147.5 Billion as of year-end 2021 to ₱74.0 Billion as of June 30, 2022.

## FINANCIAL RATIOS

AEV's Current Ratio as of June 30, 2022 decreased to 2.0x from the end-2021 level of 2.3x, as current assets decreased while current liabilities grew. Net Debt-to-Equity ratio increased to 0.7:1 from year-end 2021's 0.6:1, as the growth in net debt was higher than the increase in total equity during the first six months of 2022.

## **Outlook for the Upcoming Year/ Known Trends, Events, and Uncertainties which may have Material Impact on the Registrant**

Based on information provided by UnionBank Economic Research Unit, AEV expects the Philippines' GDP to grow by 6.6% in 2022 and 5.7% in 2023. Internal research of the Bank indicates that a more robust economic recovery took place in the fourth quarter of 2021 and continued during the first quarter of 2022, avoiding the negative impact of the Omicron surge during early 2022. Nevertheless, economic outlook risks remain amid geo-political risks, Asian region economic recovery disruptions, rising global monetary interest rates, and domestic uncertainties with higher inflation.

### **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. AboitizPower believes that there is no single technology that completely addresses the country's energy requirements and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, AboitizPower believes that it has built the foundation to sustain its long-term growth, as seen in its pipeline of new power generation projects.

GNPD Unit 1 started commercial operations and began serving its Power Supply Agreements on January 25, 2022, subject to completion of certain tests and works by the EPC contractor. Meanwhile, GNPD Unit 2 synchronized on April 23, 2022 and is currently delivering 668MW in the grid while undergoing testing and commissioning.

The TMI Maco Hybrid Battery Energy Storage System (BESS) Project located in Maco, Compostela Valley has a storage capacity of 49 MW and is intended for ancillary services. It will serve as a model for future battery investments as well as hybrid renewable energy projects. As of first half of 2022, the control system which automates the hybrid operations between the diesel and battery barges for contingency reserve ancillary service was completed. Commissioning activities in preparation for turnover by the end of the third quarter of 2022 is ongoing.

As part of its decarbonization journey, AboitizPower remains focused on bringing its renewable portfolio to 4,600 MW of net attributable sellable capacity by 2030, which includes 3,700MW of additional RE capacity in addition to its 905 MW of disclosed renewable projects. Three of its ongoing renewable projects are (arranged based on target commercial operations date): the PV Sinag Power Cayanga Project ("**Cayanga Solar Project**"); the PV Sinag Power Laoag Project ("**Laoag Solar Project**"); and the SN AboitizPower Magat Battery Energy Storage System Project ("**Magat BESS Project**").

The Cayanga Solar Project is for the construction of a 94 MWp solar power plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. Construction activities for PV module installation, control building, transmission line and Cayanga Substation are ongoing. Overall project status was at 65% completion with zero lost time incident. The project is expected to begin commercial operations by the first quarter of 2023.

The Laoag Solar Project is for the construction of a 159 MWp solar power plant located in barangay Laoag, municipality of Aguilar, Pangasinan. The EPC contracts were awarded to SUMEC Complete Equipment and Engineering Co., Ltd. and Hansei Corporation for the Direct Current (DC) and Alternating Current (AC) components, respectively. The project is expected to commence commercial operations by June 2023.

The Magat BESS Project is for the construction of a 24 MW battery energy storage unit located in Ramon, Isabela. The EPC contract was awarded to Hitachi Energy in March 2022, with a groundbreaking ceremony held on April 25, 2022. Following a technical evaluation, a more compact and efficient configuration of the battery energy storage was determined, allowing an increase in capacity from 20 to 24 MW. Construction started in August 2022. The project is expected to commence commercial operations in the first quarter of 2024.

AboitizPower also has the following RE projects under development which are expected to commercially operate within the next three years: the 44 MWp AP Renewable Energy Corporation Tarlac Solar Project; the 150 MWp Aboitiz Solar Power Inc Calatrava Solar Project; the 84 MWp PV Sinag Power San Manuel Solar Project; the 212 MWp PV Sinag Power Olongapo Solar Project; the 20 MW Hedcor Sablan Hydro Project; the 40 MW Hedcor Bukidnon Kibungan Hydro Project; and the 75 MWp SN AboitizPower-Magat Floating Solar Project.

In relation to AboitizPower's existing capacity, the steam field operator for APRI has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of aggregated individual well capacity by 2023. Currently, 7 out of the 12 wells have been completed. Three more are expected to be added by 2022, and another two by the first half of 2023. In Tiwi, there is an initiative to convert waste heat from the geothermal brine to power a 15 MW Binary power plant. On April 29, 2022 APRI signed an agreement with the Philippine Geothermal Production Company for the supply of the brine fuel. The project is expected to begin commercial operations by the end of 2023.

AboitizPower targets doubling its net attributable sellable capacity to 9,200 MW by 2030. It also intends to achieve a 50:50 balance between its renewable ("**Cleanenergy**") and thermal capacities, without new coal builds. This is expected to come from a portfolio of renewables and selective baseload builds.

AboitizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("**RPS**") by the Department of Energy ("**DOE**"). In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. AboitizPower will continue to pursue international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high growth geographic markets with acceptable regulatory environments.

AboitizPower is also optimizing its existing baseload facilities to meet critical market needs as baseload demand in the Philippines is still expected to increase in the coming years. Luzon will need an average of 600 MW year on year and AboitizPower is studying to fill some of these gaps with LNG-to-Power projects, unless a cleaner technology proves to be the more economical option. In addition,

AboitizPower is currently exploring a (LNG)-to-Power project as an alternative to a third unit of Therma Visayas.

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. AboitizPower is also closely and proactively monitoring the risks associated with climate-related regulations and initiatives, including recent discussions on the early retirement of coal assets in the Philippines and Indonesia. AboitizPower, through its parent company, AEV, is the first Philippine company to sign up and commit to the Task Force on Climate-Related Financial Disclosure framework. AboitizPower has taken steps to proactively quantify the potential impacts of various climate regulations on its assets. AboitizPower is monitoring this risk as part of its risk management framework and is developing strategies to manage risks that are above certain risk thresholds.

Given the current state of power needs in the Philippines and the expected build progression of new plants over the next ten years, AboitizPower believes its existing coal assets will need to continue to play a significant role for at least another 15 to 20 years. AboitizPower is always looking at improvements to make sure it continues to operate its assets responsibly and in compliance with all regulations.

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

AboitizPower, together with its partners, has allotted ₱28 Billion for capital expenditures in 2022, for the development and construction of various solar power, hydro power, and battery energy-storage systems, and the continuous improvement of the reliability of baseload plants.

AboitizPower and JERA have agreed to explore immediate collaboration in the following areas: 1) development of power projects, including LNG-to-Power projects; 2) management and sourcing of LNG fuel supply; and 3) potential participation in aspects of plant operation and maintenance ("O&M").

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the AboitizPower'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 76 of the AboitizPower's 2021 Definitive Information Statement).

### **Banking & Financial Services SBU**

UnionBank continues to pursue its business transformation roadmap towards becoming one of the top three universal banks in the Philippines in terms of return on equity, return on assets, and cost-efficiency. Rather than using traditional metrics such as asset size or branch network, this transformation roadmap shifts the Bank's focus to providing financial value to stakeholders, operational excellence, customer franchise or share of wallet, unique customer experience, and superior and innovative products and services.

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 made progress in achieving this goal. As of December 31, 2021, the majority of the Bank's revenues were recurring in nature as the growth of its loan portfolio over the past 10 years outpaced the industry average. In addition, the Bank's consumer loans comprise 42% of its total loan portfolio as of June 30, 2022, more than double that of the banking industry with 19% of total portfolio.

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.

Having completed Phase 1 (i.e., building the foundational infrastructure to be "Digital to the Core" and transforming people and culture to be an "Agile Organization") 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.

The COVID-19 pandemic has accelerated the shift in consumer behavior towards digital banking. The banking industry in general, and Unionbank in particular, experienced immense growth in electronic transactions (e.g. fund transfers, in-app bills payment, etc.), as well as increased users of digital channels and applications since 2020. The Bank expects the digital trend to continue, especially as more Filipinos discover and experience the advantages of digital payments and digital banking.

UBX PH also ramped up in the operations with its flagship platforms, namely: (i) i2i (a banking-as-a-service 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). With the growth of E-Commerce during the pandemic, UBX PH sign-ups and transactions grew exponentially, which translated to increased recurring revenues.

On July 18, 2022, UnionDigital started its commercial operations after securing its authority to operate from the Bangko Sentral ng Pilipinas. UnionDigital is envisioned to capture the underbanked segments of the population by offering superior customer experience with a cost-efficient infrastructure and organization.

On August 1, 2022 the Bank completed its acquisition of Citigroup's consumer banking business in the Philippines. The transaction includes Citi's credit card, personal loans, wealth management, and retail deposit businesses. The acquisition also includes Citi's real estate interests in relation to Citibank Square in Eastwood City in Bagumbayan, Quezon City, full-service bank branches, and wealth centers. The acquisition will accelerate the Bank's objective of becoming a 'Great Retail Bank' given Citi's market leadership in the credit cards, personal loans, and wealth management business.

With its digital thrust, the Bank believes that it is well-positioned to leverage on the digital trends as it carries on with the commercialization program of its digital transformation. For 2022, the Bank's key focus areas include: (i) improving the Bank's operations and delivery of products and services via Cloud Migration, DevSecOps, and continuous enhancement of our digital channels as we further scale up in terms of customers and transactions; (ii) continuing growth and maximize profitability in the mass market segments we are in; (iii) further ramping up the growth of UBX PH's platforms to sustain growth in recurring revenues; (iv) successfully launching UnionDigital; and (v) most importantly, ensuring the smooth transition of Citi's employees and customers to the Bank. UnionBank also intends to ride on the wave of the economy's recovery and improving consumer demand to push for further growth of its core lending business. To support these initiatives, the Bank has allotted more than ₱3 Billion for capital expenditures in 2022.

The Bank's strong capitalization and above-industry profitability and efficiency ratios will continue to provide cushion against potential economic headwinds.

### **Food SBU**

The Food Group, composed of AEV's non-listed multinational food subsidiaries, is an integrated regional agribusiness and food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming, and commodity trading. It remains one of the Philippines' top flour, feeds, and farm market players and has a nationwide presence. The Food Group also operates in the ASEAN and across the AsiaPacific regions through Pilmico International Pte. Ltd. and its Subsidiaries - which includes Gold Coin Management Holdings Private Limited (Gold Coin) based in Singapore - and is well-positioned as a regional manufacturer and producer of high-quality animal and aqua feeds.

In January 2022, the Food Group internally reorganized its businesses into two key business segments, namely; (i) Agribusiness and (ii) Food and Nutrition business. Agribusiness segment consists of its regional (i.e. local and international) animal nutrition businesses (feed, petfood, and specialty nutrition divisions). Meanwhile, the Food and Nutrition business segment consists of businesses that cater to the consumer segment of the value chain (flour, farms, meats, and trading divisions) in the Philippines. It also includes retail and other business-to-customer (B2C)- oriented businesses. This reorganization will allow the Food Group to better deliver its identified strategic pillars (i.e. balance, optimize and develop) through improvement in internal collaboration, increasing the speed and efficiency in execution, and capitalizing on the synergize that exists in the business as they present themselves.

In order to achieve the Food Group's Vision "to become an integrated regional business and food company", the Food Group will (i) maintain a balanced portfolio by diversifying revenues and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) across geographies, businesses, and products to increase its resilience, (ii) focus on operational excellence, cost control, and leverage on technology, and (iii) pursue building new growth platforms by investing in fast-growing and higher-margin segments of the industry. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the coming years.

The Food Group today enjoys its position as 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, through its geographical reach in Asia Pacific has and continues to harness synergies in distribution, localized operations, cross-selling, research and development, raw materials, and logistics cost.

The flour division 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, protecting its market share, and potentially expanding into a more diversified product portfolio.

Meanwhile, the farms division started the construction of its third Breeder Farm in 2021 and it is expected to be completed in September 2022. This will yield an additional capacity of 2,500 sow level and will help in the recovery of the supply of pork in the Philippine Market. The expansion is anchored on the confidence brought about by the improved biosecurity protocols and methodology that will thrive despite the presence of African Swine Fever (ASF) in the country. With the planned expansion, Farms' sow level capacity is expected to reach 60,000 heads by 2026. 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 has provided more stable profitability through selling high-margin pork meats compared to live hog selling. With ASF hitting the Philippine swine farming industry in 2019, the latter (i.e live hog selling) has not fully recovered yet the lost capacity and unserved demand for pork meat is eased up

through meat importation. This presents an opportunity for the Food Group to further augment the volume of its Meats business through external sources and improve its meat processing facility utilization.

The branded pork meat products of the Food Group, under the house brand “The Good Meat” are now made available in the Philippines through different digital platforms such as Lazada and the Food Group’s online meat store. On top of one existing store, six new physical stores are expected to be fully operational by October 2022, with a capacity of 2 metric ton (MT) per day per store. Furthermore, The Good Meat plans to expand its supermarket presence from 260 stores in 2021 to 330 stores by the end of 2022 (a combination of retail concessionaires stores and stores carrying The Good Meat products). These initiatives are expected to allow the Food Group to further develop its B2C channels and to provide an expansion to the supply chain which will ensure better distribution to all customers in the relevant areas.

The Agribusiness segment in the Philippines seeks to solidify its market position through expanding production in strategic locations in the Visayas and Mindanao regions in the next five years. To support the wider market, the Food Group will employ platform improvements in logistics to enhance operational agility and improve customer experience. The Food Group believes that continuous product developments through precise nutrition and feeding management, the introduction of pet food, and the building-up of specialty nutrition are key to a strengthened and diversified Agribusiness portfolio.

The Gold Coin Group (under the Agribusiness segment) will pursue (i) fast-growing segments like aquafeeds and (ii) attractive geographies where it has a captive market and the ability to compete. In 2021, several plant expansions took place within the region and expansions are set to continue in 2022 with China and Vietnam expanding their livestock feedmill facility with an additional capacity of 30 TPH each mill. Construction will be completed in December 2023 and September 2023, respectively.

These carefully selected and calibrated investments are expected to capture greater returns while steadily building a strong and diversified regional food business integrated across the business system.

Food Group has allotted ₱6 Billion for capital expenditures in 2022.

## **Infrastructure SBU**

### *Aboitiz InfraCapital*

Aboitiz InfraCapital aims to thrive in the Philippine infrastructure space and contribute to its economic recovery amid the COVID-19 pandemic.

Aboitiz InfraCapital is optimistic in achieving plans of larger scale operations by year-end with each sector on track to hit their targets – (i) Apo Agua Infraestructura, Inc. (Apo Agua) is expected to start operations, (ii) Unity Digital Infrastructure Inc. (Unity) continues to accelerate its tower rollout, while (iii) Economic Estates continues its expansion.



## *Economic Estates*

The Economic Estates business has further strengthened its leadership in Industrial-anchored estates by continuing to expand its footprints in both Batangas and Cebu. It seeks to more than double the footprint of its developments, as well as introduce sustainability and smart city features.

Last June 15, 2022, LIMA Estate recently became the first industrial park to achieve the pilot BERDE (Building for Ecologically Responsive Design Excellence) District Certification with a 5-star rating, the highest rating Philippine Green Building Council (PhilGBC) awards to developments. PhilGBC certifies Districts based on their commitment to sustainable development, including the contribution of projects to health and well-being, community engagement, and economic opportunities.

Aboitiz InfraCapital is also applying for the BERDE Building Certification of the LIMA Tower One, the first of seven multi-storey office buildings to be built at LIMA's Central Business District, slated for completion in 2024.

In addition, Aboitiz InfraCapital has engaged a global urban infrastructure and managed services consulting firm, Surbana Jurong, to transform the LIMA Estate into a smart, next-generation, and future-ready economic center to draw more business and green development into the Lipa-Malvar industrial corridor.

This underscores Aboitiz InfraCapital's commitment that clients who would choose Aboitiz Economic Estates will find a home that checks all the boxes in their ESG scorecards now and in the years to come.

The next phase of expansion for its Economic Estates, LIMA Estate in Lipa-Malvar, Batangas, and West Cebu Estate in Balamban, Cebu are in the works, as the company targets to add 240 hectares of new inventory in total and spur economic activity in its areas by generating 92,000 jobs combined.

Looking ahead, as the Economic Estates continue to welcome new locators and businesses, there will be continuous transformation of the Estates, through introduction of new product lines, smart city features, and sustainability initiatives.

## *Water*

### *Lima Water Corporation (Lima Water)*

Lima Water is the exclusive water and wastewater services provider of LTC, one of the Philippines' largest industrial parks. Lima Water is currently building its capability to fully support the expansion plans of LTC and other affiliated economic estates, which are expected to experience healthy growth in the coming years.

With the rollout of the Non-Revenue Water (NRW) Roadmap to its Cebu water operations starting January 2022, the NRW level in both MEZ2 and West Cebu Estate significantly improved by 5 percentage points. This was achieved through continuous leak detection activities, along with regular water meter validation and supply and pressure management.

By the end of 2022, the target is to manage and maintain the NRW level across three water operations at 5% or better, within the next three years and beyond. This target is significantly better than the regulator's acceptable level at 20% and more efficient than other Industrial estates ranging from 10 to 20%.

Aside from resource conservation and water sustainability, it is imperative that we mitigate the financial challenges posed by NRW as exacerbated by the rising cost of electricity, chemicals, fuels, machineries and other costs that impact the production of potable water during these uncertain times.

#### *Apo Agua Infraestructura, Inc. (Apo Agua)*

Apo Agua is the project company owned by AEV and JVACC, organized to design, construct and operate a hydroelectric powered-bulk water treatment facility and a conveyance system which will deliver at least 300 million liters per day of treated water to the Davao City Water District (DCWD) over 30 years.

Construction is in full-swing for the three main work areas: i) River diversion and intake weir completion in Raw Water Facilities, ii) mechanical and electrical works have ramped up in the Water Treatment Plant; and iii) Hydrotesting and road restoration on-going in Treated Water Pipeline.

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 underserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

#### *Digital Infrastructure*

A year since the launch of Unity Digital Infrastructure, Inc., a joint venture telecommunications infrastructure platform between Aboitiz InfraCapital and Partners Group, progress is underway in building greenfield macro towers, enabling tower co-locations and providing complementary offerings via deployment of small cell sites.

Unity has 300 active ground based sites in various stages of development (70% of which have been erected) across the country, predominantly in Visayas and Mindanao. It has completed its acquisition and integration of the Small Cells Poles business, and to date deployed 400 small cell sites in key cities nationwide improving network quality and services.

Unity has a combined target of ~1000 operating macro towers and small cell sites to be completed within 2022.

#### *Regional Airports*

The DOTr granted Aboitiz InfraCapital Original Proponent Status to its unsolicited proposals to operate, maintain, and expand the new Bohol-Panglao International Airport on September 3, 2018, and to operate and maintain the Bicol International Airport on September 7, 2021. The same status

was received from the Civil Aviation Authority of the Philippines (CAAP) for Laguindingan Airport on February 26, 2019. On November 29, 2019, Aboitiz InfraCapital obtained the approval of the National Economic Development Authority Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approved the proposal for Laguindingan Airport on December 20, 2019.

In the face of the unprecedented impact of COVID-19 on the air travel and airport business, Aboitiz InfraCapital remains keen on pursuing its unsolicited proposals for the Bohol Panglao and Bicol International Airports and Laguindingan Airport. Aboitiz InfraCapital believes that these projects are vital to reviving the economy and are aligned with its objective to support regional growth centers outside of the National Capital Region. Aboitiz InfraCapital continues to discuss the best and most prudent way to move forward with the projects with the government.

#### *Republic Cement and Building Materials, Inc. (RCBM)*

Cement demand declined slightly during the first half of 2022 versus the same period last year, impacted by the increases in the prices of steel and other construction materials, pre-election construction ban and post-election transition. In the second half of 2022, Infrastructure demand might start to improve as the new administration settles in. However, the pandemic and high commodity prices continue to present a risk to economic recovery, which in turn might also impact the demand.

RCBM remains committed to serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Two newly-commissioned mills provide RCBM with additional 2.3 Million tonnes per annum (MTPA) capacity to serve the market needs.

RCBM is currently experiencing inflationary pressures in energy prices, exacerbated by the Russia-Ukraine war, which impacts its cement production costs. In an effort to mitigate the impact of its external headwinds, RCBM continues to focus on operational excellence initiatives and cost control 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 ₱29 Billion for capital expenditures in 2022 across all its businesses.

#### **Land SBU**

##### *Aboitiz Land, Inc. (AboitizLand)*

AboitizLand is committed to innovating ways to lead more families home in 2022 and the years to come. It will continue to be focused on further improving all aspects of operations.

Innovation will continue to be at the core of AboitizLand’s culture. In 2022, AboitizLand expects to continue to harvest the results of its digitization strategy. Some key innovation initiatives that are in full swing include the complete automation of the construction management process, the introduction of a new building system/technology, the full roll out of the Vecino app, and the optimization of all digital and social media assets in harnessing leads and strengthening the brand.

AboitizLand remains bullish about the property sector as residential property trends point towards a stronger preference for its residential offerings. There is a newfound appreciation for house and lots and residential lot projects, as preferences for the living set-up shift towards horizontal developments. Supported by the boom of infrastructure developments, living outside central business districts is now more possible without compromising comfort, convenience, and accessibility. The expected reduction in the need to live near central business districts bodes well for AboitizLand’s residential developments located in emerging centers outside the capital. It is for these reasons that AboitizLand continues to launch new phases in its existing projects within 2022. Meadow Village, the most premium village at The Villages at Lipa is on track to launch in the third quarter of 2022.

AboitizLand expects a tough second half of the year as prevailing market uncertainties impact operations and financial performance for 2022. While major construction materials such as cement and rebars are directly supplied by AboitizLand and have been hedged with long term supply contracts, contractors have passed on the sizable increase in fuel and labor costs to AboitizLand. These additional costs had negatively impacted AboitizLand’s pricing strategy, thus causing some margin squeeze. There is a need to watch out for subdued interest in land as an investment, as potential buyers have become more cautious given prevailing market conditions. Mitigation measures include a refreshed campaign highlighting AboitizLand’s residential lots as a stable and reliable form of investment.

The innovative and resilient mindset that allowed AboitizLand to successfully pivot during the Covid pandemic in 2020-2021 will carry it through the second half of 2022. AboitizLand will need to pivot once again as it exits the Covid period, where lockdowns have caused limited construction and selling activities and as it enters an environment with a whole new set of challenges, uncertainties, and opportunities. A new direction and strategy, one that is defined by innovation and aligned with the Great Transformation, is being developed that will allow AboitizLand to thrive and grow the property business into the future.

AboitizLand has allotted ₱2 Billion for capital expenditures in 2022.

**REVIEW OF JANUARY-DECEMBER 2021 OPERATIONS COMPARED TO JANUARY-DECEMBER 2020**

**KEY PERFORMANCE INDICATORS**

**(Amounts in thousands except financial ratio data)**

	<b>JAN-DEC 2021</b>	<b>JAN-DEC 2020</b>
EQUITY IN NET EARNINGS OF INVESTEES	<b>₱17,245,643</b>	₱9,019,033
EBITDA	<b>67,241,938</b>	57,720,482
CASH FLOW GENERATED:		

Net cash flows from operating activities	<b>36,319,034</b>	36,334,748
Net cash flows used in investing activities	<b>(10,078,385)</b>	(11,618,066)
Net cash flows from (used in) financing activities	<b>52,988,973</b>	(4,345,939)
Net Increase in Cash & Cash Equivalents	<b>79,229,622</b>	20,370,743
Cash & Cash Equivalents, Beginning	<b>65,966,411</b>	46,424,663
Cash & Cash Equivalents, End	147,534,035	65,966,411
	<b>DECEMBER 31, 2021</b>	<b>DECEMBER 31, 2020</b>
CURRENT RATIO	<b>2.3</b>	1.6
NET DEBT-TO-EQUITY RATIO	<b>0.6</b>	1.2

Equity earnings in investees increased by 91% from ₱9.0 Billion during 2020 to ₱17.2 Billion during 2021. The increase was due to: (i) commissioning revenue from GNPD Unit 1, (ii) higher output of SN Aboitiz Power-Magat, Inc.'s and SN Aboitiz Power-Benguet, Inc.'s hydro power plants resulting from higher water inflows, (iii) higher earnings of UnionBank, (iv) recognition of income from liquidated damages for delays in the construction of GNPD's power plant, and (v) higher earnings of RCBM due to stronger demand, increased overall efficiency, and tax adjustments resulting from the CREATE Act.

Consolidated EBITDA translates into substantial cash inflows from the 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 equity increasing and net debt decreasing during the 12 months of 2021, Net Debt-to-Equity ratio as of December 31, 2021 decreased to 0.6x from end-2020's 1.2x. Current Ratio as of December 31, 2021 (compared to end-2020's 1.6x) increased to 2.3x mainly due to higher cash balances.

## RESULTS OF OPERATIONS

For the (twelve) 12-month period ended December 31, 2021, AEV and its Subsidiaries posted a Net Income to Equity Holders of AEV of ₱27.3 Billion, a 77% increase YoY. This translated to earnings per share of ₱4.85 for the period in review. The Power Group accounted for the bulk of the income contributions to AEV at 57%, followed by the Banking and Financial Services, Real Estate, Food, and Infrastructure Groups at 23%, 9%, 7%, and 5%, respectively.

During 2021, the Group generated non-recurring gains of ₱527 Million primarily due to the revaluation of dollar-denominated assets, compared to ₱477 Million non-recurring losses recorded in 2020. Without these one-off losses, the Group's core net income for 2021 was ₱26.8 Billion, 68% higher YoY. AEV recorded a 16% increase in consolidated EBITDA for 2021 compared to 2020, from ₱57.7 Billion to ₱67.2 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 2021 compared to 2020.

### **Revenues**

#### *Sale of Power*

The Group's revenue from the Power Group's sale of power increased by 22% or ₱24.2 Billion, from ₱109.9 Billion in 2020 to ₱134.0 Billion in 2021. The increase was primarily attributable to (i) higher availability of TLI, TSI, and TVI facilities during 2021, and (ii) higher WESM dispatch in compliance with the must-offer rule. The Group's sale of power comprised 59% and 60% as a percentage of total revenues in 2020 and in 2021, respectively.

#### *Sale of Goods*

The Group's revenue from sale of goods increased by 17% or ₱11.8 Billion, from ₱71.3 Billion in 2020 to ₱83.1 Billion in 2021. The increase was primarily due to higher feeds selling prices. The Group's sale of goods comprised 38% and 37% as a percentage of total revenues in 2020 and in 2021, respectively.

#### *Real Estate*

The Group's revenue from real estate increased by 48% or ₱1.7 Billion, from ₱3.5 Billion in 2020 to ₱5.2 Billion in 2021. The increase was primarily attributable to AboitizLand's higher revenue recognition following increased construction activity for its residential business, as well as increased sales with higher spot down payments. As a percentage of total revenues, the Group's revenue from real estate comprised 2% in both 2020 and in 2021.

#### *Other Revenues*

The Group's combined revenue from the sale of swine, service fees, and other sources decreased by 22% or ₱0.4 Billion, from ₱2.0 Billion in 2020 to ₱1.6 Billion in 2021. This decrease was mainly due to the decrease in live hogs sold. As a percentage of total revenues, the Group's other revenues comprised 1% in both 2020 and in 2021.

### **Costs and Expenses**

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

The Group's cost of generated and purchased power increased by 37% or ₱20.1 Billion, from ₱54.9 Billion in 2020 to ₱75.0 Billion in 2021. The increase was primarily attributable to higher purchased power rates driven by higher WESM prices, and higher fuel cost. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 35% and 39% in 2020 and in 2021, respectively.

#### *Cost of Goods Sold*

The Group's cost of goods sold increased by 20% or ₱12.1 Billion, from ₱61.5 Billion in 2020 to ₱73.6 Billion in 2021. The increase was mainly attributable to higher raw materials cost of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 40% and 39% in 2020 and in 2021, respectively.

#### *Operating Expenses*

The Group's operating expenses increased by 7% or ₱2.8 Billion, from ₱37.1 Billion in 2020 to ₱39.9 Billion in 2021. The increase was primarily attributable to higher expenses for insurance and repairs and maintenance of the Group's power plants. As a percentage of total costs and expenses, the Group's operating expenses comprised 24% and 21% in 2020 and in 2021, respectively.

#### *Cost of Real Estate Sales*

For 2021, the Group's cost of real estate sales increased by 34% or ₱0.6 Billion, from ₱1.7 Billion in 2020 to ₱2.3 Billion in 2021. The increase was mainly driven by higher real estate sales. As a percentage of total costs and expenses, the Group's cost of real estate sales comprised 1% in both 2020 and in 2021.

### **Operating Profit**

As a result of the foregoing, the Group's operating profit increased by 5% or ₱1.6 Billion, from ₱31.5 Billion in 2020 to ₱33.1 Billion in 2021.

### **Income Before Income Tax**

The Group's income before income tax increased by 30% or ₱8.6 Billion, from ₱28.4 Billion in 2020 to ₱37.0 Billion in 2021. The increase was mainly due to higher operating profit and equity earnings.

### **Net Income**

As a result of the foregoing, coupled with the application of the provisions of the CREATE Act, the Group's Net Income to Equity Holders of the Parent increased by 77% or ₱11.9 Billion, from ₱15.4 Billion in 2020 to ₱27.3 Billion in 2021.

Net income attributable to non-controlling interests for 2021 increased to ₱6.9 Billion from ₱5.4 Billion in 2020. This was primarily due to the increase in consolidated net income of AboitizPower in 2021.

### **STRATEGIC BUSINESS UNITS**

The following discussion describes the performance of the Group's SBUs for 2021 compared to 2020.

### **Power**

For 2021, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱16.0 Billion, a 66% increase from ₱9.7 Billion in 2020.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply businesses to Net Income to Equity Holders of AEV increased by 84%, from ₱9.2 Billion in 2020 to ₱16.9 Billion in 2021. The variance was primarily due to (i) commissioning revenue from GNPD Unit 1, (ii) higher water inflows for the Power Group's hydro plants, higher availability of TLI, TSI, and TVI facilities, (iii) higher WESM dispatch, and (iv) other income from liquidated damages for the delay in the construction of GNPD Units 1 and 2 and business interruption claims resulting from GMEC and APRI outages in previous years. These gains were partially offset by lower margins resulting from the GMEC outage during 2021.

Capacity sold increased from 3,417 MW for 2020 to 3,753 MW for 2021. Energy sold in 2021 increased by 14% to 26,031 GWh from 22,754 GWh 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 13% from ₱2.7 Billion in 2020 to ₱3.1 Billion in 2021. This increase was mainly driven by higher energy consumption resulting from recoveries in demand. Energy sales increased by 4% to 5,584 GWh during 2021 from 5,368 GWh in 2020.

### **Banking & Financial Services**

UnionBank's contribution to Net Income to Equity Holders of AEV increased by 9% YoY, from ₱5.9 Billion in 2020 to ₱6.4 Billion in 2021. The increase was due to higher net interest income, which grew to ₱29.8 billion, 4% higher YoY due to the sustained increase in net interest margins. Non-interest income in 2021 was ₱15.3 Billion, up 14% YoY, due to higher fees, service charges, foreign exchange income and trading gains.

### **Food**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group decreased by 10% to ₱2.0 Billion in 2021, compared to ₱2.2 Billion in 2020.

The Food Group's Agribusiness segment, which consists of the regional animal nutrition businesses (feed, petfood, and specialty nutrition), reported net income of ₱1.3 Billion in 2021, 44% lower than the ₱2.3 Billion in 2020. This is due to a decline in margins resulting from the sharp increase in raw material costs.



The Food Group's Food and Nutrition segment, which consists of the flour, farms, meats, and trading divisions, recorded net income of ₱934 Million in 2021, 365% higher YoY. This was primarily due to increased income from the Farm business as pork prices increased due to lack of supply in the market during 2021, supported by incremental income coming from commodity trading. These offset the decline in income from the Flour business stemming from the increase in raw material costs, in addition to decreased by-product margins.

### **Real Estate**

The contribution of AboitizLand to Net Income to Equity Holders of AEV in 2021, before elimination of transactions within the Group, amounted to ₱2.6 Billion, a 658% increase from ₱338 Million in 2020. The increase was mainly due to higher revenue recognition from increased construction and site development activities for AboitizLand's residential business, and an increase in sales performance with higher spot down payments, coupled with asset monetization and fair valuation gains on investment properties.

### **Infrastructure**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group increased by 203% to ₱1.4 Billion in 2021, compared to ₱457 Million in 2020. The increase was mainly due to the higher contribution of the RCBM Group which increased by 164% from ₱590 Million in 2020 to ₱1.6 Billion in 2021. The increase was mainly due to stronger market demand from the residential and infrastructure segments during 2021, as well as increased overall efficiency resulting from capital investments. RCBM also benefited in 2021 from a one-time gain brought about by the CREATE bill which reduced its deferred tax liabilities.

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

### **Assets**

Consolidated assets (as of December 31, 2021 compared to December 31, 2020) increased by 20% to ₱733.6 Billion, due to the following:

- Cash & Cash Equivalents increased by 124% (₱147.5 Billion as of December 31, 2021 compared to ₱66.0 Billion as of December 31, 2020) mainly due to proceeds from the sale of non-controlling interest in December 2021 arising from the sale by AEV of a 25.01% ownership interest in AboitizPower to JERA Asia.
- Trade and other receivables (current and noncurrent) increased by 23% (₱48.4 Billion as of December 31, 2021 compared to ₱39.4 Billion as of December 31, 2020) mainly due to increased receivables of the Power and Real Estate Groups as a result of higher revenues.

- Inventories increased by 30% (₱32.0 Billion as of December 31, 2021 compared to ₱24.7 Billion as of December 31, 2020) mainly due to higher spare parts, supplies and fuel inventory of the Power Group, and higher raw materials inventory of the Food Group.
- Investment Property increased by 12% (₱12.2 Billion as of December 31, 2021 compared to ₱10.9 Billion as of December 31, 2020) mainly due to the fair valuation gain on revaluation of real estate properties during 2021.
- Investments in and Advances to Associates and Joint Ventures increased by ₱9.4 Billion (₱154.8 Billion as of December 31, 2021 compared to ₱145.4 Billion as of December 31, 2020) mainly due to ₱994 Million infusion into Unity Digital Infrastructure, Inc., AboitizPower's ₱952 Million additional infusion into GNPD, ₱310 Million other comprehensive income, and the recording of ₱17.2 Billion share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱10.2 Billion dividends from Associates and Joint Ventures.
- Other Current Assets (OCA) increased by 36% (₱25.4 Billion as of December 31, 2021 compared to ₱18.7 Billion as of December 31, 2020) primarily due to the increase in short-term cash deposits and prepaid expenses.
- Net Derivative Assets and Liabilities (current and noncurrent) changed from ₱2.0 Billion net derivative liability as of December 31, 2020 to ₱105 Million net derivative asset as of December 31, 2021 mainly due to the Power Group's hedging gains.
- Intangible Assets increased by 10% (₱74.3 Billion as of December 31, 2021 compared to ₱67.8 Billion as of December 31, 2020) mainly due to the forex revaluation of goodwill and additions to service concession rights relating to Apo Agua Bulk Water project.

## Liabilities

Total Liabilities (as of December 31, 2021 compared to December 31, 2020) increased by 5% to ₱405.8 Billion due to the following:

- Bank loans increased by 21% (₱35.4 Billion as of December 31, 2021 compared to ₱29.3 Billion as of December 31, 2020) mainly due to new loan availments during 2021 by the Power and Food Groups.
- Long-term debt, which includes both current and noncurrent portions, increased by 4% (₱271.7 Billion as of December 31, 2021 compared to ₱261.0 Billion as of December 31, 2020) mainly due to the following: (i) issuance of retail bonds by AboitizPower amounting to ₱26.0 Billion, (ii) issuance of retail bonds by AEV amounting to ₱10.0 Billion, and (iii) ₱11.8 Billion of new loan availments by subsidiaries. This was partly offset by the prepayment of AEV's seven-year 2015 Series B and ten-year 2013 Series B retail bonds and AboitizPower's partial prepayment of the US\$300 Million syndicated bridge loan facility availed in 2019 to finance the AA Thermal, Inc. acquisition, and principal payments made on existing loans during 2021.

- Long-term obligation on Power Distribution System, which includes current and noncurrent portions, decreased by 10% (₱166 Million as of December 31, 2021 compared to ₱183 Million as of December 31, 2020) as regular annual payments were made.
- Lease liabilities, which includes current and noncurrent portions, decreased by 14% (₱34.3 Billion as of December 31, 2021 compared to ₱39.8 Billion as of December 31, 2020) due to TLI's payment on its obligation to PSALM during 2021.
- Trade and other payables, inclusive of noncurrent portion, increased by 25% (₱46.8 Billion as of December 31, 2021 compared to ₱37.3 Billion as of December 31, 2020) mainly due to the increase of trade and fuel purchases in the Power Group, and raw materials purchases of the Food Group.
- Income tax payable decreased by 62%, from ₱1.0 Billion as of December 31, 2020 to ₱0.4 Billion as of December 31, 2021 mainly due to the reduction in income tax rates from 30% in 2020 to 25% in 2021.
- Customers' deposits increased by 6%, from ₱7.0 Billion as of December 31, 2020 to ₱7.4 Billion as of December 31, 2021, mainly due to the receipt of bill deposits from new customers.
- Decommissioning liability increased by 14%, from ₱5.0 Billion as of December 31, 2020 to ₱5.7 Billion as of December 31, 2021, mainly due to the recognition of additional decommissioning provisions on power plant assets.
- Deferred Income Tax Liabilities decreased by 5% (₱2.3 Billion as of December 31, 2021 compared to ₱2.4 Billion as of December 31, 2020) due to the reduction in income tax rates.
- Pension Liabilities (net of Pension assets) decreased to ₱200 Million as of December 31, 2021 compared to ₱459 Million as of December 31, 2020 mainly due to actuarial gains.

## Equity

Equity attributable to equity holders of the parent (as of December 31, 2021 compared to December 31, 2020) increased by ₱61.6 Billion from ₱183.1 Billion to ₱244.7 Billion, due to the following:

- ₱27.3 Billion net income recorded during the year;
- ₱35.0 Billion additional equity reserve from the sale of non-controlling interest; and,
- ₱4.4 Billion in other comprehensive income

These are partly offset by the ₱5.1 Billion cash dividends paid during 2021.

Non-controlling interests increased 105%, from ₱40.5 Billion as of December 31, 2020 to ₱83.1 Billion as of December 31, 2021 mainly due to the sale of shares of AboitizPower.

## MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For 2021, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed, dividends received from Associates and Joint Ventures, and sale of non-controlling interest.

Consolidated cash generated from operating activities for 2021 remained at 2020's level at ₱36.3 Billion. The increase was mainly due to higher earnings before interest, depreciation and amortization, and lower taxes paid, partly offset by higher working capital requirements.

As of December 31, 2021, ₱10.1 Billion net cash was used in investing activities compared to ₱11.6 Billion during 2020. This was mainly due to higher cash dividends received from Associates and Joint Ventures compared to 2020. Out of the cash usage for the current period, ₱6.0 Billion was invested in short-term cash deposits to maximize interest income.

Net cash from financing activities was ₱53.0 Billion for 2021 compared to ₱4.3 Billion used in 2020. This was largely attributed to the proceeds from the sale of non-controlling interest and new debt availments.

For 2021, net cash inflows surpassed cash outflows, resulting in a 124% increase in cash and cash equivalents from ₱66.0 Billion as of year-end 2020 to ₱147.5 Billion as of December 31, 2021.

#### FINANCIAL RATIOS

AEV's Current Ratio as of December 31, 2021 increased to 2.3x compared to end-2020's 1.6x mainly due to higher cash balances. Net Debt-to-Equity ratio decreased to 0.6:1 as of December 31, 2021 from year-end 2020's 1.2:1, as the equity increased while net debt decreased.

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

##### KEY PERFORMANCE INDICATORS

(Amounts in thousands except financial ratio data)

	JAN-DEC 2020	JAN-DEC 2019
EBITDA	57,720,482	60,157,195
CASH FLOW GENERATED:		
Net cash flows from operating activities	36,221,065	42,757,046
Net cash flows used in investing activities	(11,504,383)	(39,883,146)
Net cash flows used in financing activities	(4,345,939)	(15,617,585)
Net Increase (Decrease) in Cash & Cash Equivalents	20,370,743	(12,743,685)
Cash & Cash Equivalents, Beginning	46,424,663	59,033,029
Cash & Cash Equivalents, End	65,966,411	46,424,663
	DECEMBER 31, 2020	DECEMBER 31, 2019

CURRENT RATIO	1.6	1.3
NET DEBT-TO-EQUITY RATIO	1.2	1.2

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, Net Debt-to-Equity ratio as of December 31, 2020 remained at end-2019's 1.2x. Current Ratio increased to 1.6x as of December 31, 2020 (compared to end-2019's 1.3x), mainly due to higher cash balances

## RESULTS OF OPERATIONS

For the twelve (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 sale 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 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 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.
- Inventories increased by 16% (₱24.7 Billion as of December 31, 2020 compared to ₱23.3 Billion as of December 31, 2019) mainly due to additional land acquisition by 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. Net Debt-to-Equity ratio remained year-end 2019's 1.2:1 as of December 31, 2020, as the growth in total liabilities matched the increase in equity.

## REVIEW OF JANUARY-DECEMBER 2019 OPERATIONS COMPARED TO JANUARY-DECEMBER 2018

### KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2019	JAN-DEC 2018

EQUITY IN NET EARNINGS OF INVESTEEES	<b>₱11,502,090</b>	₱7,727,663
EBITDA	<b>60,157,195</b>	60,653,429
CASH FLOW GENERATED:		
Net cash flows from operating activities	<b>42,757,046</b>	38,417,349
Net cash flows used in investing activities	<b>(39,883,146)</b>	(30,762,254)
Net cash flows used in financing activities	<b>(15,617,585)</b>	(13,223,356)
Net Decrease in Cash & Cash Equivalents	<b>(12,743,685)</b>	(5,568,261)
Cash & Cash Equivalents, Beginning	<b>59,033,029</b>	64,870,214
Cash & Cash Equivalents, End	<b>46,424,663</b>	59,033,029
	<b>DECEMBER 31, 2019</b>	DECEMBER 31, 2018
CURRENT RATIO	<b>1.3</b>	1.8
NET DEBT-TO-EQUITY RATIO	<b>1.2</b>	1.0

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 Joint Ventures. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With the net debt growing while equity slightly decreased during the year, net debt-to-equity ratio moved up to 1.2x (compared to end-2018's 1.0x). Current ratio declined to 1.3x (compared to end-2018's 1.8x) 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 GMCP's 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 sale 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, Inc. 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 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 Joint Ventures. This increase was partially reduced by the ₱5.47 Billion dividends from Associates and Joint Ventures during the year, ₱505.5 Million decrease in the share of cumulative translation adjustment and ₱395.0 Million share in net unrealized actuarial losses.
- 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 1.3x at the end of 2019 from year-end 2018's 1.8x as current liabilities increased while current assets declined. Net Debt-to-equity ratio increased from year-end 2018's 1.0:1 to 1.2:1 at the end of 2019 as net debt grew while total equity decreased slightly.

## 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 (9) directors, three (3) of whom are Independent Directors.

The table below sets forth the members of the Company's Board and its executive officers, with their corresponding positions and offices held for the past five (5) years.

<p><b>ENRIQUE M. ABOITIZ</b> Chairman – Board of Directors</p> <p><u>Age:</u> 68</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u></p> <p>Member - Board Environmental, Social, and Corporate Governance Committee - Board Executive Committee - Board Cyber and Information Security Committee</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>• Chairman of the Board - Aboitiz Equity Ventures Inc.*</li> <li>• Vice Chairman of the Board of Directors - Aboitiz &amp; Company, Inc.</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>• Vice Chairman of the Board of Directors - Aboitiz Power Corporation*</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Science in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A.</li> </ul> <p><i>Mr. Aboitiz is not connected with any government agency or instrumentality.</i></p>
<p><b>MIKEL A. ABOITIZ</b> Vice Chairman – Board of Directors</p> <p><u>Age:</u> 67</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Member</i> - Board Executive Committee</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>• Vice Chairman of the Board - Aboitiz Equity Ventures Inc.*</li> <li>• Chairman of the Board of Directors - Aboitiz &amp; Company, Inc.*</li> <li>• Trustee and Chairman - Ramon Aboitiz Foundation, Inc.</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>• Vice Chairman of the Board - Aboitiz Power Corporation* (1998 - 2019)</li> <li>• Vice Chairman of the Board - City Savings Bank, Inc. (2015 - 2016)</li> <li>• President and Chief Executive Officer - City Savings Bank, Inc. (2001 - 2014)</li> <li>• Senior Vice President - Aboitiz Equity Ventures Inc.* (2004 - 2015)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Science in Business Administration from Gonzaga University, Spokane, Washington, U.S.A.</li> </ul>

	<p>Mr. Aboitiz is not connected with any government agency or instrumentality.</p>
<p><b>ERRAMON I. ABOITIZ</b> Director</p> <p><u>Age:</u>66</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Chairman</i> – Board Risk and Reputation Management Committee</p> <p><i>Member</i> – Board Executive Committee – Board Audit Committee</p>	<p><u><i>Present Positions:</i></u></p> <ul style="list-style-type: none"> <li>• Director - Aboitiz Equity Ventures Inc.*</li> <li>• Director - Endeavor Philippines</li> <li>• Chairman of the Board of Directors - Union Bank of the Philippines*</li> <li>• Board Observer - Aboitiz &amp; Company*</li> </ul> <p><u><i>Previous Positions:</i></u></p> <ul style="list-style-type: none"> <li>• President and Chief Executive Officer - Aboitiz Equity Ventures Inc.* (2009 - 2019)</li> <li>• Director / Chairman of the Board - Aboitiz Power Corporation*</li> <li>• Executive Vice President and Chief Operating Officer - Aboitiz Equity Ventures Inc.* (1994 - 2008)</li> <li>• Trustee - Philippine Disaster Recovery Foundation and Asian Institute of Management</li> </ul> <p><u><i>Educational and Professional Background:</i></u></p> <ul style="list-style-type: none"> <li>• Bachelor of Science Degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A.</li> <li>• Honorary Doctorate Degree in Management from the Asian Institute of Management.</li> <li>• Awardee - Management Man of the Year by the Management Association of the Philippines (2011)</li> <li>• Awardee - Entrepreneur of the Year by Ernst &amp; Young (2011).</li> </ul> <p>Mr. Aboitiz 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> 58</p> <p><u>Citizenship:</u> Filipino</p> <p><u>Committee Memberships:</u> <i>Chairman</i> – Executive Committee</p>	<p><u><i>Present Positions:</i></u></p> <ul style="list-style-type: none"> <li>• Director/President and Chief Executive Officer - Aboitiz Equity Ventures Inc.*</li> <li>• Chairman of the Board - Aboitiz Power Corporation*, Aboitiz Foundation, Inc., Aboitiz Infracapital, Inc., Aboitiz Land, Inc., CRH Aboitiz Holdings, Inc., Filagri Holdings, Inc., Manila-Oslo Renewable Enterprise, Inc., Republic Cement Services, Inc., SN Aboitiz Power - Benguet, Inc.</li> <li>• Director/President and Chief Executive Officer - Aboitiz &amp; Company, Inc.*</li> </ul>

<p><i>Member</i> – Board Environmental, Social, and Corporate Governance Committee</p> <p>- Board Risk and Reputation Management Committee</p>	<ul style="list-style-type: none"> <li>• Chairman/Director/President and Chief Executive Officer - Aboitiz Renewables, Inc.</li> <li>• Director/President - AEV CRH Holdings, Inc.</li> <li>• Director - Aboitiz Construction International, Inc., Aboitiz Construction, Inc., AboitizPower International Pte. Ltd., AEV International Pte Ltd., Apo Agua Infraestructura, Inc., Lima Land, Inc., Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, Pilmico International Pte Ltd, Republic Cement &amp; Building Materials, Inc., Therma Luzon, Inc., Therma South, Inc., Unity Digital Infrastructure Inc., Union Bank of the Philippines, Inc., and UnionDigital Bank, Inc.</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>• Executive Vice President and Chief Operating Officer - Aboitiz Equity Ventures Inc.* (2015 - 2019)</li> <li>• Senior Vice President - Aboitiz Equity Ventures Inc.* (2015)</li> <li>• First Vice President - Aboitiz Equity Ventures Inc.* (2014 - 2015)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Science Degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A</li> </ul> <p>Mr. Aboitiz is not connected with any government agency or instrumentality.</p>
<p><b>ANA MARIA A. DELGADO</b> Director</p> <p>Age: 42 Citizenship: Filipino Date of First Appointment: December 11, 2018 Tenure: 4 years</p> <p><u>Committee Memberships:</u> <i>Member</i> – Board Audit Committee</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>• Director - Aboitiz Equity Ventures Inc.*</li> <li>• Executive Vice President, Chief Digital Channels Officer and Chief Customer Experience Officer - Union Bank of the Philippines*</li> <li>• Director - Aboitiz Infracapital, Inc.</li> <li>• Director - Hedcor, Inc.</li> <li>• Director - Lima Land, Inc.</li> <li>• Director - City Savings Bank Inc.</li> <li>• Non Executive Director - Singlife Philippines Inc.</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>• Director - Aboitiz Land Inc.</li> <li>• Assistant Vice President for Product Management - Citibank, N.A. (2006 - 2008)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Arts degree in Art History/Painting from Boston College</li> </ul>

	<ul style="list-style-type: none"> <li>• Master’s Degree in Business Administration from New York University Stern School of Business.</li> </ul> <p>Not a director of any other publicly-listed company.</p> <p>Not connected with any government agency or instrumentality.</p>
<p><b>JUSTO A. ORTIZ</b> Director</p> <p>Age: 64 Citizenship: Filipino Date of First Appointment: May 9, 1994 Tenure: 24 years (until 2017)</p> <p><u>Committee Memberships:</u> <i>Chairman</i> - Board Cyber and Information Security Committee</p> <p><i>Member</i> - Board Executive Committee</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>• Director - Aboitiz Equity Ventures Inc.*</li> <li>• Chairman of the Board and/or Director - PETNET, Inc, City Savings Bank, Inc., Pilmico Foods Corporation, Concepcion Industrial Corporation*</li> <li>• Chairman of the Board - Philippine Payments Management, Inc., Fintech Philippines Association, Inc., Distributed Ledger Technology Association of the Philippines, Inc., Union Digital Bank</li> <li>• Vice Chairman - Union Bank of the Philippines*</li> <li>• Board of Trustees - The Insular Life Assurance Co., Ltd., Philippine Trade Foundation, Inc.</li> <li>• Member - Management Association of the Philippines, Makati Business Club, World Presidents Organization</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>• Director - Aboitiz Equity Ventures Inc.* (1994 - 2017)</li> <li>• Member of Board Audit Committee - Aboitiz Equity Ventures Inc.*(2006 - 2017)</li> <li>• Member of Board Risk and Reputation Management Committee - Aboitiz Equity Ventures Inc.*(2009 - 2017)</li> <li>• Chairman and Chief Executive Officer - Union Bank of the Philippines* (1993 - 2017)</li> <li>• Managing Partner-Global Finance Country Executive - Investment Banking - Citibank, N.A. (1990 – 1993)</li> <li>• Country Executive-Investment Banking - Citibank, N.A. (1988 – 1990)</li> <li>• Treasury Marketing Unit Head - Citibank, N.A. (1985 – 1988)</li> <li>• Relationship Manager for various local, corporate multinational, and public sectors customers - Citibank, N.A. (1979 – 1985)</li> <li>• Executive Assistant to Asia Pacific Human Resource Executive - Citibank, N.A. (1978 – 1979)</li> </ul>

	<ul style="list-style-type: none"> <li>• Management Trainee - Citibank, N.A. (1977 – 1978)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>• Member of the Claustro de Profesores and Doctor of Humanities Degree (Honoris Causa) from the University of Santo Tomas (UST)</li> <li>• Economics Honors Program (Magna Cum Laude) from Ateneo de Manila University.</li> </ul> <p>Mr. Ortiz is not connected with any government agency or instrumentality.</p>
<p><b>ROMEO L. BERNARDO</b> Lead Independent Director</p> <p>Age: 67 Citizenship: Filipino Date of First Appointment: April 26, 2021 Tenure: 1 year</p> <p><u>Committee Memberships:</u> <i>Chairman</i> - Board Environmental, Social, and Corporate Governance Committee</p> <p><i>Member</i> - Board Audit Committee Board Risk and Reputation Management Committee Board Related Party Transactions Committee</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>• Lead Independent Director - Aboitiz Equity Ventures Inc.*</li> <li>• Chairman of the Board of Directors - ALFM Family of Funds, Philippine Stock Index Fund, Inc.</li> <li>• Vice Chairman &amp; Founding Fellow - Foundation for Economic Freedom</li> <li>• Director - Bank of the Philippine Islands*, Globe Telecom, Inc.*</li> <li>• Independent Director - PHINMA, Inc., RFM Corporation</li> <li>• Managing Director - Lazaro Bernardo Tiu &amp; Associates, Inc.</li> <li>• Advisor - GlobalSource Partners</li> <li>• Member - World Bank Philippine Advisory Group</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>• Lead Independent Director - Aboitiz Power Corporation*</li> <li>• Chairman - Federation of ASEAN Economic Societies</li> <li>• President - Philippine Economics Society</li> <li>• Undersecretary for International Finance - Department of Finance</li> <li>• Alternate Executive Director - Asian Development Bank</li> <li>• Independent Director - BPI Capital Corporation, BPI/MS Insurance Corporation, BPI-Philam Life Assurance Corporation</li> <li>• Trustee &amp; Member - Philippine Institute for Development Studies</li> <li>• Advisor to Executive Director - World Bank, International Monetary Fund</li> <li>• Deputy Chief - Philippine Delegation to the General Agreement on Tariffs and Trade (World Trade Organization)</li> <li>• Finance Attaché - Philippine Mission to the United Nations</li> </ul>

	<ul style="list-style-type: none"> <li>• Faculty Member - College of Business Administration of the University of the Philippines</li> <li>• Member, Panel of Conciliators - International Centre for Settlement of Investment Disputes</li> <li>• Various positions - National Power Corporation, Philippine National Bank</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Science in Business Economics (magna cum laude) from the University of the Philippines</li> <li>• Master’s Degree in Development Economics from Williams College in Williamstown, Massachusetts, U.S.A.</li> </ul> <p>Mr. Bernardo is not connected with any government agency or instrumentality.</p>
<p><b>JOANNE G. DE ASIS</b> Independent Director</p> <p>Age: 71 Citizenship: Filipino Date of First Appointment: April 26, 2021 Tenure: 1 year</p> <p><u>Committee Memberships:</u> <i>Chairman</i> - Board Related Party Transactions Committee</p> <p><i>Member</i> - Board Environmental, Social, and Corporate Governance Committee - Board Audit Committee - Board Risk and Reputation Management Committee - Board Cyber and Information Security Committee</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>• Independent Director - Aboitiz Equity Ventures Inc.*</li> <li>• Senior Adviser - Morgan Stanley &amp; Co</li> <li>• Founder and Chairman - Globe Capital Partners LLC, U.S.A.</li> <li>• Independent Director - Easycall Communications Philippines, Inc., Philippines</li> <li>• Advisory Board Member - Anneberg Foundation Trust at Sunnylands, U.S.A</li> <li>• Advisory Council Member - The International Institute for Strategic Studies, London</li> <li>• Advisor - APEC Business Advisory Council</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>• Managing Director - Credit Suisse First Boston, New York City, U.S.A &amp; London, U.K (1989 -1998)</li> <li>• Director, International - Dillon Read &amp; Company, New York City, U.S.A (1986 - 1988)</li> <li>• Vice President - Morgan Stanley International, London, U.K (1981 - 1986)</li> <li>• Associate - Morgan Stanley &amp; Co. New York City, U.S.A (1997 – 1981)</li> <li>• Advisory to the Treasury Department - Bangko Sentral ng Pilipinas (1984 – 1985)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>• Bachelor of Arts, Major in Communication Arts, from Maryknoll College</li> <li>• Master of Business Administration from the Columbia University in New York, U.S.A.</li> <li>• Executive Management Program from Stanford University in Palo Alto California, U.S.A.</li> </ul>



	Ms. De Asis is not connected with any government agency or instrumentality.
<p><b>CESAR G. ROMERO</b> Independent Director</p> <p>Age: 56 Citizenship: Filipino Date of First Appointment: April 25, 2022 Tenure: 0 year</p> <p><u>Committee Memberships:</u> <i>Chairman</i> - Board Audit Committee</p> <p><i>Member</i> - Board Environmental, Social, and Corporate Governance Committee - Board Related Party Transactions Committee - Board Risk and Reputation Management Committee - Board Cyber and Information Security Committee</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Independent Director – Robinsons Retail Holdings, Inc.*</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· President and Chief Executive Officer – Pilipinas Shell Petroleum Corporation* (2016 – 2021)</li> <li>· Vice President-Global Retail Network based in Singapore – Shell’s Global Downstream Business (2013 – 2018)</li> <li>· Vice President of Retail Sales and Operations East based in Singapore – Shell’s Global Downstream Business (2009 – 2013)</li> <li>· Vice President for Supply – East based in Singapore – Shell’s Global Downstream Business (2007 – 2009)</li> <li>· Vice President for Downstream Management Consultancy based in London – Shell’s Global Downstream Business</li> <li>· Business Assistant to the Executive Director based in London – Shell’s Global Downstream Business</li> <li>· Shell’s Scenario Planning Team based in London – Shell International (1995)</li> <li>· Refinery Engineer – Pilipinas Shell Petroleum Corporation* (1987)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>· Bachelor of Science in Mechanical Engineering (Cum Laude) from the University of the Philippines</li> <li>· Master’s Degree in Business Administration (with High Distinction) from the University of Michigan</li> <li>· Romero attended a variety of management development courses at the London Business School and the Wharton Business School.</li> </ul> <p>Mr. Romero is not connected with any government agency or instrumentality.</p>
<p><b>MANUEL R. LOZANO</b> Senior Vice President/ Chief Financial Officer/ Corporate Information Officer <i>Ex-officio</i> Member – Board Risk and Reputation Management Committee <i>Ex-officio</i> Member – Board Executive Committee</p> <p><u>Age:</u> 51 <u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Senior Vice President/ Chief Financial Officer/ Corporate Information Officer - Aboitiz Equity Ventures Inc.*</li> <li>· Chairman of the Board - Lima Water Corporation</li> <li>· Director - AEV International Pte Ltd. Archipelago Insurance Pte Ltd., Cebu Praedia Development Corporation, FBMA Marine, Inc., Metaphil, Inc., Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, Pilmico International Pte Ltd., Republic Cement &amp; Building Materials, Inc., Ronesgo Development Corporation, Gold Coin</li> </ul>

	<p>Management Holdings Pte Ltd., Union Bank of the Philippines*</p> <ul style="list-style-type: none"> <li>· Director and Treasurer - Aboitiz InfraCapital, Inc., Accuria, Inc., AEV CRH Holdings, Inc., AEV Properties, Inc., Aboitiz Impact Ventures, Inc.</li> <li>· Director/Vice President - AEV Aviation, Inc.</li> <li>· Alternate Director - AboitizPower International Pte Ltd., Pilmico Aqua Pte. Ltd.</li> <li>· Chief Financial Officer/Treasurer - Apo Agua Infraestructura, Inc.</li> <li>· Treasurer - Aboitiz Construction International, Inc., Aboitiz Construction, Inc., CRH Aboitiz Holdings, Inc., DDLS Aboitiz Inc.,</li> <li>· Trustee/Treasurer - Aboitiz Foundation, Inc.</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· First Vice President and Chief Financial Officer/Corporate Information Officer - Aboitiz Power Corporation* (2014 - 2015)</li> <li>· Chief Financial Officer – Generation -Aboitiz Power Corporation* (2008 -2013)</li> <li>· Chief Financial Officer &amp; Director - Paxys, Inc.*</li> <li>· Director - Corporate Finance and Investment at NGL Pacific Ltd.</li> <li>· Various Positions - Jardine Fleming and CLSA</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>· Bachelor of Science in Business Administration degree from the University of the Philippines – Diliman</li> <li>· Master’s Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A.</li> </ul> <p>Mr. Lozano is not connected with any government agency or instrumentality.</p>
<p><b>SUSAN V. VALDEZ</b>  Senior Vice President and Chief Corporate Services Officer  <i>Ex-officio</i> Member – Board Corporate Governance Committee  <i>Ex-officio</i> Member – Board Cyber and information Security Committee</p> <p><u>Age:</u> 61</p> <p><u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Senior Vice President and Chief Corporate Services Officer - Aboitiz Equity Ventures Inc.*</li> <li>· Director - Unity Digital Infrastructure Inc.</li> <li>· Trustee - Aboitiz Foundation, Inc.</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· Chief Human Resources Officer - Aboitiz Equity Ventures Inc.*</li> <li>· First Vice President - Chief Reputation Officer and Chief Risk Management Officer - Aboitiz Equity Ventures Inc.* (2012 - 2013)</li> <li>· First Vice President – Chief Reputation Officer - Aboitiz Equity Ventures Inc.* (2011 - 2012)</li> </ul>

	<ul style="list-style-type: none"> <li>· President and Chief Executive Officer - Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc.*) (2009 - 2011)</li> <li>· Executive Vice President and Chief Executive Officer of 2GO Division - Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc.*) (2004 - 2011)</li> <li>· Executive Vice President and Chief Finance Officer - Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc.*) (1994 - 2004)</li> </ul> <p><b><u>Educational and Professional Background:</u></b></p> <ul style="list-style-type: none"> <li>· Certified Public Accountant.</li> <li>· Bachelor of Science in Commerce, Major in Accounting (Cum Laude) from St. Theresa's College.</li> <li>· Master's degree in Business Management from the University of the Philippines, and</li> <li>· Management Development Program at Harvard Business School, U.S.A.</li> </ul> <p>Ms. Valdez is not connected with any government agency or instrumentality.</p> <p>Ms. Valdez is not a director of any publicly-listed company.</p>
<p><b>MANUEL ALBERTO R. COLAYCO</b>  Senior Vice President - Chief Legal Officer/Corporate Secretary/Chief Compliance Officer  <i>Ex-officio</i> Member - Board Corporate Governance Committee</p> <p><u>Age:</u> 52</p> <p><u>Citizenship:</u> Filipino</p>	<p><b><u>Present Positions:</u></b></p> <ul style="list-style-type: none"> <li>· Senior Vice President - Chief Legal and Compliance Officer/ Corporate Secretary - Aboitiz Equity Ventures Inc.*</li> <li>· Corporate Secretary - Aboitiz Power Corporation*</li> </ul> <p><b><u>Previous Positions:</u></b></p> <ul style="list-style-type: none"> <li>· First Vice President Chief Legal Officer - Aboitiz Equity Ventures Inc.* (2017 - 2018)</li> <li>· General Counsel - AGP International Holdings Ltd., Atlantic, Gulf &amp; Pacific Company of Manila, Inc. (2013 - 2014)</li> <li>· Executive Director and Assistant General Counsel - J.P. Morgan Chase Bank N.A. (2010 - 2013)</li> <li>· Vice President and Legal Counsel - DKR Oasis (Hong Kong) LLC (2007 - 2010)</li> <li>· Associate - Skadden, Arps, Slate, Meagher &amp; Flom, LLP (2000 - 2007)</li> <li>· Associate - Romulo Mabanta Buenaventura Sayoc &amp; De Los Angeles (1996 - 2000)</li> </ul> <p><b><u>Educational and Professional Background:</u></b></p>

	<ul style="list-style-type: none"> <li>· Bachelor of Arts in Economics from Ateneo de Manila University, Manila</li> <li>· Juris Doctor degree from the Ateneo de Manila University</li> <li>· Master of Laws degree from New York University School of Law, U.S.A.</li> </ul> <p>Mr. Colayco is a member in good standing of the Integrated Bar of the Philippines and the New York State Bar.</p> <p>Mr. Colayco is not connected with any government agency or instrumentality.</p> <p>Mr. Colayco is also not a director of any publicly listed company.</p>
<p><b>MARIA VERONICA C. SO</b> Senior Vice President - Group Treasurer</p> <p><u>Age:</u> 50</p> <p><u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Senior Vice President - Aboitiz Equity Ventures Inc.*</li> <li>· Group Treasurer - Aboitiz Power Corporation*</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· First Vice President - Deputy Group Treasurer - Aboitiz Equity Ventures Inc.* (2020 - 2021)</li> <li>· Vice President - Treasurer Services - Aboitiz Equity Ventures Inc.* (2019 - 2020)</li> <li>· Various treasury and finance position - Globe Telecom* (2001 - 2017)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>· Bachelor of Science Degree in Business Management from the Ateneo de Manila University.</li> <li>· Master's Degree in Business Management from the Asian Institute of Management</li> </ul> <p>Ms. So is not connected with any government agency or instrumentality.</p> <p>Ms. So is not a director of any publicly-listed company.</p>
<p><b>SANTANINA APOLINARIA B. CASTRO</b> First Vice President – Risk Management <i>Ex-officio</i> – Board Risk and Reputation Management Committee</p> <p><u>Age:</u> 46</p> <p><u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· First Vice President – Risk Management - Aboitiz Equity Ventures Inc. *</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· Vice President for Corporate Strategy and Business Development - Pilmico Foods Corporation (2017 - 2019)</li> </ul>

	<ul style="list-style-type: none"> <li>· Assistant Vice President for Business Development - Pilmico Foods Corporation (2011 - 2017)</li> <li>· Corporate Planning Manager - ABS-CBN Corporation (2007 - 2011)</li> <li>· Senior Planning Analyst - San Miguel Purefoods Company (2002 - 2007)</li> <li>· Senior Associate – Corporate Finance - Arthur Andersen (SGV &amp; Co) - (1996 - 2002)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>· Bachelor of Arts Degree in Management Economics from the Ateneo de Manila University.</li> <li>· Master’s Degree in Business Administration from the University of the Philippines (Diliman).</li> </ul> <p>Ms. Castro is not connected with any government agency or instrumentality.</p> <p>Ms. Castro is not a director of any publicly-listed company.</p>
<p><b>MARIA LOURDES Y. TANATE</b> Vice President - Group Internal Audit Head</p> <p><u>Age:</u> 56</p> <p><u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Vice President - Group Internal Audit Head - Aboitiz Equity Ventures Inc.*</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· Chief Audit Executive - Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.) (2009 - 2011)</li> <li>· Assistant Vice President for Finance - Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.) (2005 - 2009)</li> <li>· Senior Manager for Finance and Freight - Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.) (2000 - 2005)</li> <li>· Manager and Head of Corporate Planning and Credit &amp; Economic Research Departments - Prime Bank (1996 - 2000)</li> <li>· Senior Assistant Cashier - Far East Bank &amp; Trust Company (1986 - 1993)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>· Cum Laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman).</li> <li>· Master’s in Business Administration from University of the Philippines (Diliman).</li> </ul>

	<ul style="list-style-type: none"> <li>· Master's in Engineering and Technology Management from the University of Queensland, Australia.</li> </ul> <p>Ms. Tanate is not connected with any government agency or instrumentality.</p> <p>Ms. Tanate is also not a director of any publicly-listed company.</p>
<p><b>CHRISTINE C. KEMPENEERS</b> Data Privacy Officer</p> <p><u>Age:</u> 32</p> <p><u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Data Privacy Officer - Aboitiz Equity Ventures Inc.*</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· Risk Manager - Risk Management Team - Aboitiz Equity Ventures Inc.* (2017 - 2019)</li> <li>· Project Manager - Aboitiz InfraCapital, Inc. (2016 - 2017)</li> <li>· Project Manager - AEV's infrastructure Strategic Business Unit (2016 - 2017)</li> <li>· Management Associate - Citibank (2015 - 2016)</li> <li>· Management Trainee - Manager - Union Bank of the Philippines* (2010 - 2013)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>· Bachelor of Arts Degree in European Studies, International Business Track from the Ateneo de Manila University.</li> <li>· Master of Business Administration, Major in Finance (with Distinction) from the Asian Institute of Management.</li> <li>· PARIMA-ANZIIF Certified Risk Professional</li> <li>· Crisis Management Certified Expert from the BCM Institute</li> <li>· Certification from the Business Continuity Institute</li> <li>· Certification from TUV Rheiland as Data Protection Officer.</li> </ul> <p>Ms. Kempeneers is not connected with any government agency or instrumentality.</p> <p>Ms. Kempeneers 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> 40</p> <p><u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Assistant Vice President - Governance and Compliance and Assistant Corporate Secretary - Aboitiz Equity Ventures Inc.*</li> <li>· Assistant Vice President - Aboitiz Power Corporation*</li> <li>· Corporate Secretary - Therma Power, Inc., Therma South, Inc., Therma Visayas, Inc., Manila Oslo</li> </ul>

	<p>Renewable Enterprise Inc., Pilmico Foods Corporation, AEV CRH Holdings, Inc., SN Aboitiz Power Group, Enerzones Group, Pagbilao Energy Corporation</p> <ul style="list-style-type: none"> <li>· Assistant Corporate Secretary - Cotabato Light &amp; Power Company, Visayan Electric Co., Inc.</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· Senior Associate General Counsel for Governance and Compliance - Aboitiz Equity Ventures Inc.* (2016 - 2018)</li> <li>· Associate General Counsel for Legal and Corporate Services - Aboitiz Equity Ventures Inc.* (2010 - 2014)</li> <li>· Associate - Esguerra &amp; Blanco Law Office (2007 - 2010)</li> </ul> <p><u>Educational and Professional Background:</u></p> <ul style="list-style-type: none"> <li>· Bachelor of Arts Degree in Political Science (Cum Laude) from the University of the Philippines Diliman.</li> <li>· Bachelor of Laws degree from University of the Philippines Diliman.</li> <li>· Graduate Member of the Institute of Corporate Directors</li> </ul> <p>Ms. de la Torre 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> 37</p> <p><u>Citizenship:</u> Filipino</p>	<p><u>Present Positions:</u></p> <ul style="list-style-type: none"> <li>· Senior Associate General Counsel for Governance and Compliance and Assistant Corporate Secretary - Aboitiz Equity Ventures Inc.*</li> <li>· Assistant Corporate Secretary - Aboitiz Power Corporation*</li> <li>· Assistant Corporate Secretary - Good Governance Advocates and Practitioners of the Philippines</li> </ul> <p><u>Previous Positions:</u></p> <ul style="list-style-type: none"> <li>· Associate General Counsel for Governance and Compliance - Aboitiz Equity Ventures Inc.*</li> <li>· Legal Counsel - Alliance Select Foods International* (2016 - 2017)</li> <li>· Counsel - Privatization Group and Office of Special Concerns of the Department of Finance (2016)</li> <li>· Junior Associate - Quiason Makalintal Barot Torres Ibarra Sison &amp; Damaso (2014 - 2016)</li> </ul>

	<p><b><u>Educational and Professional Background:</u></b></p> <ul style="list-style-type: none"> <li>· Bachelor of Arts in Humanities with Professional Certificate in Industrial Economics from the University of Asia and the Pacific, Manila.</li> <li>· Master of Science in Industrial Economics from the University of Asia and the Pacific, Manila.</li> <li>· Juris Doctor degree from the Ateneo de Manila University, Manila.</li> </ul> <p>Mr. Santos is a member in good standing of the Integrated Bar of the Philippines. Mr. Santos is not connected with any government agency or instrumentality. Mr. Santos is not a director of a publicly-listed company.</p>
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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 consanguinity.

**INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS AS OF JUNE 30, 2022**

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the



Philippines or elsewhere for the past five years until June 30, 2022, which would put to question his/her ability and integrity to serve AEV and its stockholders.

## **CORPORATE GOVERNANCE**

AEV's commitment to corporate governance is deeply embedded in the way it runs its business. With new investors and stakeholders both domestic and international involved in the business, the Company seeks to uphold the highest standards in the conduct of its business. The Company intends to continue to maintain and develop its generational corporate reputation by further committing to its "triple bottom line" focus of "People, Profit and Planet."

At the helm of corporate governance in AEV is the Board, who are mindful of their role of providing leadership and stewardship to the Company, with the intent of ensuring sustainability and longevity as an enterprise. The role of each member of the Board is to represent and protect the interests of the owners of the business and other key external stakeholders, regardless of category, within the boundaries of each Company's corporate charter, and all relevant statutes and legal regulations and rules.

The Company has been consistently recognized locally and within the ASEAN Region as among the Philippines' best managed companies and has also been cited by, among others, the Philippines' Institute of Corporate Directors and the ASEAN Capital Markets Forum for its commitment to good corporate governance, being one of the region's top performers in the ASEAN Corporate Governance Scorecard.

In 2019, the Company's leadership team continues its efforts to create long-term value for all stakeholders, and to drive change for a better world by advancing business and communities. It adopted new protocols and improved existing systems and policies to protect the rights of its shareholders, safeguarded shareholders' equitable treatment, continuously recognized the value and participatory role of all stakeholders, and practiced the appropriate level of transparency and improved corporate disclosures.

### **SHAREHOLDER RIGHTS AND EQUITABLE TREATMENT**

The rights of shareholders are of paramount importance to the Company. The goal is to ensure the protection of shareholder interests and concerns through the free exercise of shareholder rights. Among the rights of these shareholders, regardless of the number of shares they own, are to receive notices of and to attend shareholders' meetings; to participate and vote on the basis of the one-share, one-vote policy; nominate and elect Board members (including via cumulative voting); inspect corporate books and records; vote in person or in absentia through proxy; receive dividends; and ratify corporate action.

In the conduct of its annual shareholder meetings, all shareholders receive notices not less than 28 days from the date of the meeting, and all agenda items to be discussed and decided upon during the said meeting are set out in the notices and no new agenda items are taken up during the conduct of the meeting. The rationale of agenda items which are submitted to the shareholders for their approval are included in the notices to shareholders' meetings.

In addition, AEV ensures timely disclosure to shareholders regarding their respective businesses, and that shareholders receive dividends in accordance with established dividend policies.

Lastly, The Board Secretariat has adopted certified Board protocols and procedures under the ISO 9001:2015 Management Board and System to ensure the effectiveness of Board and shareholders' commitments. This includes coordination with stock transfer agents to ensure appropriate responses to and timely resolution of shareholders' queries and requests.

## **COMPLIANCE WITH GOVERNANCE POLICIES**

AEV has a Revised Manual of Corporate Governance (Revised Manual) and a Code of Ethics and Business Conduct (Code) to guide the attainment of its corporate goals and the implementation of its strategies. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies (CG Code) to further strengthen the Company's corporate governance practices. The Board regularly reviews the Revised Manual to ensure that the same remains relevant and responsive to the needs of the organization. Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

The Revised Manual is supported by various company policies that are regularly reviewed and issued by the Board including the Code of Ethics. Both companies ensure that their respective Code of Ethics is cascaded to new team members as part of their onboarding processes. Team members are also required to review the Code sign an affirmation that they have read and understood the Code of Ethics. In order to support this annual exercise, an e-learning module on the Group's Code of Ethics was developed and rolled out every year. As part of the Group's commitments in the Code of Ethics, all team members are expected to act professionally, fairly, and with integrity in all of their business dealings, and to comply with all applicable laws and regulations, including those against bribery and corruption.

The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board, management and employees to the Revised Manual, the Code, other company policies, and existing laws and regulations. The Compliance Officer also ensures the implementation of AEV's policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Compliance Officer regularly reports to the Board Corporate Governance Committee the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies.

In addition, to support the implementation of their respective Manual and Code of Ethics, the Company has a Whistleblowing Policy. Through this policy, allegations of violations of the Manual, the Code of Ethics, or of other illegal conduct can be reported through an independent whistleblowing portal. Matters reported through the whistleblowing platform are discussed by the Board Corporate Governance Committee and, if necessary, escalated to the entire Board.

There are no major deviations from the Revised Manual as of the date of this report. There were also no corruption-related incidents reported in 2019.

## **BOARD RESPONSIBILITY**

### ***Board of Directors***

The Board leads the Group's corporate governance framework. Independent from management, its members are committed to serve and promote long-term success, and to secure the Group's sustained growth, competitiveness and sustainability. The Directors perform the crucial role of articulating and assessing the Group's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business direction of the Group's businesses are soundly established and are in line with the overall Group's goals and strategy. In line with best practices,

the members of the Board are responsible in establishing and monitoring the Group's commitment to the principles embodied in environment, social and governance matters (ESG). And in performing these functions, the members of the AEV Board, individually and collectively, are expected to act consistently with the Aboitiz core values. In 2019, the Chairman of AEV, Mr. Enrique M. Aboitiz was a Non-Executive Director.

### **Board Performance**

The Board conducts an annual performance assessment of its members and key officers. Each Board member conducts a self-assessment of his/her individual performance and of each Board's collective performance, and also evaluates the performance of each company's respective Chief Executive Officer, Internal Audit Head, Chief Risk & Reputation Officer, and the Compliance Officer. In 2019, AEV directors also assessed their performance as Board Committee Members.

Each director and key officer is evaluated based on the following criteria: (1) compliance with best governance practices and principles; (2) participation and contribution to the board and committee meetings; and (3) performance against their duties and responsibilities as provided in the company's Manual, Charters, Articles, and By Laws. Assessment results for the past three years are compared, and are presented to the Board Corporate Governance Committee.

### **Board's Participation**

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the directors. Attendance during board meetings are closely monitored and reported by the Chief Compliance Officer to the SEC and PSE, as well as in the Company's IACGR.

In 2019, the Board held 7 meetings (Board and Annual Stockholders Meeting). Board and Board Committees also met in various occasions in the performance of their mandate as indicated in the Revised Manual and relevant Board Charters. Below is a summary of the attendance of the Directors:

<b>Aboitiz Equity Ventures Inc</b>							
	<b>ASM</b>	<b>BOD/ ORG</b>	<b>Board Executive Committee</b>	<b>Board CG Committee</b>	<b>Board Risk &amp; Reputation Management Committee</b>	<b>Board Audit Committee</b>	<b>Board RPT Committee</b>
<b>Number of Meetings</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>2</b>
<b>ENRIQUE M. ABOITIZ</b>	C 1/1	C 6/6	M 3/4	M 1/2	C 1/2	M 3/5	-
<b>MIKEL A. ABOITIZ</b>	VC 0/1	VC 5/6	VC 3/4	M 2/2	M 2/2	M 5/5	-
<b>SABIN M. ABOITIZ</b>	M 1/1	M 6/6	M 4/4	-	M 2/2	-	-
<b>ERRAMON I. ABOITIZ</b>	M 1/1	M 6/6	C 4/4	-	M 2/2	-	-
<b>ANA MARIA A. DELGADO</b>	M 1/1	M 6/6	-	-	-	-	-
<b>EDWIN R. BAUTISTA</b>	M 1/1	M 6/6	M 4/4	-	-	-	-

RAPHAEL PM. LOTILLA	M 1/1	M 6/6	-	C 2/2	M 2/2	M 5/5	M 2/2
JUSTICE JOSE C. VITUG (ret)	M 1/1	M 6/6	-	M 2/2	M 2/2	C 5/5	M 2/2
MANUEL R. SALAK III	M 1/1	M 5/6	-	M 2/2	M 2/2	M 5/5	C 2/2
MANUEL ALBERTO R. COLAYCO	CS 1/1	CS 6/6	CS 4/4	EO/CS 2/2	-	-	CS 2/2
SUSAN V. VALDEZ	-	-	-	EO 2/2	-	-	-
DAVID JUDE L. STA. ANA	-	-	-	-	M 2/2	-	-
ANNACEL A. NATIVIDAD	-	-	-	-	M 2/2	-	-
MANUEL R. LOZANO	-	-	EO 4/4	-	M 2/2	-	-
ROBERT MCGREGOR	-	-	EO 4/4	-	-	-	-
CHRISTOPHER BESHOURI	-	-	EO 3/4	-	-	-	-
MARIE Y. TANATE	-	-	-	-	-	CAE 5/5	-

Legend:

C – Chairman, VC - Vice Chairman, M – Member, CS - Corporate Secretary, CCO - Chief Compliance Officer, CAE - Chief Audit Executive, EO - Ex-Officio

### Board Committees

The different Board committees - Audit, Corporate Governance, Risk and Reputation Management, Related Party Transactions, and Executive Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate of each Board committee, including key accomplishments in 2019, are described below:

- a. The **Board Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group’s governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise the majority of the voting members of the Board Corporate Governance Committee.

In 2019, the Board Corporate Governance Committee has continued to (i) review and monitor the Company’s compliance with new laws and regulations (the Revised Corporation Code, various SEC issuances, among others), (ii) reviewed and updated the Manual to align with the best practices in the Integrated Annual Corporate Governance Report and the ASEAN Corporate Governance Scorecard, (iii) ensured that the nomination, selection, election, remuneration, and assessment of each Company’s Directors and Officers are aligned with the Manual, and (iv) established a Board oversight and management framework in addressing the environmental, social, and governance issues material to the Group.

- b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise the majority of the members of

the Board Audit Committee, including its Chairman. In 2019, the Board Audit Committee continued to provide oversight over each company's financial reporting policies, practices and controls, and over the internal and external audit functions necessary for making good audit-related decisions.

- c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk management related matters for the Group. In 2019, the Board Risk and Reputation Committee has continued to identify, monitor, and manage the Group's top risks.
- d. The **Board Related Party Transaction (RPT) Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliates, directors and officers. In 2019, the Board RPT Committee has approved the Revised RPT Policy of the Company in compliance with the SEC memorandum circular on Material RPTs. In addition, the Board RPT Committee continued to: (i) review and approve each company's CFO Guidelines on the Implementation of the RPT Policy, which require all directors and officers to execute a certification to identify their related parties to be able to identify potential conflicts of interest, (ii) ensured that related-party transactions are taken on an arm's-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval. Except for the presence of the AEV and AboitizPower CFOs as resource persons, management is not invited to and has no participation in the RPT Committee.
- e. The **Executive Committee** assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2019 IACGR and Integrated Annual Report, which will be available at [www.aboitiz.com](http://www.aboitiz.com).

## **DISCLOSURE AND TRANSPARENCY**

Pursuant to its commitment to transparency and accountability, AEV's website, [www.aboitiz.com](http://www.aboitiz.com) has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also submitted an Integrated Annual Corporate Governance Report (IACGR) to SEC and PSE. A copy of the Company's 2019 IACGR will be available for download at the Company's website [www.aboitiz.com](http://www.aboitiz.com).

## **CORPORATE GOVERNANCE AWARDS**

As a testament to its commitment to adopt best practices, AEV has been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies and cited for its commitment to good corporate governance practices.

In 2019, AEV was recognized as one of the top Philippine publicly-listed companies, as ranked by the Institute of Corporate Directors back in June 2019 using a set of comparable standards, which articulates recommendations on policies and practices based on good governance principles of the OECD.

In 2019, AEV has been recognized with the following awards:

<b>Awards</b>	<b>Awards Received</b>
Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2018	Two Golden Arrows - Top Performing Philippine Publicly-listed companies in the 2018 ASEAN Corporate Governance Scorecard (ACGS)
In-House Community – Counsels of the Year Awards 2019	In-House Legal Team of the Year for Corporate Social Responsibility
IABC 17th Philippine Quill Awards	Agora 2.0- Internal Communication a.Lab- Employee Engagement Investor Relations Livestream- Financial Communication

## EXECUTIVE COMPENSATION

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

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
<b>CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS</b>  <b>1. SABIN M. ABOITIZ</b> <i>President and Chief Executive Officer</i>  <b>2. MANUEL R. LOZANO</b> <i>Senior Vice President and Chief Financial Officer</i>  <b>3. SUSAN V. VALDEZ</b> <i>Senior Vice President and Chief Corporate Services Officer</i>  <b>4. MARIA VERONICA C. SO</b> <i>Senior Vice President – Group Treasurer</i>  <b>5. MANUEL ALBERTO R. COLAYCO</b> <i>Senior Vice President – Chief Legal and Compliance Officer/Corporate Secretary</i>				
<b>All above named officers as of group</b>	Actual 2021	P115,012,858.00	P13,813,339.00	P13,099,689.00
	Actual 2020	P124,827,093.00	P12,820,286.00	P12,078,840.00



	Projected 2022	₱126,514,144.00	₱15,194,673.00	₱14,409,658.00
All other directors and officers as a group unnamed	Actual 2021	₱26,219,583.00	₱3,189,802.00	₱103,699,729.00
	Actual 2020	₱27,379,473.00	₱3,937,891.00	₱78,437,151.00
	Projected 2022	₱28,841,541.00	₱3,508,782.00	₱114,069,702.00

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

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

## COMPENSATION OF DIRECTORS

### Standard Arrangements

AEV directors receive a monthly allowance of ₱150,000.00 while the Chairman of the Board receives a monthly allowance of ₱200,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱225,000.00

Type of Meeting	Committee Member	Chairman of the Committee
Board Committee Meeting (except Audit Committee)	₱100,000.00	₱150,000.00
Audit Committee	₱100,000.00	₱200,000.00

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2021 is as follows:

Name of Director	Total Compensation Received by Directors <sup>[1]</sup>
<b>ENRIQUE M. ABOITIZ</b> <i>Chairman of the Board</i>	₱6,410,000.00
<b>MIKEL A. ABOITIZ</b> <i>Vice Chairman of the Board</i>	₱4,300,000.00
<b>ERRAMON I. ABOITIZ</b> <i>Director</i>	₱5,625,000.00
<b>SABIN M. ABOITIZ*</b> <i>President and Chief Executive Officer</i>	₱5,050,000.00
<b>ANA MARIA A. DELGADO*</b> <i>Director</i>	₱4,050,000.00
<b>JUSTO A. ORTIZ*</b> <i>Director</i>	₱3,700,000.00
<b>ROMEO L. BERNARDO</b> <i>Lead Independent Director</i>	₱3,950,000.00
<b>JOANNE G. DE ASIS</b> <i>Independent Director</i>	₱3,850,000.00
<b>MANUEL R. SALAK III</b> <i>Independent Director</i>	₱5,680,000.00
<b>EDWIN R. BAUTISTA**</b> <i>Director</i>	₱1,200,000.00
<b>RAPHAEL PERPETUO M. LOTILLA**</b> <i>Lead Independent Director</i>	₱1,580,000.00
<b>JOSE C. VITUG**</b> <i>Independent Director</i>	₱1,580,000.00

[1] 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, 2021.

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

\*\* Not re-elected during the 2021 ASM

### **Other Arrangements**

Other than payment of the directors' per diem and monthly allowance as stated, there are no standard arrangements pursuant to which directors of the Company are compensated or are to be compensated, directly or indirectly, for any services provided as a director.

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

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

### **Warrants and Options Outstanding**

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

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% OF THE VOTING SHARES) AS OF JULY 29, 2022

Title of Class of Shares	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	1. <b>Aboitiz &amp; Company, Inc. (ACO)</b> <sup>8</sup> Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO	Filipino	2,735,600,915 (Record and Beneficial)	48.59%
Common	2. <b>PCD Nominee Corporation</b> <sup>9</sup> (Filipino) 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers. <sup>10</sup>	Filipino	<b>1,014,695,710</b> 0 (Record)	<b>18.02%</b>
Common	3. <b>Ramon Aboitiz Foundation, Inc. (RAFI)</b> 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	426,804,093 (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 **952,828,956** shares held by PCD Nominee Corporation (Filipino), at least **62,874,164** shares or **1.12%** of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

Common	<b>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>316,632,954</b> (Record)	<b>5.62%</b>
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#### SECURITY OWNERSHIP OF MANAGEMENT AS OF JULY 29, 2020 (RECORD AND BENEFICIAL)

Name of Owners and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
<b>Enrique M. Aboitiz</b> Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		719,110	Indirect		0.01%
<b>Mikel A. Aboitiz</b> Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		95,295,945	Indirect		1.69%
<b>Erramon I. Aboitiz</b> Director	Common	1,001,000	Direct	Filipino	0.02%
		77,074,387	Indirect		1.37%
<b>Sabin M. Aboitiz</b> Director/President and Chief Executive Officer	Common	14,415,651	Direct	Filipino	0.26%
		17,343,661	Indirect		0.31%
<b>Ana Maria A. Delgado</b> Director	Common	500	Direct	Filipino	0.00%
		27,945,483	Indirect		0.50%
Justo A. Ortiz Director	Common	1	Direct	Filipino	0.00%
		0	Indirect		0.00%
Romeo L. Bernardo Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Joanne G. De Asis Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Cesar G. Romero Independent Director	Common	50	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%
		288,987	Indirect		0.01%
<b>Susan V. Valdez</b> Senior Vice President and Chief Corporate Services Officer	Common	769,926	Direct	Filipino	0.01%
		320,637	Indirect		0.01%
<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> Senior 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%
Christine C. Kempeneers Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		800	Indirect		0.00%
<b>Maria Lourdes Y. Tanate</b> Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		74,386	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>		235,515,510			4.18%

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

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

#### CHANGES IN CONTROL

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

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

ACO and certain associates are leasing office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of one year.

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

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

A wholly-owned construction and steel fabrication Subsidiary of ACO renders its services to the Aboitiz Group for the construction of new power plants and residential units.

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

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 Annual Report and the Company's 2021 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.

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

In 2021, the RPT Committee (1) continued to ensure that RPTs are taken on an arm's-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval; (2) updated the RPT Certification for Directors and Officers in compliance with relevant BIR regulations on the reporting guidelines for the transactions of individuals and juridical entities with related parties; (3) updated its committee charter and the Company's RPT Policy to further strengthen the process of reviewing, reporting, and approval of all RPTs, particularly those falling below the SEC-defined materiality threshold.

For detailed discussion on RPTs, please refer to the notes of the Company's consolidated financial statements.



## DESCRIPTION OF DEBT

As of the date of this Prospectus, AEV has outstanding long term indebtedness:

### **AEV ₱ 8 Billion Fixed-Rate Bonds Due 2020 and 2023**

On November 21, 2013, AEV issued fixed-rate bonds (the “**2013 Bonds**”) in two series: (a) Series A 2013 Bonds, with a term of seven (7) years from issue date, and (b) Series B 2013 Bonds, with a term of ten (10) years from issue date. The Series A 2013 Bonds has a fixed interest rate of 4.4125% per annum and an optional redemption on the fifth (5<sup>th</sup>) year and one (1) quarter from issue date, and on the sixth (6<sup>th</sup>) year from issue date. On the other hand, the Series B 2013 Bonds has a fixed interest rate of 4.6188% per annum and an optional redemption on the seventh (7<sup>th</sup>) year from issue date, the eighth (8<sup>th</sup>) year from issue date, and ninth (9<sup>th</sup>) year from issue date. First Metro Investment Corporation (“**First Metro**”) acted as the Issue Manager and Lead Underwriter while Metropolitan Bank and Trust Company – Trust Banking Group was appointed as Trustee.

The 2013 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2013 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

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

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

- a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:
  - i. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
  - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
  - iii. deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;

- iv. Liens, pledges, charges, and other encumbrances on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
  - v. a mortgage, pledge, or other security interests in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed thirty five percent (35%) of the Issuer's total assets;
  - vi. any mortgage, charge, pledge, Lien, or other encumbrance or security interests over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US\$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
  - vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and
  - viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;
- b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2013 Bonds are current and updated;
- c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements.

**AEV ₱ 24 Billion Fixed-Rate Bonds Due 2020, 2022, and 2027**

On August 5, 2015, AEV issued fixed-rate bonds (the "2015 Bonds") in three series: (a) Series A 2015 Bonds, with a term of five (5) years and three (3) months; (b) Series B 2015 Bonds, with a term of seven (7) years; and (c) Series C 2015 Bonds, with a term of twelve (12) years from issue date. The Series A 2015 Bonds has a fixed interest rate of 4.4722% per annum. The Series B 2015 Bonds has a fixed interest rate of 5.0056% and an optional redemption on the fifth (5<sup>th</sup>) year and one (1) quarter from issue date, and on the sixth (6<sup>th</sup>) year from issue date. The Series C 2015 Bonds has a fixed interest rate of 6.0169% and an optional redemption on the seventh (7<sup>th</sup>), eighth (8<sup>th</sup>), ninth (9<sup>th</sup>), and tenth (10<sup>th</sup>) year from issue date. BPI Capital Corporation ("BPI Capital") acted as the Issue Manager. BPI

Capital and First Metro Investment Corporation acted as Joint Lead Underwriters while BPI Asset Management and Trust Corporation was appointed as Trustee.

The 2015 Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2015 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the PDTC as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

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

- a. Encumbrances - The Company shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer to receive income; Provided, however that this shall not prohibit the following:
  - i. any Lien over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;
  - ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;
  - iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;
  - iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;
  - v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;
  - vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;
  - vii. any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("**foreign currency**"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness
  - viii. any Lien on the properties and assets of the Issuer: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar

- Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen’s compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;
- ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer’s total assets;
  - x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US\$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
  - xi. other Liens: (i) created solely by operation of law; and (ii) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the Trust Agreement; and
  - xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;
- b. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2015 Bonds are current and updated;
  - c. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company’s year-end audited financial statements.

**AEV ₱ 5 Billion Fixed-Rate Bonds Due 2024 and 2029**

On June 18, 2019, AEV issued fixed-rate bonds (the “**2019 Bonds**”) in two series: (a) Series A 2019 Bonds, with a term of five (5) years from issue date, and (b) Series B 2019 Bonds, with a term of ten (10) years from issue date. The Series A 2019 Bonds has a fixed interest rate of 6.0157 % per annum and an optional redemption on the 4<sup>th</sup> anniversary of the Issue Date of the Series A 2019 Bonds or the immediately succeeding Banking Day if such date is not a Banking Day. On the other hand, the Series B 2019 Bonds has a fixed interest rate of 6.3210 % per annum and an optional redemption on the 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup> anniversary of the Issue Date of the Series B 2019 Bonds, or in each case, the immediately succeeding Banking Day if such date is not a Banking Day. BDO Capital & Investment Corporation (“**BDO Capital**”) and First Metro were appointed as joint issue managers, joint lead underwriters, and joint bookrunners while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2019 Bonds constitute direct, unconditional, unsecured and unsubordinated Philippine peso denominated obligations of the Company and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, (ii) any obligation incurred by the Company pursuant to Section 5.02 (a) of the Trust Agreement for the 2019 Bonds or as may be allowed therein, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the relevant issue date.

Transfers of the Bonds shall be coursed through the PDTC as Registrar. Transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and Registrar.

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

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

- provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US\$10,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;
- vii. other Liens: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Trustee on or before the Issue Date; and
  - viii. any mortgage, charge, pledge, Lien, or other encumbrance or security interests constituted over the investment of the Issuer in any of its affiliate or any Person, whether or not majority owned or Controlled, and whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said affiliates;
- d. Declaration and Payment of Cash Dividends/Issuance of Share. The Company shall not declare or pay any dividends to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the 2019 Bonds are current and updated;
- e. Maintenance of Financial Ratios. The Company shall not permit its Net Debt to Consolidated Equity Ratio to exceed 3:1 calculated based on the Company's year-end audited financial statements. "**Net Debt to Consolidated Equity Ratio**" means with respect to the 2019 Bonds, the ratio of Net Debt, which is computed as the total of interest-bearing debt less cash, cash equivalents, and short-term investments, to Consolidated Equity, which is computed as the total stockholders' equity of the Issuer as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.

#### **AEV ₱ 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 have a fixed interest rate of 2.8403 % per annum. On the other hand, the Series D 2020 Bonds has a fixed interest rate of 3.3059 % per annum and an optional redemption on the 3rd and 4th anniversary of the Issue Date of the Series D 2020 Bonds, and every quarter thereafter before the Maturity Date of such Series D 2020 Bonds. BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital were appointed as joint issue managers, joint lead underwriters, and joint bookrunners 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 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.

#### **AEV ₱ 10 Billion Fixed-Rate Bonds Due 2025 and 2028**

On August 9, 2021, AEV issued fixed-rate bonds (the "2021 Bonds") in two series: (a) Series E 2021 Bonds, with a term of four (4) years from issue date, and (b) Series F 2021 Bonds, with a term of seven (7) years from issue date. The Series E 2021 Bonds have a fixed interest rate of 3.2977% per annum. On the other hand, the Series F 2021 Bonds has a fixed interest rate of 4.1018% per annum. 2021 Series E Bonds shall have optional redemption on the second (2nd) year from issue date and every interest payment date thereafter until before the third (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. 2021 Series F Bonds shall have optional redemption dates on the fourth (4th) year from the issue date and every interest payment date thereafter until before the fifth (5th) anniversary, on the fifth (5th) year from the issue date and every interest payment date thereafter until before the sixth (6th) anniversary, and the sixth (6th) 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. BDO Capital, BPI Capital, China Bank Capital, First Metro, and SB Capital were appointed as joint issue managers, joint lead underwriters, and joint bookrunners while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee.

The 2021 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 of the 2021 Bonds or as may be allowed therein, 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 the Issuer'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. Transfers of the Bonds shall be coursed



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

i. any Lien over any asset to secure: (x) payment of the purchase price or cost of leasehold rights of such asset; or (y) 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 (z) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

ii. Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

iii. any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;

iv. any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates' (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;

v. any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;

vi. any Lien constituted for the purpose of guaranteeing an obligation in connection with any contract or agreement of sale of any asset by the Issuer, provided that the Lien is removed or discharged within twelve (12) months of the date of the sale of the asset;

vii. any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("**foreign currency**"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of indebtedness in any currency;

viii. any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (y) 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 (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

ix. any Lien in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed thirty-five percent (35%) of the Issuer's total assets;

x. any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer,

provided that the aggregate amount of security does not at any time exceed United States Dollars: Forty Million (US\$40,000,000.00) or its equivalent; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

xi. other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of this Agreement; and

xii. any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

b. Nature of Business. Except as required by Applicable Law or any Governmental Authority, the Issuer shall not: (i) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or (ii) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its Articles of Incorporation or by Applicable Law;

c. Merger or Consolidation. The Issuer shall not enter into any merger or consolidation except where (i) the Issuer is, or the Aboitiz Group retains Control of, the surviving corporation; (ii) such merger or consolidation is required by law, regulation, or decree; or (iii) such merger or consolidation does not result in a Material Adverse Effect;

d. Guarantee. The Issuer shall not assume (or agree contingently or otherwise to do so) the Indebtedness, or guarantee, endorse, or otherwise become directly or contingently liable (including without limitation, to become liable by way of agreement, contingent or otherwise, to purchase, use facilities, provide funds for payment, supply funds or otherwise invest in the debtor or otherwise to assure the creditor against loss) for or in connection with any obligation or Indebtedness of any other Person, other than (i) obligations of its Subsidiaries or Affiliates or any Person which the Issuer has investments in, whether such investment is in the form of shares, deposits or advances; and (ii) loans and other obligations of employees and officers pursuant to their employment and forming part of their compensation package.

## INDEPENDENT AUDITORS AND COUNSEL

### LEGAL MATTERS

All legal opinions/matters in connection with the issuance of the Bonds will be passed upon by Romulo Mabanta Buenaventura Sayoc & de los Angeles (“**Romulo Law**”) for the Issuer, and Picazo Buyco Tan Fider and Santos (“**Picazo Law**”), for the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. Certain matters relating to the legality of the Offer and tax matters were passed upon by Gatmaytan Yap Patacsil Gutierrez & Protacio (“**CG Law**”) for the limited purpose of issuing an opinion required by the SEC. Neither Romulo Law, Picazo Law or CG Law has any direct or indirect interest in the Company.

Picazo Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law provides such services to its other clients.

### INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at December 31, 2021, 2020, and 2019 and for the three years then ended have been audited by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

Ms. Jhoanna Feliza C. Go will be AEV's new audit partner from SGV beginning 2022. Ms. Go is replacing Ms. Maria Veronica R. Pore who served as AEV's audit partner from 2017 to 2021.

### 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, 2021	Year ended December 31, 2020
<b>Audit Fees</b>		
Audit Fees	₱616,000.00	₱624,120.00
Audit-Related Fees	₱10,752,000.00	₱8,408,040.00
<b>Total</b>	<b>₱11,368,000.00</b>	<b>₱9,032,160.00</b>
<b>Non-Audit Fees</b>		
Consultancy Fees	₱317,408.00	₱-
<b>Total</b>	<b>₱317,408.00</b>	<b>₱-</b>
<b>Total Audit and Non-Audit Fees</b>	<b>₱11,685,408.00</b>	<b>₱9,032,160.00</b>

The audit-related fees include assurance and services that are related to the review of AEV's financial statements pursuant to its bond issuances. The non-audit fees were paid for AEV's transfer pricing study and assistance in preparation of tax forms.

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 2021 and 2020 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

## **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

## **BOARD AUDIT COMMITTEE**

In giving effect to its duly approved charter, the Audit Committee assisted the Board in fulfilling its oversight responsibility to the Company and its stakeholders by providing advice relating to: (a) the adequacy and efficiency of the Company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the Company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; (d) due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and (e) providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to assist, but not to pre-empt any responsibility in making final audit-related decisions.

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman.

Cesar G. Romero (an Independent Director) is the Chairman of the Committee. Other members of the committee are Joanne G. De Asis (Independent Director), Romeo L. Bernardo (Independent Director), Erramon I. Aboitiz (Non-Executive Director) and Ana Maria A. Delgado (Non-Executive Director).

## TAXATION

*The statements herein regarding taxation are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the 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.*

*As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen thereof. On the other hand, a “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a “non-resident alien not engaged in trade or business within the Philippines”. A “domestic corporation” is created or organized under the laws of the Philippines while a “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines. A “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines.*

### TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

#### **Tax-Exempt Status or Entitlement to Preferential Tax Rate**

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements:

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

- i. For (a) tax-exempt corporations and associations 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 funds and retirement plans – certified true copy of a 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 three (3) years since the date of issuance thereof, and has not been revoked, amended or modified;
- 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 a 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 – 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 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 regular 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. "Dealer in securities" means a merchant of stock or securities, whether an



individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

### **GROSS RECEIPTS TAX**

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions, and discounts from lending activities, as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less: 5%

Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. 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 ₱1.50 for each ₱200.00, 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**



Ordinary asset – The gain is included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens or resident foreign individuals, or non-resident aliens engaged in trade or business in the Philippines effective January 1, 2018 until December 31, 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective January 1, 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

Capital asset – Gains shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve (12) months prior to the sale, only 50% of gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of twelve (12) months or less, 100% of gain is included.

Gains derived by domestic corporations in general and resident foreign corporations on the sale or other disposition of the Bonds are subject to a 25% income tax. Gross income derived by non-resident foreign corporations on the sale or other disposition of the Bonds is subject to a 25% income tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as

may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized from the sale, exchange, or retirement of bonds, debentures, and other certificates of indebtedness with a maturity of more than five (5) years are not subject to income tax.

### **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 ₱250,000.00 exempt gift made during the calendar year.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the 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 (*i.e.*, a transaction which is bona fide, at arm's length, and free from any donative intent), in which case, it will be considered as made for an adequate and full consideration in money.

### **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. Unaudited Interim Consolidated Financial Statements as of June 30, 2022 and for the six months period ended June 30, 2022 and 2021, Annex A
2. Audited Consolidated Financial Statements as of December 31, 2021 and 2020 for each of the three years in the period ended December 31, 2021, Annex B
3. Audited Consolidated Financial Statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, Annex C
4. Audited Consolidated Financial Statements as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, Annex D