



November 16, 2020

*via electronic mail*

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay City, 1307

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

*via PSE EDGE*

**PHILIPPINE STOCK EXCHANGE, INC.**

PSE Tower, 28<sup>th</sup> Street, cor. 5<sup>th</sup> Avenue  
Bonifacio Global City, Taguig City

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

*via electronic mail*

**PHILIPPINE DEALING & EXCHANGE CORP.**

Market Regulatory Services Group  
29<sup>th</sup> Floor BDO Equitable Tower  
8751 Paseo de Roxas, Makati City 1226

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

Gentlemen:

Please see enclosed SEC Form 17-Q (3rd Quarterly Report 2020) of Aboitiz Equity Ventures Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ EQUITY VENTURES INC.**

By:

**MANUEL ALBERTO R. COLAYCO<sup>CNC</sup>**  
Corporate Secretary

**COVER SHEET**

C E O 2 5 3 6

**S.E.C. Registration Number**

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

**MANUEL ALBERTO R. COLAYCO**

Contact Person

**(02) 8-886-2338**

Company Telephone Number

1 2 3 1

Month Day  
Fiscal Year

**2<sup>nd</sup> Quarterly Report 2020**

1 7 - Q

FORM TYPE

**4<sup>th</sup> Monday of April**

0 4 2 7

Month Day  
Annual Meeting

Secondary License Type, if Applicable

**S E C**

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

**x**

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2020**
2. Commission identification number **CEO2536** 3.BIR Tax Identification No. **003-828-269-V**
4. Exact name of issuer as specified in its charter

**ABOITIZ EQUITY VENTURES INC.**

5. Province, country or other jurisdiction of incorporation or organization

**Philippines**

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office Postal Code

**32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines** **1634**

8. Issuer's telephone number, including area code

**(02) 8 886-2800**

9. Former name, former address and former fiscal year, if changed since last report

**N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock ₱1 Par Value</b>	<b>5,630,225,457</b>
<b>Amount of Debt Outstanding (September 30, 2020)</b>	<b>₱331,460,797,000.00</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [  ] No [  ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange**

**Common**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

## **Item 2. Management's Discussion and Analysis or Plan of Action of Financial Condition and Results of Operations**

### **Management's Discussion and Analysis or Plan of Action of Financial Condition and Results of Operations**

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

*The Group's operating segments are as follows: a.) Aboitiz Power Corporation (AboitizPower) and Subsidiaries ("Power Group"), b.) Banking and Financial Services, c.) Pilmico Foods Corporation and Subsidiaries, and Pilmico International Pte. Ltd. and Subsidiaries ("Food Group"), d.) Infrastructure, and e.) AboitizLand, Inc. (AboitizLand) and Subsidiaries ("Real Estate Group").*

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

Management uses the following indicators to evaluate the performance of AEV and its Subsidiaries:

#### **1. EQUITY IN NET EARNINGS OF INVESTEES**

Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its Associates and Joint Ventures (JVs) for each reporting period subsequent to the acquisition of the said investment. This account reflects the result of the operating performance of an Associate or a JV and indicates its contribution to the Group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

#### **2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)**

The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts and to finance its capital expenditure and working capital requirements.

### 3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

### 4. CURRENT RATIO

Current Ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt-paying ability. The higher the ratio, the more liquid the Group.

### 5. DEBT-TO-EQUITY RATIO

Debt-to-Equity Ratio indicates how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

#### **KEY PERFORMANCE INDICATORS (KPI)**

**(Amounts in thousands except financial ratio data)**

	<b>JAN-SEP 2020</b>	<b>JAN-SEP 2019</b>
EQUITY IN NET EARNINGS OF INVESTEEES	<b>₱6,335,531</b>	₱7,592,775
EBITDA	<b>22,989,013</b>	26,494,406
CASH FLOW GENERATED:		
Net cash flows from operating activities	<b>27,134,154</b>	35,281,686
Net cash flows used in investing activities	<b>(7,916,841)</b>	(34,257,579)
Net cash flows from (used in) financing activities	<b>(30,550)</b>	(19,607,532)
Net Increase (Decrease) in Cash & Cash Equivalents	<b>19,186,763</b>	(18,583,425)
Cash & Cash Equivalents, Beginning	<b>46,424,663</b>	59,033,029
Cash & Cash Equivalents, End	<b>65,403,138</b>	41,080,890
	<b>SEPTEMBER 30, 2020</b>	<b>DECEMBER 31, 2019</b>
CURRENT RATIO	<b>1.3</b>	1.3
DEBT-TO-EQUITY RATIO	<b>1.8</b>	1.7

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

With debt increasing and equity slightly decreasing during the first nine months of 2020, Debt-to-Equity ratio moved up to 1.8x as of 30 September 2020 (compared to end-2019's 1.7x). Current Ratio as of 30 September 2020 remained the same as the end-2019 level of 1.3x, as the growth in current assets was offset by the growth in current liabilities.

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

### **RESULTS OF OPERATIONS**

For nine-months period ended 30 September 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 ₱8.3 billion (bn), a 47% decrease year-on-year (YoY). This translated to earnings per share of ₱1.48 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 49%, followed by the Banking and Financial Services, Food, Infrastructure and Real Estate Groups at 39%, 9%, 3%, and 1%, respectively.

During the first nine months of 2020, the Group generated non-recurring foreign exchange (forex) losses of ₱5 million (mn) (compared to ₱155 mn for the corresponding period in 2019). Without these one-off losses, the Group’s core net income for the first nine months of 2020 was ₱8.3 bn, 48% lower YoY. AEV recorded a 13% decrease in consolidated EBITDA for the first nine months of 2020 compared to the same period in 2019, from ₱44.8 bn to ₱38.8 bn.

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

The following discussion describes material changes in the line items of the Company’s statement of income and of comprehensive income for the nine months ended 30 September 2020 compared to the nine months ended 30 September 2019.

#### **Revenues**

##### *Sale of Power*

The Group’s revenue from sale of power by the Power Group decreased by 15% or ₱14.2 bn, from ₱94.4 bn in the nine months ended 30 September 2019 to ₱80.2 bn in the nine months ended 30 September 2020. The decrease was primarily attributable to reduced demand resulting from the enforcement of COVID-related community quarantines, as well as lower water inflow. The Group’s sale of power comprised 62% and 59% as a percentage of total revenues in the nine months ended 30 September 2019 and 30 September 2020, respectively.

##### *Sale of Goods*

The Group’s revenue from sale of goods decreased by 2% or ₱1.3 bn, from ₱54.1 bn in the nine months ended 30 September 2019 to ₱52.8 bn in the nine months ended 30 September 2020. The decrease was primarily due to lower selling prices for the Group’s Feeds business, which offset higher volumes in the local and international markets. The Group’s sale of goods comprised 35% and 39% as a percentage of total revenues in the nine months ended 30 September 2019 and 30 September 2020, respectively.

##### *Real Estate*

The Group’s revenue from real estate increased by 2% or ₱38 mn, from ₱2.1 bn in the nine months ended 30 September 2019 to ₱2.2 bn in the nine months ended 30 September 2020. The increase was primarily attributable to AboitizLand’s industrial business, resulting from an increase in revenue

recognized from industrial lots sold. However, the performance of AboitizLand's residential business offset the increase from the industrial business. The decrease in revenues from AboitizLand's residential business was due to restrictions in operations resulting from the government-imposed community quarantines in response to the COVID-19 pandemic. AboitizLand's project percentage of completion, driven by the construction progress, is a key factor in the recognition of revenue and AboitizLand's construction activities were brought to a standstill during the second quarter of 2020. As a percentage of total revenues, the Group's revenue from real estate comprised 1% and 2% in the nine months ended 30 September 2019 and 30 September 2020, respectively.

#### *Other Revenues*

The Group's combined revenue from the fair value of swine, service fees, and other sources increased by 3% or ₱49 mn, from ₱1.8 bn in the nine months ended 30 September 2019 to ₱1.9 bn in the nine months ended 30 September 2020. As a percentage of total revenues, the Group's other revenues comprised 1% in the nine months ended 30 September 2019 and 30 September 2020.

### **Costs and Expenses**

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

The Group's cost of generated and purchased power decreased by 22% or ₱11.9 bn, from ₱54.0 bn in the nine months ended 30 September 2019 to ₱42.1 bn in the nine months ended 30 September 2020. The decrease was primarily attributable to lower fuel costs resulting from power plant outages, and to lower purchased power costs due to lower Wholesale Electricity Spot Market (WESM) rates. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 42% and 36% in the nine months ended 30 September 2019 and 30 September 2020, respectively.

#### *Cost of Goods Sold*

The Group's cost of goods sold decreased by 6% or ₱3.1 bn, from ₱48.3 bn in the nine months ended 30 September 2019 to ₱45.2 bn in the nine months ended 30 September 2020. The decrease was primarily attributable to the lower raw materials cost of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 38% and 39% in the nine months ended 30 September 2019 and 30 September 2020, respectively.

#### *Operating Expenses*

The Group's operating expenses increased by 15% or ₱3.5 bn, from ₱24.0 bn in the nine months ended 30 September 2019 to ₱27.6 bn in the nine months ended 30 September 2020. The increase was primarily attributable to the increase in operating expenses of the Power Group resulting from the start of operations of Therma Visayas, Inc. (TVI). As a percentage of total costs and expenses, the Group's operating expenses comprised 19% and 24% in the nine months ended 30 September 2019 and 30 September 2020, respectively.

#### *Other Costs and Expenses*

For the nine months ended 30 September 2020, the Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, remained at ₱1.4 bn, comparable to the same period in 2019. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% in both the nine months ended 30 September 2019 and 30 September 2020.

## **Operating Profit**

As a result of the foregoing, the Group's operating profit decreased by 16% or ₱4.0 bn, from ₱24.7 bn in the nine months ended 30 September 2019 to ₱20.7 bn in the nine months ended 30 September 2020.

## **Income Before Income Tax**

The Group's income before income tax decreased by 30% or ₱7.5 bn, from ₱25.0 bn in the nine months ended 30 September 2019 to ₱17.5 bn in the nine months ended 30 September 2020. The decrease was due to the decrease in operating profit coupled with higher net interest expense and lower equity earnings. Moreover, income before tax for the first nine months of 2019 also included a one-time recognition of income from the Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA).

## **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 47% or ₱7.4 bn, from ₱15.7 bn in the nine months ended 30 September 2019 to ₱8.3 bn in the nine months ended 30 September 2020.

Net income attributable to non-controlling interests for the nine months ended 30 September 2020 decreased to ₱3.4 bn from ₱5.8 bn in the nine months ended 30 September 2019. This was primarily due to the decrease in consolidated net income of AboitizPower during the first nine months of 2020.

## **STRATEGIC BUSINESS UNITS (SBU)**

The following discussion describes the performance of the Group's SBUs for the nine months ended 30 September 2020 compared to the nine months ended 30 September 2019.

### **Power**

For the nine months ended 30 September 2020, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱5.4 bn, a 48% decrease from ₱10.4 bn in the nine months ended 30 September 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 50%, from ₱9.7 bn in the nine months ended 30 September 2019 to ₱4.9 bn in the nine months ended 30 September 2020. The variance was primarily due to reduced demand resulting from the enforcement of COVID-related community quarantines, as well as lower water inflow. This was coupled with a one-time recognition of income from the GRAM and ICERA in the first nine months of 2019, and ITH expirations for TSI and GMEC.

Capacity sold increased from 3,123 megawatts (MW) for the nine months ended 30 September 2019 to 3,394 MW for the nine months ended 30 September 2020 due to increased contracting levels driven by the new capacity of TVI and additional portfolio contracts. However, due to the lower demand brought about by the pandemic and to lower water inflow, energy sold in the nine months ended 30



September 2020 declined by 8% to 16,689 gigawatt-hours (GWh) from 18,083 GWh in the same period in 2019.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group decreased by 10% from ₱2.4 bn for the nine months ended 30 September 2019 to ₱2.2 bn for the nine months ended 30 September 2020. This decrease was mainly driven by lower energy consumption from the Commercial and Industrial customer segments resulting from the enforcement of the COVID-related community quarantines. Energy sales decreased by 8% to 3,994 GWh during the nine months ended 30 September 2020 from 4,341 GWh in the nine months ended 30 September 2019.

### **Banking & Financial Services**

Union Bank of the Philippines' (UnionBank) contribution to Net Income to Equity Holders of AEV increased by 2% YoY, from ₱4.2 bn in the nine months ended 30 September 2019 to ₱4.3 bn in the nine months ended 30 September 2020.

On a stand-alone basis, UnionBank recorded a net income of ₱8.5 bn for the nine months ended 30 September 2020, a decrease of 1% compared to the same period in 2019. The decrease was primarily due to higher provisions for loan losses in the first nine months of 2020. This was partly offset by revenue growth from the increase in net interest income, which grew to ₱21.4 bn, 36% higher YoY, while non-interest income was ₱10.4 bn, up 26% YoY, mainly due to higher trading gains.

### **Food**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group decreased by 5% to ₱969 mn for the nine months ended 30 September 2020, compared to ₱1.0 bn for the nine months ended 30 September 2019.

For the nine months ended 30 September 2020, the Food Group's Philippine Subsidiaries reported a net income of ₱585 mn compared to ₱704 mn net income for the nine months ended 30 September 2019. This decline was mainly due to reduced margins caused by higher production costs and lower selling prices of the Farms business resulting from the industry-wide effect of the African Swine Fever, as well as lower sales volume due to transport restrictions on pork and pigs imposed by several provinces in Luzon. The decline was partly offset by improved margins and lower financing costs for the Feeds business, and improved per unit gross profit and volume of the Flour business.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. and its Subsidiaries, recorded net income of ₱383 mn for the nine months ended 30 September 2020, a 22% increase compared to the nine months ended 30 September 2019. This was due to 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 for the nine months ended 30 September 2020, before elimination of transactions within the Group, amounted to ₱85 mn, a 90% decrease from ₱829 mn for the nine months ended 30 September 2019. This decrease was mainly due to the fair valuation gains on investment properties recognized in the third quarter of 2019, which were not present during the same period 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 52% to ₱291 mn for the nine months ended 30 September 2020, compared to ₱603 mn for the nine months ended 30 September 2019. This mainly came from the contribution of the Republic Cement and Building Materials, Inc. and its Subsidiaries which decreased from ₱631 mn in the nine months ended 30 September 2019 to ₱400 mn in the nine months ended 30 September 2020. This was mainly due to the contraction in the demand for cement, as construction activity declined during the relevant period, particularly during the enforcement of COVID-related community quarantines.

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

### Assets

AEV's consolidated assets as of 30 September 2020 (compared to 31 December 2019) increased by 3% to ₱608.6 bn, due to the following:

- Cash & Cash Equivalents increased by 41% (₱65.4 bn as of 30 September 2020 compared to ₱46.4 bn as of 31 December 2019), mainly due to the receipt of proceeds from the issuance of US dollar bonds of AEV International Pte. Ltd (AEV International) in January 2020.
- Trade and other receivables (current and noncurrent) increased by 7% (₱40.2 bn as of 30 September 2020 compared to ₱37.6 bn as of 31 December 2019), mainly due to increased receivables of the Real Estate and Food Groups, and AboitizPower providing an extension period for its customers' bill payments.
- Land and improvements increased by 17% (₱3.0 bn as of 30 September 2020 compared to ₱2.6 bn as of 31 December 2019), mainly due to additional land acquisition by the Real Estate Group.
- Investments in and Advances to Associates and JVs increased by ₱5.8 bn (₱146.1 bn as of 30 September 2020 compared to ₱140.4 bn as of 31 December 2019), mainly due to AboitizPower's ₱2.3 bn additional infusion into GNPowder Dinginin Ltd. Co., AboitizLand's ₱430 mn infusion into Cebu Homegrown Developers, Inc., and the recording of ₱6.3 bn share in net earnings of Associates and JVs. This increase was partially offset by the ₱3.0 bn in dividends from Associates and JVs during the period.
- Other Current Assets (OCA) increased by 17% (₱22.7 bn as of 30 September 2020 compared to ₱19.4 bn as of 31 December 2019), primarily due to the reclassification of TVI's restricted cash from Other Non-Current Assets (ONCA).

The above increases were tempered by the following decreases:

- Inventories decreased by 5% (₱19.8 bn as of 30 September 2020 compared to ₱20.8 bn as of 31 December 2019), mainly due to a decline in the Food Group's inventory.
- Property Plant and Equipment (PPE) and Investment Properties (IP) decreased by ₱5.0 bn, mainly due to ₱9.2 bn attributed to depreciation and amortization, which was partly offset by a ₱3.4 bn addition to AboitizPower's generation and distribution assets.

- Deferred Income Tax Assets decreased by 36% (₱2.0 bn as of 30 September 2020 compared to ₱3.1 bn as of 31 December 2019), mainly due to the reduction of the deferred tax benefits recognized by Therma Luzon, Inc. (“TLI”) on its net operating loss.
- Other Noncurrent Assets (ONCA) decreased by 28% (₱10.2 bn as of 30 September 2020 compared to ₱14.1 bn as of 31 December 2019), primarily due to the decrease in Input VAT, the regular reduction in Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment, and the reclassification of TVI’s restricted cash to OCA.

## Liabilities

Total Liabilities as of 30 September 2020 (compared to 31 December 2019) increased by 6% to ₱393.7 bn due to the following:

- Bank loans increased by 11% (₱28.5 bn as of 30 September 2020 compared to ₱25.7 bn as of 31 December 2019), mainly due to short-term debt availments by the Power and Food Groups, as well as by AEV.
- Long-term debt, which includes both current and non-current portions, increased by 9% (₱262.1 bn as of 30 September 2020 compared to ₱239.6 bn as of 31 December 2019) mainly due to the following: (i) the issuance of US dollar bonds by AEV International in January 2020 amounting to ₱20.2 bn, (ii) the issuance of retail bonds in July 2020 by AboitizPower amounting to ₱9.6 bn, and (iii) an additional ₱3.0 bn debt availment by Apo Agua Infraestructura, Inc. These were partly offset by the settlement of maturing loans during the nine months ended 30 September 2020.
- Long-term obligation on Power Distribution System, which includes current and non-current portions, increased by 9% (₱217 mn as of 30 September 2020 compared to ₱199 mn as of 31 December 2019) due to the accretion of interest.
- Lease liabilities, which includes current and non-current portions, decreased by 10% (₱40.9 bn as of 30 September 2020 compared to ₱45.3 bn as of 31 December 2019) due to TLI's payment of its obligations to PSALM.
- Income tax payable increased by 98%, from ₱0.8 bn as of 31 December 2019 to ₱1.5 bn as of 30 September 2020, mainly due to increased tax provisions by the Power Group during the period, following the expiration of the ITH incentives of TSI and GMEC.
- Derivative liabilities (net of Derivative assets, current and noncurrent) increased from ₱2.3 bn as of 31 December 2019 to ₱3.3 bn as of 30 September 2020. This was mainly due to the Power Group’s hedging losses.
- Decommissioning liability increased by 25%, from ₱3.6 bn as of 31 December 2019 to ₱4.5 bn as of 30 September 2020, mainly due to the recognition of additional decommissioning provisions on power plant assets.

## Equity

Equity attributable to equity holders of the parent as of 30 September 2020 (compared to 31 December 2019) decreased by ₱0.6 bn from ₱176.5 bn to ₱175.9 bn, due to the following:

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

- A negative ₱1.4 bn movement in cumulative translation adjustments mainly from hedging losses.

These were partly offset by the ₱8.3 bn of net income recorded during nine months ended 30 September 2020.

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

For the nine months ended 30 September 2020, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates.

Compared to the cash inflow in the nine months ended 30 September 2019, consolidated cash generated from operating activities in the nine months ended 30 September 2020 decreased by ₱8.1 bn to ₱27.1 bn. This was mainly due to the decline in earnings before interest, depreciation and amortization coupled with higher working capital requirements.

As of 30 September 2020, ₱7.9 bn net cash was used in investing activities compared to ₱34.3 bn during the nine months ended 30 September 2019. This was mainly due to lower cash used on additional investments in Associates and JVs compared to the same period in 2019.

Net cash used in financing activities was ₱31 mn for the nine months ended 30 September 2020 compared to ₱19.6 bn in the nine months ended 30 September 2019. The decrease was largely attributed to availment of short-term loans and the issuance of US dollar bonds of AEV International in the first quarter of 2020.

For the nine months ended 30 September 2020, net cash inflows surpassed cash outflows, resulting in a 41% increase in cash and cash equivalents from ₱46.4 bn as of year-end 2019 to ₱65.4 bn as of 30 September 2020.

## **FINANCIAL RATIOS**

Financial ratios remained healthy. AEV's Current Ratio as of 30 September 2020 was the same as the end-2019 level of 1.3x, as the growth in current assets was offset by the growth in current liabilities. Debt-to-Equity Ratio increased from year-end 2019's 1.7:1 to 1.8:1 as of 30 September 2020, as total liabilities grew while equity decreased.

## **Outlook for the Upcoming Year/Known Trends, Events, and Uncertainties Which May Have a Material Impact on Registrant**

Based on information provided by Union Bank of the Philippines, Inc. ("UnionBank" or the "Bank") Economic Research Unit, Aboitiz Equity Ventures Inc. (the "Company" or "AEV") currently expects the Philippines' 2020 GDP to contract by 8.6% due to the economic impact of COVID-19, and expand by 5.5% in 2021 as it recovers from the pandemic.

## **Power SBU**

AboitizPower is focused on addressing the needs of its markets, namely: (1) reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. 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 six new power generation projects: (1) the Naga Power Plant Complex project; (2) the GNPowr Dinginin project; (3) the SNAP Magat Floating Solar project; (4) the APRI steam drilling project; (5) the TMI Hybrid Battery Energy Storage System ("BESS") project; and (6) the SNAP Magat BESS project.

The Naga Power Plant Complex's six diesel engine units have all passed the grid compliance tests of the National Grid Corporation of the Philippines ("NGCP") and were successfully rehabilitated in January 2020. The units have demonstrated a combined net capacity of 39 MW, almost twice the output of the units prior to Therma Power Visayas, Inc. ("TPVI") taking over the complex. During the second quarter of 2020, TPVI obtained a Provisional Authority to Operate from the Energy Regulatory Commission ("ERC") which allowed TPVI to commence commercial operations. The plant began commercial operations on August 7, 2020 and was first dispatched based on an offer into the Wholesale Electricity Spot Market ("WESM") on August 26, 2020. The plant is scheduled for NGCP ASPA testing this November 2020.

The GNPowr Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban from China. Project timelines have been impacted due to the imposition of travel restrictions and delays in the delivery of materials. However, with the strict COVID-19 measures implemented on the site, key technical personnel and materials mobilization have now been largely achieved. Due to these circumstances, Unit 1 is now scheduled to commence commercial operations by the second quarter of 2021. Unit 2 is expected to commence commercial operations by the third quarter of 2021.

In June 2019, SN Aboitiz Power-Magat (SNAP Magat) switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SNAP, which was looking at other renewables and complementary technologies to expand its portfolio. The SNAP-Magat floating solar project has proven its viability, both technical and commercial. On October 21, 2020, the SNAP Board approved for the project to proceed to engineering design for 67 MW.

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

In November 2020, AboitizPower announced its two battery projects. The TMI Hybrid BESS project ("TMI BESS") is located in Maco, Compostela Valley. It has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with Therma Marine's Maco oil barge. The TMI BESS project is targeted to commence commercial operations in 2022. The SNAP Magat BESS project ("SNAP BESS") is located in Ramon, Isabela. It has a

storage capacity of 20 MW and will be used to provide ancillary services. The project is currently in the pre-construction phase, with the next step being the engagement of a preferred EPC contractor for early works. The SNAP BESS project is targeted to commence commercial operations in 2023.

The TMI BESS and SNAP BESS projects are of strategic significance to AboitizPower as they optimize the capacity of AboitizPower's energy portfolio and build its capability to meet the energy demands of the future, as well as serving as a model for its future battery investments.

As of September 2020, AboitizPower owns 4,435 MW of net attributable capacity, of which 3,499 MW is currently operating.

AboitizPower fully supports the Department of Energy's ("DOE") coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. AboitizPower has been a pioneer of renewable energy in the country and its diversification into thermal technologies was primarily driven by the country's need for a reliable, accessible, and affordable power supply.

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

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

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

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of 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 91 of the Company's 2020 Definitive Information Statement).

### **Banking & Financial Services SBU**

UnionBank is continuing with its 10-year business transformation roadmap - FOCUS 2020 - with the vision of becoming one of the top three universal banks in the Philippines in terms of ROE, ROA, and cost-efficiency. Rather than traditional metrics such as asset size or branch network, this transformation roadmap involves a shift in focus on providing financial value to stakeholders, operational excellence,

customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and services.

Now that the Bank is close to concluding its FOCUS 2020 strategic plan, the primary goal has shifted to being considered one of the country's great retail banks. Concretely, the Bank plans to achieve this goal by increasing its core earning asset base, attaining balanced sources of revenues, and shifting towards a recurring income business model as it fortifies its balance sheet.

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

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

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

- 1) To strengthen the current business by repositioning itself into an agile and digitally-transformed universal bank. It intends to apply higher technologies into its core banking systems to enable the Bank to quickly respond to changing customer behavior. At the same time, the Bank aims to have a digitally-transformed mass market focused-bank through CitySavings and its other banking subsidiaries. The goal is to widen scope in key underbanked and unbanked segments and employ digitized processes acquired/learned by the Parent Bank to improve operational efficiencies. This way, it can ramp up scale and accelerate achieving inclusive prosperity.
- 2) To search for new business models where banking is integrated in people's day-to-day lives. The objective is to immerse the Bank in emerging technologies such as blockchain and the token economy which may disrupt the banking industry. The Bank shall bank, enable, and invest in "fintech" to be the future direction of the country's financial landscape. Moreover, the Bank plans to make technology its core in order to deliver platforms. All these can enable the Bank to embed its financial services into ecosystems, thus making itself indispensable in a future where banking will no longer be a transaction choice but part of an integrated experience. These will be led by UBX, the Bank's technology and innovation company.

Coming from Phase 1 (i.e. building the foundational infrastructure to be "Digital to the Core") and Phase 2 (i.e. launch of critical customer channels), UnionBank is already in Phase 3 of its Digital Transformation - the monetization and commercialization of the Bank's digital transformation. With the key channels and

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

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

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

For the remainder of 2020, the Bank has the following outlook:

- The banking industry is still expected to experience relatively flat asset and loan growth due to the continued economic distress caused by the COVID crisis.
- *Bangko Sentral ng Pilipinas’* (“BSP”) reverse repurchase rate (“RRP”) and reserve requirement ratio (RRR) are likely to remain low to stimulate the economy. As of end-September 2020, the RRP and RRR are at 2.25% and 14% (down by 175bps and 200bps respectively from January 2020), and BSP may keep them unchanged for the rest of 2020 to give the Philippine economy time to absorb the excess liquidity freed up earlier during the year.
- Lastly, digital banking initiatives in the industry are expected to ramp up as social distancing measures will remain in the immediate future, leading to higher take-up of digital customers.

In anticipation of the potential impact on the Bank’s credit portfolio, the Bank deemed it prudent to set aside higher provisions for loan losses for the year. During the first nine months of 2020, the Bank increased its reserves to ₱7.5 bn, compared to ₱483.9 million in the same period last year and versus ₱1.9 bn for full-year 2019.

Amid this, UnionBank believes it is positioned to withstand the effects of the current economic environment. The Bank continues to have a combination of strong capitalization and low non-performing loans (NPL) ratio, which provides a cushion against potential economic headwinds. Furthermore, there is currently strong support from the government and regulators in ensuring that there is adequate liquidity in the banking system. Various government initiatives (e.g. social amelioration program, subsidies, etc.) were also launched to mitigate the impact of the current economic environment.

UnionBank is committed to supporting the economy and its customers by ensuring access to liquidity and other financial needs. And with the Bank’s digital channels and capabilities, it is capable of delivering full banking services to its customers during the COVID-19 crisis.

## **Food SBU**

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



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

The acquisition of Gold Coin and its Subsidiaries (the “Gold Coin Group”) has allowed the Food Group to expand its customer base and geographic reach. The Food Group is currently the fourth largest animal feed manufacturer in Southeast Asia in terms of animal feeds production capacity, and its presence in 11 countries across the Asia-Pacific region allows the Food Group to explore opportunities down the value chain in these markets. Geographic expansion also provides the Food Group and the rest of AEV’s businesses access to local or regional information for potential expansion opportunities. The Food Group looks forward to harnessing synergies in distribution, localized operations, cross-selling, research and development, and raw materials and logistics costs.

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

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

Due to African Swine Fever (“ASF”) and COVID-19 challenges, the Farms business has recalibrated its planned expansions in Northern Luzon and has started considering opportunities in the Visayas and Mindanao regions instead. Despite these challenges, sow-level capacity is still expected to reach 29,020 heads by 2029. The current increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain.

In this regard, the Food Group is currently working on the following projects across its farms and feeds business: (1) a Meats Fabrication Plant in Tarlac, (2) the Iligan Feed Mill Expansion, (3) a Fish Feed Line in Vietnam, and (4) a Fish Feed Line in Malaysia.

In August 2020, the Food Group has operationalized its meat fabrication and processing plant in Tarlac, which is expected to provide more stable profitability through selling high-margin pork meats compared to live hog selling. Meanwhile, the planned expansions for the layers business in 2020 was pushed back to 2021. The targeted increase in layers capacity (8x from today’s level) is still expected to result in a monthly production of 27 mn eggs by 2025.

Feeds Philippines will continuously solidify its market position through expanding production in strategic locations in the Visayas and Mindanao regions in the next 5 years. By the end of 2020, Feeds Philippines expects to operate its third feed mill in Iligan, which will serve the growing requirements of its Visayas and Mindanao customers. To support the wider market, the Food Group employs platform improvements

in logistics to enhance operational agility and improve customer experience. Lastly, continuing product developments through precise nutrition feeding management and exploring the Pet Food and Specialty Nutrition will be key to a strengthened and diversified Feeds portfolio.

The Gold Coin Group will pursue (i) fast-growing segments like aqua feeds and (ii) attractive geographies where it has a captive market and the ability to compete. An additional fish feed line located in Vietnam (Ha Nam, North Vietnam) was commissioned in October 2020. By the end of the first quarter in 2021, another 5TPH Fish Feed Line in West Port Malaysia will be operational.

These carefully selected and calibrated investments can capture outsized returns while steadily building a strong and diversified regional food business integrated across the business system.

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

The COVID-19 and the ASF outbreaks in 2020 have caused significant challenges to the Farms business and has curbed the strong performance of the other businesses of the Food Group. Feeds and Flour business proved its resilience amidst the COVID-19 crisis. To meet this demand, the Food Group ensured that it has (i) a sufficient level of raw materials to support its full operations at any given time; and (ii) an enhanced logistics platform to adapt to supply chain disruptions. Likewise, the Food Group boosted its collections facilities to ensure that each customer is being actively managed by its sales personnel and collecting agents. In addition, the Food Group was able to obtain reasonable credit extensions from its top local suppliers. Abaqa International, its central purchasing arm, has also provided flexible working capital arrangements to achieve synergies in payments and inventory.

## **Infrastructure SBU**

### *Aboitiz InfraCapital, Inc (“InfraCap” or “Aboitiz InfraCapital”)*

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to the nation’s economic recovery amid the COVID-19 pandemic.

### *Industrial and Commercial*

In line with the Aboitiz Group’s direction to scale the growth of industrial-anchored Integrated Economic Center projects, management of the Industrial and Commercial Business Unit (“ICBU”) shifted from AboitizLand, Inc. to Aboitiz InfraCapital on September 1, 2020. 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 of the ICBU to InfraCap, 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.

During 2020, downtime within the industrial zones was kept to a minimum, despite the restrictions implemented during the community quarantine. A majority of the locators continued with their operations through the lockdown, with nearly all locators already operating by the end of the third quarter of 2020. Furthermore, key indicators such as power and water consumption have already approximated pre-quarantine levels reflecting normalized activity within the zones.

Aboitiz InfraCapital is committed to supporting the tenants of the commercial establishments within the different industrial zones, as the pandemic has created a challenging environment for retail businesses. The tenants will continue to be supported through concessions, sales-based lease rates, and discounts. Aboitiz InfraCap will continue to leverage the open-air format of The Outlets at Lipa, and The Outlets at Pueblo Verde as retail destinations that lend themselves to social distancing, and will continue to implement creative initiatives that will allow shoppers to patronize tenants in a safe way.

While Aboitiz InfraCapital maintains a cautious outlook for the remainder of the year, it keeps an optimistic view of the future. Initiatives to develop the industrial zones into integrated economic centers will continue. Critical land banking for the expansion of the parks will be pursued.

### *Water*

#### *Lima Water Corporation (“LWC”)*

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

Starting in July 2020, water demand had returned to pre-Enhanced Community Quarantine (“ECQ”) levels as locators ramped up their operations to recover from losses during the first half of 2020. LWC’s business continuity plan remains in place to ensure service continuity. Affirming its commitment to outstanding water quality testing standards, LWC has received its recognition as the first industrial park water services provider with an accredited testing laboratory by the Department of Environment and Natural Resources.

#### *Apo Agua Infraestructura, Inc. (“Apo Agua”)*

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

At the start of 2020, Apo Agua commenced treated water pipeline works. A total of around 60 kms of pipes of varying sizes was expected to be laid down going to 8 off-take points of the DCWD. Although construction was suspended during the period of Davao City’s ECQ from April 4 to May 12, 2020, construction has since resumed with strict social distancing protocols in place.

To mitigate the impact of the pandemic to the project, Apo Agua is working proactively with its Engineering, Procurement, and Construction (“EPC”) contractor to quickly ramp up its manpower to over 4,000 workers to support the aggressive recovery plan and ensure project completion in 2021.

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

### *Digital Infrastructure*

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding (“MOU”) with the Department of Information and Communications Technology (“DICT”). In line with the DICT’s Department Circular No. 8, InfraCap received a provisional registration as an Independent Tower

Company from the DICT on September 10, 2020. The MOU and the provisional registration recognize InfraCap 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 the company to secure contracts with mobile network operators.

To date, Aboitiz InfraCapital has signed separate MOUs with Globe Telecom, Smart Communications, and Dito Telecommunity, and are now in discussions on the lease of build-to-suit tower sites and other passive telecommunications infrastructure. Negotiations are still ongoing with these mobile network operators, although progress has slowed down due to COVID-19.

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

### *Regional Airports*

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

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

These airport projects are aligned with Aboitiz InfraCapital’s objective to support regional development centers outside of Manila.

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

### *Republic Cement and Building Materials, Inc. (“RCBM”)*

Construction is among the industries affected by the COVID-19 crisis. Coming from a strong start in early 2020, construction activities in Luzon and some parts of Visayas and Mindanao stopped for two months during the ECQ lockdown. Stricter health protocols and limited transportation availability have also contributed to the slowdown.

Outlook for the remainder of the year is cautiously optimistic. The government has announced that accelerating the Build, Build, Build program is one of the priority measures being undertaken to revive the economy. On the other hand, the shift of local and national government budgets to healthcare as part of the war against the virus would likely impact public construction. Private construction will be affected by declining Overseas Filipino Workers remittances and Business Process Outsourcing revenues, increasing

unemployment rate, decreasing disposable income and general sentiment to hold on to cash in order to bounce back from the crisis.

RCBM has put in place rigid procedures to mitigate against the spread of COVID-19 in the workplace. These include health screening, social distancing, sanitation of work areas and strict observance of PPE.

RCBM remains focused on serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Production costs are anticipated to remain in control following the implementation of operational excellence initiatives. In addition, RCBM has put in place several cost-cutting and cash optimization measures.

RCBM concludes that the future in the cement industry is not cancelled by COVID-19, just postponed. The fundamentals of the industry remain healthy. Further, RCBM currently believes that total cement demand for 2021 will return to its 2019 demand level, with the prompt passage of the 2021 government budget. The expected acceleration of the “Build Build Build” program will boost cement demand.

### **Land SBU**

#### *Aboitiz Land, Inc. (“AboitizLand”)*

With the lifting of the ECQ, AboitizLand is now increasing its focus on house construction and site development of its current projects. AboitizLand has been able to weather through the worst of the pandemic and is now on the path of recovery, with the residential business recovering to sales numbers comparable to pre-ECQ levels. House turnovers and acceptance increased during the third quarter of 2020 and more *vecinos* (word used by AboitizLand to refer its customers) are moving into AboitizLand’s residential communities.

Due to the pandemic, there has been a noticeable shift in preference towards homes that are less dense and offer more open space, even if located away from Central Business Districts. This shift is expected to benefit AboitizLand’s residential products.



As discussed above, the management of the Aboitiz Group’s ICBU was transferred to Aboitiz InfraCapital in line with the Group’s direction to scale the growth of industrial-anchored Integrated Economic Center projects.

### **PART II--OTHER INFORMATION**

There are no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer	<u>ABOITIZ EQUITY VENTURES INC.</u>
	
Principal Accounting Officer	<u>Marlita M. Villacampa</u>
Signature and Title	<u>First Vice President and Comptroller</u>
Date	<u>November 16, 2020</u>
	
Authorized Officer of the Issuer	<u>Manuel Alberto R. Colayco</u>
Signature and Title	<u>Senior Vice President and Chief Legal Officer/Corporate Secretary/Chief Compliance Officer</u>
Date	<u>November 16, 2020</u>

# Aboitiz Equity Ventures, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As of September 30, 2020 (with Comparative Figures as of December 31, 2019) and  
For the Nine-Month Periods Ended September 30, 2020 and 2019

## ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(With Comparative Figures as of December 31, 2019)  
(Amounts in Thousands)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱65,403,138	₱46,424,663
Trade and other receivables (Note 6)	38,594,894	35,195,594
Inventories	19,768,227	20,776,828
Land and improvements	3,016,791	2,570,892
Derivative asset (Note 24)	—	51,060
Other current assets (Note 7)	22,703,825	19,406,255
<b>Total Current Assets</b>	<b>149,486,875</b>	<b>124,425,292</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	220,274,614	225,558,765
Investments and advances (Note 8)	146,116,744	140,351,748
Intangible assets (Note 9)	67,014,108	66,801,095
Investment properties	11,602,800	11,291,880
Deferred income tax assets	2,012,902	3,127,072
Trade and other receivables - net of current portion (Note 6)	1,655,063	2,423,038
Derivative asset - net of current portion (Note 24)	—	82,327
Net pension assets	184,158	190,243
Other noncurrent assets (Note 10)	10,245,714	14,134,641
<b>Total Noncurrent Assets</b>	<b>459,106,103</b>	<b>463,960,809</b>
<b>TOTAL ASSETS</b>	<b>₱608,592,978</b>	<b>₱588,386,101</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 12)	₱40,563,339	₱36,440,163
Bank loans (Note 11)	28,497,195	25,717,137
Current portions of:		
Long-term debts (Notes 13 and 14)	33,355,029	27,126,918
Long-term obligation on Power Distribution System (PDS)	40,000	40,000
Lease liabilities (Note 15)	6,688,379	5,656,226
Derivative liability (Note 24)	2,322,235	2,255,736
Income tax payable	1,534,318	776,596
<b>Total Current Liabilities</b>	<b>₱113,000,495</b>	<b>₱98,012,776</b>

(Forward)



	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Noncurrent Liabilities</b>		
Noncurrent portions of:		
Long-term debts (Notes 13 and 14)	₱228,713,181	₱212,452,620
Lease liabilities (Note 15)	34,207,013	39,637,536
Trade and other payables (Note 12)	2,032,680	7,206,837
Long-term obligation on PDS	177,414	159,350
Customers' deposits	6,978,901	6,721,156
Decommissioning liability	4,466,892	3,567,492
Deferred income tax liabilities	2,535,072	2,581,511
Net pension liability	616,079	639,155
Derivative liability - net of current portion (Note 24)	1,008,948	212,588
<b>Total Noncurrent Liabilities</b>	<b>280,736,180</b>	<b>273,178,245</b>
<b>Total Liabilities</b>	<b>393,736,675</b>	<b>371,191,021</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock	5,694,600	5,694,600
Additional paid-in capital	13,013,197	13,013,197
<i>Other equity reserves:</i>		
Gain on dilution	5,043,152	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	469,540	469,540
Acquisition of non-controlling interests	(11,717,875)	(11,590,375)
Accumulated other comprehensive income (Note 17)	(4,012,390)	(2,648,022)
Retained earnings (Notes 16 and 25)		
Appropriated	9,200,000	4,200,000
Unappropriated	158,874,351	162,864,330
Treasury stock at cost (Note 25)	(647,672)	(565,246)
	<b>175,916,903</b>	<b>176,481,176</b>
<b>Non-controlling Interests (Note 25)</b>	<b>38,939,400</b>	<b>40,713,904</b>
<b>Total Equity</b>	<b>214,856,303</b>	<b>217,195,080</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱608,592,978</b>	<b>₱588,386,101</b>

See accompanying Notes to Consolidated Financial Statements.

**ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Earnings Per Share Amounts)

	For the nine months ended September 30		For the quarter ended September 30	
	2020	2019	2020	2019
<b>REVENUES (Note 18)</b>	<b>₱136,982,793</b>	<b>₱152,468,790</b>	<b>₱42,376,728</b>	<b>₱49,916,732</b>
<b>COSTS AND EXPENSES (Note 19)</b>	<b>116,295,860</b>	<b>127,741,038</b>	<b>34,340,405</b>	<b>40,521,606</b>
<b>FINANCIAL INCOME (EXPENSE)</b>				
Interest income (Note 6)	810,852	1,291,819	198,082	360,467
Interest expense (Notes 12 and 23)	(13,417,491)	(12,514,077)	(4,325,103)	(4,444,516)
	<b>(12,606,639)</b>	<b>(11,222,258)</b>	<b>(4,127,021)</b>	<b>(4,084,049)</b>
<b>OTHER INCOME - NET</b>				
Share in net earnings of associates and joint ventures (Note 8)	6,335,531	7,592,775	3,230,178	3,967,848
Other income (expense) - net (Note 20)	3,120,206	3,898,412	1,970,991	1,535,985
	<b>9,455,737</b>	<b>11,491,187</b>	<b>5,201,169</b>	<b>5,503,833</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>17,536,031</b>	<b>24,996,681</b>	<b>9,110,471</b>	<b>10,814,910</b>
<b>PROVISION FOR INCOME TAX</b>	<b>5,820,379</b>	<b>3,493,510</b>	<b>3,290,268</b>	<b>1,903,355</b>
<b>NET INCOME</b>	<b>₱11,715,652</b>	<b>₱21,503,171</b>	<b>₱5,820,203</b>	<b>₱8,911,555</b>
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱8,331,290	₱15,727,142	₱4,406,663	₱6,776,999
Non-controlling interests	3,384,362	5,776,029	1,413,540	2,134,556
	<b>₱11,715,652</b>	<b>₱21,503,171</b>	<b>₱5,820,203</b>	<b>₱8,911,555</b>
<b>EARNINGS PER SHARE (Note 21)</b>				
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	₱1.480	₱2.792	₱0.783	₱1.203

*See accompanying Notes to Consolidated Financial Statements.*

## ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the nine months ended September 30		For the quarter ended September 30	
	2020	2019	2020	2019
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	<b>₱8,331,290</b>	₱15,727,142	<b>₱4,406,663</b>	₱6,776,999
Non-controlling interests	<b>3,384,362</b>	5,776,029	<b>1,413,540</b>	2,134,556
	<b>11,715,652</b>	21,503,171	<b>5,820,203</b>	8,911,555
<b>OTHER COMPREHENSIVE INCOME (Note 17)</b>				
<i>Items that may be reclassified to consolidated statements of income:</i>				
Movement in cumulative translation adjustments, net of tax	<b>(1,464,622)</b>	(1,812,073)	<b>84,338</b>	(786,091)
Share in movement in cumulative translation adjustments of associates and joint ventures	<b>(256,341)</b>	(561,582)	<b>(297,149)</b>	(280,942)
Share in movement in net unrealized mark-to-market losses on FVOCI investments of associates	<b>(3,124)</b>	(52,640)	<b>(2)</b>	(53,038)
Movement in net unrealized mark-to-market losses on FVOCI investments	<b>(3,135)</b>	(7,579)	<b>(5,421)</b>	—
	<b>(1,727,222)</b>	(2,433,874)	<b>(218,234)</b>	(1,120,071)
<i>Items that will not be reclassified to consolidated statements of income:</i>				
Share in movement in actuarial gains (losses) on defined benefit plans of associates and joint ventures, net of tax	<b>654</b>	(14,597)	—	204
Movement in actuarial gains (losses) on defined benefit plans, net of tax	<b>400</b>	(3,105)	—	—
	<b>1,054</b>	(17,702)	—	204
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱9,989,484</b>	₱19,051,595	<b>₱5,601,969</b>	₱7,791,688
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent	<b>₱6,966,922</b>	₱13,818,158	<b>₱4,383,150</b>	₱5,901,136
Non-controlling interests	<b>3,022,562</b>	5,233,437	<b>1,218,819</b>	1,890,552
	<b>₱9,989,484</b>	₱19,051,595	<b>₱5,601,969</b>	₱7,791,688

See accompanying Notes to Consolidated Financial Statements.

**ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**
**(Amounts in Thousands, Except Dividends Per Share Amounts)**

	Attributable to equity holders of the parent											
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non- controlling Interest	Accumulated Other Comprehensive Income (Note 17)	Retained Earnings		Treasury Stock	Total	Non-controlling Interest	Total
	Appropriated (Note 16)	Unappropriated (Note 16)										
Balances at January 1, 2020	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,590,375)	(P2,648,022)	P4,200,000	P162,864,330	(P565,246)	P176,481,176	P40,713,904	P217,195,080
Net income for the period	—	—	—	—	—	—	—	8,331,290	—	8,331,290	3,384,362	11,715,652
Other comprehensive loss	—	—	—	—	—	(1,364,368)	—	—	—	(1,364,368)	(361,800)	(1,726,168)
Total comprehensive income (loss) for the period (Note 17)	—	—	—	—	—	(1,364,368)	—	8,331,290	—	6,966,922	3,022,562	9,989,484
Cash dividends - P1.30 per share (Note 16)	—	—	—	—	—	—	—	(7,321,269)	—	(7,321,269)	—	(7,321,269)
Acquisition of treasury shares (Note 25)	—	—	—	—	—	—	—	—	(82,426)	(82,426)	—	(82,426)
Appropriation during the period (Note 16)	—	—	—	—	—	—	5,000,000	(5,000,000)	—	—	—	—
Cash dividends paid to non-controlling interests (Note 25)	—	—	—	—	—	—	—	—	—	—	(3,446,066)	(3,446,066)
Acquisition of non-controlling interests	—	—	—	—	(127,500)	—	—	—	—	(127,500)	1,373	(126,127)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(1,352,373)	(1,352,373)
Balances at September 30, 2020	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,717,875)	(P4,012,390)	P9,200,000	P158,874,351	(P647,672)	P175,916,903	P38,939,400	P214,856,303
Balances at January 1, 2019	P5,694,600	P13,013,197	P5,043,152	P469,540	(P1,679,549)	(P27,077)	P4,200,000	P148,263,487	(P565,246)	P174,412,104	P43,692,474	P218,104,578
Net income for the period	—	—	—	—	—	—	—	15,727,142	—	15,727,142	5,776,029	21,503,171
Other comprehensive loss	—	—	—	—	—	(1,908,984)	—	—	—	(1,908,984)	(542,592)	(2,451,576)
Total comprehensive income for the period (Note 17)	—	—	—	—	—	(1,908,984)	—	15,727,142	—	13,818,158	5,233,437	19,051,595
Cash dividends - P1.32 per share (Note 16)	—	—	—	—	—	—	—	(7,435,286)	—	(7,435,286)	—	(7,435,286)
Cash dividends paid to non-controlling interests (Note 25)	—	—	—	—	—	—	—	—	—	—	(4,832,617)	(4,832,617)
Acquisition of non-controlling interests	—	—	—	—	(9,941,863)	—	—	—	—	(9,941,863)	(1,395,615)	(11,337,478)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,481,722)	(3,481,722)
Balances at September 30, 2019	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,621,412)	(P1,936,061)	P4,200,000	P156,555,343	(P565,246)	P170,853,113	P39,215,957	P210,069,070

## ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the quarter ended September 30	
	2020	2019	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	₱17,536,031	₱24,996,681	₱9,110,471	₱10,814,910
Adjustments for:				
Interest expense (Note 15 and 23)	13,417,491	12,514,077	4,325,103	4,444,516
Depreciation and amortization	9,442,383	8,508,381	3,220,578	3,064,983
Net unrealized foreign exchange losses (gains)	(1,562,435)	(976,372)	(1,017,176)	291,561
Write-off of project costs and other assets (Note 20)	7,240	9,954	7,240	11,672
Loss (gain) on sale/disposal of:				
Property, plant and equipment (Note 20)	64,543	267,656	20,199	(2,769)
Fair value through profit or loss (FVTPL) and Fair value through other comprehensive income (FVOCI) investments (Note 20)	(14,959)	(921)	(18,958)	(4,438)
Unrealized mark-to-market losses on derivatives	226,406	23,667	195,978	22,440
Unrealized mark-to-market losses (gains) on FVTPL investments (Note 20)	8,941	(29,507)	786	(6,056)
Dividend income (Note 20)	(4,096)	(5,979)	(720)	(666)
Net unrealized valuation gains on investment property	—	(1,314,018)	—	(1,314,018)
Interest income	(810,852)	(1,291,819)	(198,082)	(360,467)
Share in net earnings of associates and joint ventures (Note 8)	(6,335,531)	(7,592,775)	(3,230,178)	(3,967,848)
Operating income before working capital changes	31,975,162	35,109,025	12,415,241	12,993,820
Decrease (increase) in operating assets	(546,879)	3,592,044	3,379,815	4,424,352
Decrease in operating liabilities	(102,195)	(154,417)	(4,663,550)	(1,496,474)
Net cash generated from operations	31,326,088	38,546,652	11,131,506	15,921,698
Income and final taxes paid	(4,191,934)	(3,264,966)	(2,014,136)	(1,412,382)
Net cash flows from operating activities	27,134,154	35,281,686	9,117,370	14,509,316
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash dividends received (Note 8)	3,466,754	3,006,225	112,690	45,594
Interest received	801,504	1,371,584	216,470	377,754
Additions to FVTPL and FVOCI investments	(1,167,662)	(216,207)	(1,207,009)	(256,499)
Acquisition through business combination, net of cash acquired	—	(381,114)	—	(381,114)
Additions to:				
Property, plant and equipment and investment properties	(5,384,474)	(9,804,149)	(2,647,997)	(4,711,341)
Investments in and advances to associates (Note 8)	(2,700,933)	(26,760,125)	(949,569)	(1,272,777)
Increase in intangible assets	(1,683,847)	(2,483,292)	(353,722)	(993,543)
Decrease (increase) in other noncurrent assets	(1,248,183)	1,009,499	(1,396,600)	227,935
Net cash flows used in investing activities	(7,916,841)	(34,257,579)	(6,225,737)	(6,963,991)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from (payments of) long-term debts (Notes 13 and 14)	26,029,459	18,245,018	6,749,167	(1,682,884)
Net proceeds from (payments of) bank loans (Notes 11)	2,780,058	6,415,244	(11,615,463)	(1,842,701)
Acquisition of treasury shares	(82,426)	—	—	—
Acquisition of non-controlling interest	(165,196)	(14,342,852)	—	—
Cash dividends paid and other changes to non-controlling interest (Note 25)	(3,446,066)	(4,832,617)	(299,199)	(275,776)
Cash dividends paid to equity holders of the parent (Note 16)	(7,321,269)	(7,435,286)	—	—
Interest paid	(11,237,703)	(10,508,499)	(4,496,582)	(4,347,603)
Payments of lease liabilities (Note 15)	(6,587,407)	(7,148,540)	(2,708,072)	(2,374,962)
Net cash flows used in financing activities	(30,550)	(19,607,532)	(12,370,149)	(10,523,926)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,186,763</b>	<b>(18,583,425)</b>	<b>(9,478,516)</b>	<b>(2,978,601)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(208,288)</b>	<b>631,286</b>	<b>(406,860)</b>	<b>(17,389)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>46,424,663</b>	<b>59,033,029</b>	<b>75,288,514</b>	<b>44,076,880</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>₱65,403,138</b>	<b>₱41,080,890</b>	<b>₱65,403,138</b>	<b>₱41,080,890</b>

See accompanying Notes to Consolidated Financial Statements.

## ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

#### 1. Corporate Information

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure. The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

#### 2. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and a joint operation that is subject to joint control (collectively referred to as the Group).

The following are the subsidiaries as of September 30, 2020 and December 31, 2019:

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			September 30, 2020		December 31, 2019	
			Direct	Indirect	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	77.00	–	76.98	–
AboitizPower International Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	–	100.00	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	100.00	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	–	100.00	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	–	100.00	–	100.00
Malvar Enerzone Corporation (MVEZ)	Power	Philippines	–	100.00	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	–	100.00	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	–	100.00	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	–	100.00	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	–	99.93	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding	Philippines	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power	Philippines	–	100.00	–	100.00
AboitizPower International B.V.	Holding	Netherlands	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	–	60.00	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			September 30, 2020		December 31, 2019	
			Direct	Indirect	Direct	Indirect
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power	Philippines	–	100.00	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power	Philippines	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.*	Power	Philippines	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Retensol, Inc.*	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	100.00	–	100.00
Therma Power-Visayas, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (Formerly, GNPower Mariveles Coal Plant Ltd. Co.) (GMEC)	Power	Philippines	–	78.33	–	78.33
Therma Dinginin Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power	Philippines	–	80.00	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	–	60.00	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	100.00	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	100.00	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	100.00	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	100.00	–	100.00	–
Lima Land, Inc. (LLI)	Real estate	Philippines	–	100.00	–	100.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	60.00	–	60.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			September 30, 2020		December 31, 2019	
			Direct	Indirect	Direct	Indirect
Cebu Industrial Park Services, Inc.	Services	Philippines	–	100.00	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	–	60.00	–	60.00
A2 Airports, Inc. (A2) and Subsidiaries	Real estate	Philippines	–	50.00	–	50.00
78 Point Blue, Inc.	Real estate	Philippines	–	100.00	–	100.00
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	–	100.00	–	100.00
Firmwall Systems, Inc.	Real estate	Philippines	–	100.00	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	–	100.00	–	100.00
Pilmico International Pte. Ltd. (PIPL)	Holding	Singapore	–	100.00	–	100.00
Pilmico Vietnam Company Limited (formerly, Pilmico Vietnam Feeds Joint Stock Company)	Food manufacturing	Vietnam	–	100.00	–	100.00
Abaqa International Pte Ltd. (formerly Comfez Pte. Ltd.)	Trading	Singapore	–	100.00	–	100.00
Gold Coin Management Holdings Ltd. (GCMH)	Holding	British Virgin Island	–	100.00	–	100.00
GC Investment Holdings Limited	Holding	Hong Kong	–	100.00	–	100.00
Gold Coin (Zhangjiang) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Management (Shenzhen) Co. Ltd.	Holding	China	–	100.00	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	–	100.00	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	–	100.00	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd.	Feedmills	Vietnam	–	100.00	–	100.00
Glen Arbor Holdings (Singapore) Pte. Ltd.	Holding	Singapore	–	100.00	–	–
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	–	100.00	–	60.00
Comfez Limited	Trading	Hong Kong	–	–	–	100.00
Gold Coin Group Limited	Holding	Hong Kong	–	100.00	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	–	100.00	–	100.00
Gold Coin Feedmill Bing Duong Company (formerly, Pilmico Animal Nutrition Joint Stock Company)	Feedmills	Vietnam	–	100.00	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	–	100.00	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	–	100.00	–	100.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Gold Coin Aqua Feed Incorporated (formerly, Syaqua Group Incorporated)	Holding	British Virgin Island	–	100.00	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd. (formerly, SYAQUA Singapore Pte Ltd)	Holding	Singapore	–	100.00	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	–	70.00	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	–	93.90	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	–	100.00	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	–	100.00	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	–	99.90	–	99.90
PT Ayam Unggul	Feedmills	Indonesia	–	60.00	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	–	100.00	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	–	40.00	–	40.00
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	–	100.00	–	100.00
FEZ Animal Nutrition (Malaysia) Sdn. Bhd.	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	–	70.00	–	70.00
Gold Coin Feedmills (Malaysia) Sdn. Bhd.	Feedmills	Malaysia	–	100.00	–	100.00
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Feedmills	Malaysia	–	100.00	–	100.00
Gold Coin Sarawak Sdn. Bhd.	Feedmills	Malaysia	–	72.80	–	72.80



	Nature of Business	Place of Incorporation	Percentage of Ownership			
			September 30, 2020		December 31, 2019	
			Direct	Indirect	Direct	Indirect
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	–	72.80	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	–	100.00	–	100.00
Pilmico Aqua Pte. Ltd.	Holding	Singapore	–	100.00	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	100.00	–	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	73.31	26.69	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	100.00	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	100.00	–	100.00	–
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Holding	Philippines	100.00	–	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	–	100.00	–	100.00
Apo Agua Infraestructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	22.22	47.78	22.22	47.78

\* No commercial operations as of September 30, 2020.

### Interest in Joint Operations

On May 15, 2014, the Group entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through PEC. TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

## **3. Basis of Preparation and Summary of Significant Accounting Policies**

### Basis of Preparation

The accompanying unaudited condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The unaudited condensed consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

### Statement of Compliance

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year

ended December 31, 2019, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

On November 4, 2020, the Audit Committee of the Board of Directors (BOD) of the Company approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective except for the amendments to PFRS 16, *Leases*.

Except as otherwise indicated, adoption of the following new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments do not have an impact on the consolidated financial statements but will be applied to future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments do not have an impact on the consolidated financial statements.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments do not have an impact on the consolidated financial statements.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments beginning January 1, 2020.

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#### **4. Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's unaudited condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### *Nonconsolidation of certain investees*

The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Generation, Inc.

The Group has 60% and 72.5% interest in AA Thermal and GN Power Dinginin Ltd. Co. (GNPD) respectively.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD, and their respective investees. This is a result of the partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc., 99.63% ownership interest in Republic Cement Mindanao, Inc., 94.63% ownership interest in Republic Cement Iligan, Inc. and 100% ownership interest in Luzon Continental Land Corporation.

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

##### *Determining a joint operation*

The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

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## 5. Cash and Cash Equivalents

	September 30, 2020	December 31, 2019
Cash on hand and in banks	P <b>20,665,843</b>	P18,151,459
Short-term deposits	<b>44,737,295</b>	28,273,204
	<b>P65,403,138</b>	P46,424,663

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Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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## 6. Trade and Other Receivables

	September 30, 2020	December 31, 2019
Trade receivables		
Power	P <b>19,753,975</b>	P14,931,949
Real estate	<b>7,571,723</b>	5,196,331
Food manufacturing	<b>8,223,556</b>	7,492,861
Holding and others	<b>1,075,247</b>	1,222,026
	<b>36,624,501</b>	28,843,167
Nontrade receivables	<b>5,543,069</b>	5,926,179
Accrued revenues	<b>70,664</b>	3,463,904
Dividends receivable	—	1,199,068
Advances to contractors	<b>259,996</b>	63,339
Others	<b>1,365,850</b>	901,201
	<b>43,864,080</b>	40,396,858
Less allowance for expected credit losses	<b>3,614,123</b>	2,778,226
	<b>40,249,957</b>	37,618,632
Less noncurrent portion	<b>1,655,063</b>	2,423,038
	<b>P38,594,894</b>	P35,195,594

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Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

Non-trade receivables include advances to partners in GMEC and Power Sector Assets and Liabilities Management Corporation (PSALM) adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMEC and due to the partners.

Other receivables include accrued interest income.

### *Trade Receivables of Real Estate Group*

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱7.3 billion and ₱297.0 million, respectively, as of September 30, 2020, and ₱4.9 billion and ₱282.8 million, respectively, as of December 31, 2019.

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## **7. Other Current Assets**

	<b>September 30, 2020</b>	December 31, 2019
Restricted cash	<b>₱8,513,507</b>	₱4,449,716
Prepaid expenses	<b>4,124,745</b>	4,874,810
Input VAT	<b>3,517,487</b>	2,722,595
Advances to NGCP	<b>2,132,100</b>	1,727,028
Biological assets	<b>482,405</b>	942,820
Insurance assets	<b>1,645,941</b>	2,298,702
Advances to suppliers	<b>385,023</b>	671,783
Deposits for land acquisition	<b>884,123</b>	1,107,693
Others	<b>1,018,494</b>	611,108
	<b>₱22,703,825</b>	₱19,406,255

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement. The asset will be used to pay the current portion of loans payable and interest payments in the following period.

Advances to National Grid Corporation of the Philippines (NGCP) pertain to the cost of construction and installation of substation and transmission facilities which are subject for reimbursement after completion of the project.

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

“Others” include prepayments to regulatory agencies.

In 2020, the Group reclassified a portion of its input VAT to “Other current assets” based on its assessment of the expected utilization of this asset.

## 8. Investments and Advances

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	Percentage of ownership	
		September 2020	December 31 2019
MORE <sup>1</sup>	Holding	<b>83.33</b>	83.33
GNPD**	Power generation	<b>70.00</b>	72.50
AEV CRH	Holding	<b>60.00</b>	60.00
AA Thermal Inc.(ATI) <sup>2</sup>	Holding	<b>60.00</b>	60.00
Cebu District Property Enterprise, Inc. (CDPEI) <sup>1**</sup>	Real estate	<b>50.00</b>	50.00
Cebu Homegrown Developers, Inc. (CHDI) <sup>1**</sup>	Real estate	<b>50.00</b>	50.00
Union Bank of the Philippines (UBP)	Banking	<b>49.34</b>	49.34
Hijos de F. Escaño, Inc.	Holding	<b>46.73</b>	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	<b>45.00</b>	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	<b>44.87</b>	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	<b>43.78</b>	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	<b>42.84</b>	42.84
La Filipina Elektrika, Inc.**	Power generation	<b>40.00</b>	40.00
STEAG State Power Inc. (STEAG)	Power generation	<b>34.00</b>	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	<b>26.40</b>	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	<b>25.00</b>	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	<b>20.00</b>	20.00
Western Mindanao Power Corporation (WMPC)	Power distribution	<b>20.00</b>	20.00
Gold Coin Feed Mills (Brunei) Sdn. Bhd. ***	Feedmills	<b>20.00</b>	20.00
Balibago Water Systems, Inc. (BWSI) <sup>3</sup>	Water infrastructure	<b>15.94</b>	15.94
Singapore Life (Philippines), Inc. <sup>3**</sup>	Insurance	<b>15.00</b>	15.00

<sup>1</sup>Joint ventures.

<sup>2</sup>Economic interest.

<sup>3</sup>Significant influence by virtue of the board seat held by the Group

\*\*No commercial operations as of September 30, 2020.

\*\*\*Registered in Malaysia and is part of GCMH Group

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	September 30, 2020	December 31, 2019
UBP	P54,021,439	P51,837,773
AEV CRH	23,853,892	23,853,892
GNPD/ATI	42,456,169	41,257,477
MORE	11,286,200	10,180,552
STEAG	3,803,936	4,032,405
CEDC	4,006,231	3,447,491
CRH ABOITIZ	1,737,919	1,411,852
CDPEI	1,425,511	1,443,212
SFELAPCO/PEVI	1,029,766	881,812
BWSI	583,325	567,451
RP Energy	523,779	525,769
CHDI	652,902	230,000
WMPC	156,749	142,577
SPPC	53,687	61,497
Others	486,888	455,426
	<b>P146,078,393</b>	<b>P140,329,186</b>

	September 30, 2020	December 31, 2019
Acquisition cost:		
Balance at beginning of year	P99,669,607	P71,388,350
Additions during the year	2,685,144	28,281,257
Balance at end of year	102,354,751	99,669,607
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	41,228,330	35,214,517
Cumulative share in adoption of new standards by associates	—	(18,692)
Balances at beginning of year, as restated	41,228,330	35,195,825
Share in net earnings for the year	6,335,531	11,502,090
Cash dividends received and receivable	(3,012,657)	(5,469,585)
Balance at end of year, as restated	44,551,204	41,228,330
Gain on dilution	1,014,136	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates:	132,604	135,728
Share in cumulative translation adjustments of associates and joint ventures	(442,213)	(185,872)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	(851,358)	(852,012)
	146,759,124	141,009,917
Less allowance for impairment losses	680,731	680,731
	146,078,393	140,329,186
Advances to associates	38,351	22,562
	<b>P146,116,744</b>	<b>P140,351,748</b>



## 9. Intangibles

**September 30, 2020**

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
<b>Cost:</b>							
Balances at beginning of year	₱56,322,732	₱9,585,872	₱3,078,431	₱911,600	₱99,746	₱867,829	₱70,866,210
Additions during the year	—	1,683,847	—	131,544	—	2,006	1,817,397
Impairment	—	—	—	(7,240)	—	—	(7,240)
Exchange differences /Others	(1,155,585)	(90,394)	—	—	—	25,554	(1,220,425)
<b>Balances at end of year</b>	<b>55,167,147</b>	<b>11,179,325</b>	<b>3,078,431</b>	<b>1,035,904</b>	<b>99,746</b>	<b>895,389</b>	<b>71,455,942</b>
<b>Accumulated amortization:</b>							
Balances at beginning of year	—	3,050,596	506,659	—	84,867	422,993	4,065,115
Amortization	—	255,249	57,721	—	2,976	79,347	395,293
Exchange differences/others	—	—	—	—	—	(18,574)	(18,574)
<b>Balances at end of year</b>	<b>—</b>	<b>3,305,845</b>	<b>564,380</b>	<b>—</b>	<b>87,843</b>	<b>483,766</b>	<b>4,441,834</b>
<b>Net book values</b>	<b>₱55,167,147</b>	<b>₱7,873,480</b>	<b>₱2,514,051</b>	<b>₱1,035,904</b>	<b>₱11,903</b>	<b>₱411,623</b>	<b>₱67,014,108</b>

## 10. Other Noncurrent Assets

	September 30, 2020	December 31, 2019
Input VAT and tax credit receivable	₱3,364,369	₱4,501,086
Advances to contractors and projects	1,601,681	1,452,272
Financial assets at FVOCI	1,267,704	176,479
Financial assets at FVTPL	952,907	731,797
Prepaid rent and other deposits	803,070	1,291,152
Biological assets	109,782	140,304
Debt investments at amortized cost	102,120	234,968
Restricted cash	—	4,672,031
Others	2,044,081	934,552
	<b>₱10,245,714</b>	<b>₱14,134,641</b>

Restricted cash pertains to the amount drawn by TVI on June 11, 2019 on the performance securities under its Engineering, Procurement and Construction agreement with the contractors. The contractors have disputed the draw on the securities in dispute resolution proceedings.

“Others” include prepaid taxes.

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## 11. Bank Loans

	September 30, 2020	December 31, 2019
Philippine peso loans	P24,963,900	P23,026,701
Chinese yuan loans	1,065,582	1,175,412
Vietnamese dong loans	1,862,983	715,950
US dollar loans	193,980	455,715
Indonesia rupia loans	—	25,876
Other foreign currency-denominated loans	410,750	317,483
	<b>P28,497,195</b>	<b>P25,717,137</b>

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 1.15% to 10.75% and 2.69% to 8.55% in 2020 and 2019, respectively. These loans will mature on various dates within 12 months after each balance sheet date.

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## 12. Trade and Other Payables

	September 30, 2020	December 31, 2019
Trade payables	P20,512,545	P19,517,546
Nontrade and other payables	7,689,042	3,252,202
Accrued expenses		
Interest	2,246,342	2,735,860
Taxes and fees	727,866	1,288,214
Energy fees and fuel purchase	39,715	1,508,801
Others	1,803,563	1,677,452
Output VAT	3,619,870	3,129,901
Amounts due to contractors and other third parties	4,864,835	7,312,999
PSALM deferred adjustment	1,042,861	3,183,080
Unearned revenue	49,380	40,945
	<b>42,596,019</b>	<b>43,647,000</b>
Less noncurrent portion	2,032,680	7,206,837
	<b>P40,563,339</b>	<b>P36,440,163</b>

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lubricant costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months.

Amounts due to contractors and other third parties include liabilities arising from construction projects.

### 13. Long-term Debts

	September 30, 2020		December 31, 2019	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	4.41% - 6.32%	P37,000,000	4.41% - 6.32%	P37,000,000
Subsidiaries:				
GMEC				
Financial institutions - unsecured	LIBOR + 1.7% - 4.00%	33,752,172	LIBOR + 1.7% - 4.00%	37,247,830
TVI				
Financial institutions – secured	5.56% - 9.00%	29,418,667	5.56% - 9.00%	31,520,000
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	3.13% - 8.51%	45,000,000	5.21% - 8.51%	35,450,000
Financial and nonfinancial institutions - Foreign currency - unsecured	LIBOR + 1.20%	14,548,500	LIBOR + 1.20%	15,190,500
TSI				
Financial institutions - secured	5.05% - 5.70%	19,384,195	5.05% - 5.70%	20,039,365
APRI				
Financial institutions - secured	4.48% - 5.20%	6,873,920	4.48% to 5.20%	8,124,160
Hedcor Bukidnon				
Financial institutions - secured	4.75% - 7.36%	9,315,000	4.75% - 7.36%	9,416,666
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	4.53% - 5.42%	3,801,400	4.05% to 5.42%	3,801,400
PILMICO				
Financial institutions - secured	4.18% - 5.16%	2,877,500	4.18% - 5.16%	2,885,000
PANC				
Financial institutions - secured	4.50 %	2,600,000	4.50%	2,640,000
VECO				
Financial institution - unsecured	4.70% - 4.92%	776,000	4.59% - 4.81%	776,000
LHC				
Financial institutions - secured	2.94 %	434,030	3.94% to 4.81%	564,580
DLP				
Financial institution - unsecured	4.68% - 4.92%	582,000	4.59% - 4.81%	582,000
HI				
Financial institution - secured	7.41% - 7.87%	1,630,000	5.25%-7.87%	1,750,000
SEZ				
Financial institution - unsecured	5.00 %	56,500	5.00%	113,000
CLP				
Financial institution - unsecured	4.69% - 4.92%	116,400	4.59% - 4.81%	116,400
TPVI				
Financial institution - unsecured	3.32% - 5.06%	1,488,750	5.06% - 5.25%	1,300,000
Aboitiz Energy Solutions, Inc.				
Financial institution - secured	5.03% - 5.42%	600,000	—	—
Apo Agua				
Financial institutions Philippine peso - secured	5.75% - 8.26%	9,000,000	6.50% - 8.26%	5,999,773
AEV International				
Financial institutions: Foreign currency - secured	1.62% - 4.90%	12,966,450	3.24% - 6.00%	13,550,225
US Dollar bonds	4.20 %	19,398,000	—	—
TCP				
Financial institution - secured	7.00 %	239,980	7.80% - 9.18%	248,680
Joint Operation - PEC				
Financial institution - secured	5.50% - 8.31%	12,251,259	5.50% - 8.31%	13,380,097
<b>Total</b>		<b>264,110,723</b>		<b>241,695,676</b>
Deferred financing costs		(2,042,513)		(2,116,138)
		<b>262,068,210</b>		<b>239,579,538</b>
Less current portion		<b>33,355,029</b>		<b>27,126,918</b>
<b>Noncurrent portion</b>		<b>P228,713,181</b>		<b>P212,452,620</b>

## 14. Debt Securities

As of September 30, 2020, AEV and Aboitiz Power Corporation (AP) registered and issued peso-denominated fixed-rate retail bonds totaling ₱77.0 billion under the following terms:

Maturity	Issuer	Annual Interest Rate	Amount
7-year bonds to mature on November 21, 2020	AEV	4.41%	₱6,200,000
10-year bonds to mature on November 21, 2023	AEV	4.62%	₱1,800,000
5.25-year bonds to mature on November 6, 2020	AEV	4.47%	₱10,461,620
7-year bonds to mature on August 6, 2022	AEV	5.01%	₱8,467,030
12-year bonds to mature on August 6, 2027	AEV	6.02%	₱5,071,350
5-year bonds to mature on June 18, 2024	AEV	6.02%	₱3,350,000
10-year bonds to mature on June 18, 2029	AEV	6.32%	₱1,650,000
12-year bonds to mature on September 10, 2026	AP	6.10%	₱3,400,000
10-year bonds to mature on September 10, 2021	AP	5.21%	₱6,600,000
10-year bonds to mature on July 3, 2027	AP	5.34%	₱3,000,000
5.25-year bonds to mature on January 25, 2024	AP	7.51%	₱7,700,000
7-year bonds to mature on October 25, 2025	AP	8.51%	₱2,500,000
7-year bonds to mature on October 14, 2026	AP	5.28%	₱7,250,000
2-year bonds to mature on July 6, 2022	AP	3.13%	₱9,000,000
5-year bonds to mature on July 6, 2025	AP	3.94%	₱550,000

## 15. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of September 30, 2020 and the movements during the period:

	Right-of-use assets				Total	Lease Liability
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others		
As at January 1	₱3,242,610	₱578,432	₱33,575,200	₱187,637	₱37,583,879	₱45,293,762
Additions	433	109,344	—	440	110,217	101,505
Amortization expense	(84,849)	(131,193)	(820,885)	(30,391)	(1,067,318)	—
Capitalized amortization	(974)	—	—	—	(974)	—
Interest expense	—	—	—	—	—	2,212,034
Capitalized interest	—	—	—	—	—	2,238
Payments	—	—	—	—	—	(6,587,407)
Others	(13,404)	(80,532)	—	694,866	600,930	(126,740)
As at September 30, 2020	₱3,143,816	₱476,051	₱32,754,315	₱852,552	₱37,226,734	₱40,895,392

Set out below, are the amounts recognized in the consolidated statement of income for the nine months ended September 30, 2020:

Amortization expense of right-of-use assets	₱1,067,318
Interest expense on lease liabilities	2,212,034
Rent expense - low value assets	7,271
Rent expense - short-term leases	108,165
	<u>₱3,394,788</u>

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## 16. Retained Earnings

On March 6, 2020, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.30 per share (₱7.3 billion) to all stockholders of record as of March 20, 2020. These dividends were taken out of the unrestricted retained earnings as of December 31, 2019, and were paid on April 3, 2020.
- b. Appropriation of ₱5.0 billion of the retained earnings as of December 31, 2019 for the additional capital infusion into AboitizLand to finance its on-going projects.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱137.1 billion and ₱135.2 billion as of September 30, 2020 and December 31, 2019, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements

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## 17. Other Comprehensive Income

	September 30, 2020	December 31, 2019
<b>Cumulative Translation Adjustments</b>		
Balance at beginning of year	(₱944,486)	₱719,792
Movements	(918,847)	(1,664,278)
Balance at end of year	(1,863,333)	(944,486)
<b>Actuarial Losses on Defined Benefit Plans</b>		
Balances at beginning of year	(861,868)	(676,765)
Movements	400	(185,103)
Balance at end of year	(861,468)	(861,868)
<b>Net Unrealized Gains (Losses) on Financial Assets at FVOCI</b>		
At beginning of year	3,135	143
Movements	(3,135)	2,992
Balance at end of year	—	3,135
<b>Share in Cumulative Translation Adjustments of Associates and Joint Ventures</b>		
Balance at beginning of year	(137,020)	250,295
Movements	(440,875)	(387,315)
Balance at end of year	(577,895)	(137,020)
<b>Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures</b>		
Balance at beginning of year	(819,928)	(435,068)
Movements	493	(384,860)
Balance at end of year	(819,435)	(819,928)
<b>Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures</b>		
At beginning of year	112,145	114,527
Movements	(2,404)	(2,382)
Balance at end of year	109,741	112,145
	(₱4,012,390)	(₱2,648,022)

## Tax Effects Relating to Each Component of Other Comprehensive Income

	January - September 2020		
	Before Tax Amount	Tax Expense	Net of Tax Amount
Net unrealized mark-to-market losses on FVOCI investments	₱(3,135)	₱—	₱(3,135)
Share in net unrealized mark-to-market losses on FVOCI investments of associates and joint ventures	(3,124)	—	(3,124)
Movement in cumulative translation adjustments	(1,464,622)	—	(1,464,622)
Share in movement in cumulative translation adjustment of associates and joint ventures	(256,341)	—	(256,341)
Movement in actuarial gains on defined benefit plans	571	(171)	400
Share in actuarial gains on defined benefit plans of associates and joint ventures	934	(280)	654
<b>Other comprehensive loss for the period - net of tax</b>	<b>(₱1,725,717)</b>	<b>(₱451)</b>	<b>(₱1,726,168)</b>

	January - September 2019		
	Before Tax Amount	Tax Benefit	Net of Tax Amount
Net unrealized mark-to-market losses on FVOCI investments	(₱7,579)	₱—	(₱7,579)
Share in net unrealized mark-to-market losses on FVOCI investments of associates and joint ventures	(52,640)	—	(52,640)
Movement in cumulative translation adjustments	(1,812,073)	—	(1,812,073)
Share in movement in cumulative translation adjustment of associates and joint ventures	(561,582)	—	(561,582)
Actuarial losses on defined benefit plans	(4,436)	1,331	(3,105)
Share in actuarial losses on defined benefit plans of associates and joint ventures	(20,853)	6,256	(14,597)
<b>Other comprehensive loss for the period - net of tax</b>	<b>(₱2,459,163)</b>	<b>₱7,587</b>	<b>(₱2,451,576)</b>

## 18. Revenues

	Jan - Sep 2020	Jan - Sep 2019
Sale of:		
Power	₱80,177,589	₱94,411,531
Goods	52,767,153	54,105,420
Real estate	2,166,841	2,129,210
Sale of swine at fair value	1,292,834	1,334,107
Service fees	390,177	389,947
Others	188,199	98,575
	<b>₱136,982,793</b>	<b>₱152,468,790</b>

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**19. Costs and Expenses**

	Jan - Sep 2020	Jan - Sep 2019
Cost of purchased power	<b>₱23,608,193</b>	₱27,190,731
Cost of generated power	<b>18,506,175</b>	26,838,769
Cost of goods sold	<b>45,227,739</b>	48,290,258
Operating expenses	<b>27,586,842</b>	24,037,885
Cost of real estate sales	<b>1,297,922</b>	1,308,949
Overhead expenses	<b>68,989</b>	74,446
	<b>₱116,295,860</b>	₱127,741,038

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**20. Other Income (Expense) - Net**

	Jan - Sep 2020	Jan - Sep 2019
Net foreign exchange gains	<b>₱816,288</b>	₱148,578
Net unrealized valuation gains on investment property	—	1,314,018
Unrealized valuation gains (losses) on financial assets	<b>(8,941)</b>	29,508
Surcharges	<b>315,159</b>	399,984
Non-utility operating income	<b>887,435</b>	118,862
Rental income	<b>48,088</b>	63,453
Dividend income	<b>4,096</b>	5,979
Gain (loss) on disposal of:		
Property, plant and equipment	<b>(64,543)</b>	(267,656)
Financial assets at FVTPL	<b>14,959</b>	(3,461)
Write off of project costs and other assets	<b>(7,240)</b>	(9,954)
Others - net	<b>1,114,905</b>	2,099,101
	<b>₱3,120,206</b>	₱3,898,412

“Others - net” comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions. “Others - net” also include income arising from the reversal of APRI and TLI’s liability to PSALM pertaining to GRAM/ICERA of ₱924.0 million in 2019.

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**21. Earnings per Common Share**

Earnings per common share amounts were computed as follows:

	Jan - Sep 2020	Jan - Sep 2019
a. Net income attributable to equity holders of the parent	<b>₱8,331,290</b>	₱15,727,142
b. Weighted average number of common shares issued and outstanding	<b>5,630,225</b>	5,632,793
c. Earnings per common share (a/b)	<b>₱1.480</b>	₱2.792

There are no dilutive potential common shares as of September 30, 2020 and 2019.

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## 22. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, the Group's CODM, are as follows:

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

The Group has only one geographical segment as the bulk of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity and other services which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Financial information on the operations of the various business segments are summarized as follows:



January - September 2020

	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated	
<b>REVENUES</b>									
Third parties	₱80,290,569	₱—	₱54,059,986	₱2,166,841	₱66,945	₱398,452	₱—	₱136,982,793	
Inter-segment	71,980	—	—	—	—	453,507	(525,487)	—	
<b>Total revenue</b>	<b>₱80,362,549</b>	<b>₱—</b>	<b>₱54,059,986</b>	<b>₱2,166,841</b>	<b>₱66,945</b>	<b>₱851,959</b>	<b>(₱525,487)</b>	<b>₱136,982,793</b>	
<b>RESULTS</b>									
Segment results	₱18,181,050	₱—	₱2,848,725	₱263,335	(₱148,309)	(₱484,972)	₱27,104	₱20,686,933	
Unallocated corporate income (expenses) - net	3,613,739	—	(142,885)	(13,330)	5,968	(316,184)	(27,102)	3,120,206	
								23,807,139	
<b>INCOME FROM OPERATIONS</b>									
Interest expense	(10,614,840)	—	(750,581)	(66,534)	—	(2,028,425)	42,889	(13,417,491)	
Interest income	540,235	—	44,144	8,146	12,822	248,394	(42,889)	810,852	
Share in net earnings of associates and joint ventures	1,709,968	4,284,193	12,666	(24,799)	353,900	6,015,948	(6,016,345)	6,335,531	
Provision for income tax	(4,785,682)	—	(956,131)	(31,309)	(11,190)	(36,067)	—	(5,820,379)	
<b>NET INCOME</b>	<b>₱8,644,470</b>	<b>₱4,284,193</b>	<b>₱1,055,938</b>	<b>₱135,509</b>	<b>₱213,191</b>	<b>₱3,398,694</b>	<b>(₱6,016,343)</b>	<b>₱11,715,652</b>	
Depreciation and amortization	₱8,124,636	₱—	₱1,068,912	₱87,559	₱15,718	₱145,558	₱—	₱9,442,383	
<b>OTHER INFORMATION</b> (as of September 30, 2020)									
Segment assets	₱82,007,597	₱—	₱24,092,180	₱18,203,756	₱3,845,705	₱21,365,511	(₱27,874)	₱149,486,875	
Investments and advances	63,697,307	54,021,439	69,773	2,078,413	26,175,136	121,026,579	(120,951,903)	146,116,744	
Unallocated corporate assets	258,402,694	—	41,799,772	9,486,045	6,993,446	(3,112,441)	(580,157)	312,989,359	
<b>Consolidated total assets</b>									<b>₱608,592,978</b>
Segment liabilities	₱272,897,938	₱—	₱26,063,549	₱12,359,317	₱9,605,252	₱68,717,456	(₱592,307)	₱389,051,205	
Unallocated corporate liabilities	2,527,056	—	31,121,761	962,208	22,729	(29,948,284)	—	4,685,470	
<b>Consolidated total liabilities</b>									<b>₱393,736,675</b>

January - September 2019

	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated	
<b>REVENUES</b>									
Third parties	₱94,576,520	₱—	₱55,439,527	₱2,129,210	₱70,438	₱253,095	₱—	₱152,468,790	
Inter-segment	104,514	—	—	—	—	862,666	(967,180)	—	
<b>Total revenue</b>	<b>₱94,681,034</b>	<b>₱—</b>	<b>₱55,439,527</b>	<b>₱2,129,210</b>	<b>₱70,438</b>	<b>₱1,115,761</b>	<b>(₱967,180)</b>	<b>₱152,468,790</b>	
<b>RESULTS</b>									
Segment results	₱22,233,238	₱—	₱2,532,791	₱183,122	(₱67,611)	(₱282,787)	₱128,999	₱24,727,752	
Unallocated corporate income (expenses) - net	2,303,791	—	207,356	1,346,007	416	169,841	(128,999)	3,898,412	
								28,626,164	
<b>INCOME FROM OPERATIONS</b>									
Interest expense	(10,247,981)	—	(982,938)	(70,094)	—	(1,255,645)	42,581	(12,514,077)	
Interest income	1,060,451	—	47,518	14,386	4,557	209,419	(44,512)	1,291,819	
Share in net earnings of associates and joint ventures	2,812,358	4,205,512	8,061	(15,695)	582,829	12,268,938	(12,269,228)	7,592,775	
Provision for income tax	(2,508,604)	—	(628,392)	(313,513)	(2,443)	(40,558)	—	(3,493,510)	
<b>NET INCOME</b>	<b>₱15,653,253</b>	<b>₱4,205,512</b>	<b>₱1,184,396</b>	<b>₱1,144,213</b>	<b>₱517,748</b>	<b>₱11,069,208</b>	<b>(₱967,180)</b>	<b>₱21,503,171</b>	
Depreciation and amortization	₱7,216,561	₱—	₱1,043,358	₱93,190	₱5,046	₱150,227	₱—	₱8,508,382	
<b>OTHER INFORMATION</b> (as of December 31, 2019)									
Segment assets	₱76,896,786	₱—	₱22,123,839	₱16,011,885	₱2,476,896	₱7,214,935	(₱299,049)	₱124,425,292	
Investments and advances	60,878,541	51,837,773	60,374	1,673,212	25,833,195	130,091,897	(130,023,244)	140,351,748	
Unallocated corporate assets	272,694,030	—	30,353,984	8,755,063	5,470,776	6,925,209	(590,001)	323,609,061	
<b>Consolidated total assets</b>									<b>₱588,386,101</b>
Segment liabilities	₱275,041,691	₱—	₱25,029,146	₱9,753,786	₱6,590,858	₱51,642,704	(₱864,426)	₱367,193,759	
Unallocated corporate liabilities	1,784,655	—	735,764	990,195	16,895	469,753	—	3,997,262	
<b>Consolidated total liabilities</b>									<b>₱371,191,021</b>

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## 23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents bank loans, long-term debts and lease liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

### Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

### *Financial risk committee*

The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

### *Treasury service group*

The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, FVTPL investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

### Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of September 30, 2020, 15.3% of the Group's long-term debt had annual floating interest rates ranging from 1.62% to 4.9%, and 84.7% are with fixed rates ranging from 3.1% to 8.5%. As of December 31, 2019, 17.8% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 6.0%, and 82.2% are with fixed rates ranging from 4.1% to 9.0%.

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

**September 30, 2020**

	Less than 1 year	1-5 years	More than 5 years	Total
<b>Long-term debts</b>				
<b>Floating rate</b>	<b>₱1,820,061</b>	<b>₱34,715,730</b>	<b>₱3,510,251</b>	<b>₱40,046,042</b>

**December 31, 2019**

	Less than 1 year	1-5 years	More than 5 years	Total
<b>Long-term debts</b>				
<b>Floating rate</b>	<b>₱1,923,489</b>	<b>₱36,617,665</b>	<b>₱4,183,912</b>	<b>₱42,725,065</b>

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on the other financial instruments of the Group that are not included in the above tables are either fixed-rate or non-interest bearing, and are therefore not subject to interest rate risk. Its derivative assets and liabilities are subject to fair value interest rate risk.

The interest expense recognized during the period is as follows:

	Jan - Sep 2020	Jan - Sep 2019
Long-term debts	<b>₱10,067,268</b>	₱8,034,602
Lease liabilities	<b>2,212,034</b>	3,160,206
Bank loans	<b>950,658</b>	1,049,819
Other long-term obligations	<b>186,591</b>	269,157
Customers' deposits	<b>940</b>	293
	<b>₱13,417,491</b>	<b>₱12,514,077</b>

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of September 30, 2020 and 2019:

	Increase (decrease) in basis points	Effect on income before tax
<b>September 30, 2020</b>	<b>200</b>	<b>(₱601,239)</b>
	<b>(100)</b>	<b>300,620</b>
September 30, 2019	200	(₱656,854)
	(100)	328,427

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first nine months of 2020 and 2019, due to

their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

#### *Commodity Price Risk*

Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

#### *Foreign exchange risk*

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of September 30, 2020 and December 31, 2019, foreign currency denominated borrowings account for 31% and 34%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	September 30, 2020		December 31, 2019	
	US dollar	Philippine peso Equivalent <sup>1</sup>	US dollar	Philippine peso Equivalent <sup>2</sup>
<b>Financial assets</b>				
Cash and cash equivalents	\$532,596	₱25,828,240	\$123,735	₱6,265,343
Trade and other receivables	113,407	5,499,663	122,557	6,205,685
Investments in FVTPL and FVOCI	20,416	990,075	19,153	969,791
<b>Total financial assets</b>	<b>666,419</b>	<b>32,317,978</b>	<b>265,445</b>	<b>13,440,819</b>
<b>Financial liabilities</b>				
Bank loans	72,859	3,533,284	53,134	2,690,437
Trade and other payables	193,466	9,382,142	188,601	9,549,827
Long-term debts	963,072	46,704,154	566,938	28,706,917
Lease liabilities	409,262	19,847,179	731,598	37,044,441
<b>Total financial liabilities</b>	<b>1,638,659</b>	<b>79,466,759</b>	<b>1,540,271</b>	<b>77,991,622</b>
<b>Net foreign currency denominated liabilities</b>	<b>(\$972,240)</b>	<b>(₱47,148,781)</b>	<b>(\$1,274,826)</b>	<b>(₱64,550,803)</b>

<sup>1</sup>\$1= ₱48.50

<sup>2</sup>\$1= ₱50.64

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of:

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
<b>September 30, 2020</b>	<b>US dollar strengthens by 5%</b>	<b>(P2,357,439)</b>
	<b>US dollar weakens by 5%</b>	<b>2,357,439</b>
December 31, 2019	US dollar strengthens by 5%	(P3,227,540)
	US dollar weakens by 5%	3,227,540

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

#### *Equity price risk*

Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of September 30, 2020 and December 31, 2019, the Group's exposure to equity price risk is minimal.

#### Credit Risk

For its cash investments, financial assets at FVTPL or FVOCI, derivative assets, and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. With respect to cash and financial assets at FVTPL or FVOCI, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

#### *Concentration risk*

Credit risk concentration of the Group's receivables according to the customer category as of September 30, 2020 and December 31, 2019 is summarized in the following table:

	<b>September 30, 2020</b>	December 31, 2019
Power distribution:		
Industrial	<b>P5,038,594</b>	P5,554,969
Residential	<b>2,589,588</b>	1,825,217
Commercial	<b>838,307</b>	437,994
City street lighting	<b>236,672</b>	111,570
Power generation:		
Power supply contracts	<b>8,468,588</b>	5,520,439
Spot market	<b>2,582,226</b>	1,481,760
	<b>P19,753,975</b>	<b>P14,931,949</b>

### Liquidity Risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements.

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of September 30, 2020 and December 31, 2019, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 12.92% and 11.24%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of P65.4 billion and P38.6 billion as of September 30, 2020, respectively and of P46.4 billion and P35.2 billion as of December 31, 2019, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

### September 30, 2020

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
<b>Financial liabilities:</b>						
<b>Operating</b>						
Trade and other payables*	P38,752,992	P38,752,992	P1,965,232	P35,216,591	P1,571,169	P—
Customers' deposits	6,978,901	6,978,901	—	—	427,717	6,551,184
<b>Financing</b>						
Bank loans	28,497,195	28,497,195	—	28,497,195	—	—
Long-term debts	262,068,209	276,627,176	—	35,520,440	133,278,411	107,828,325
Lease liabilities	40,895,392	57,095,767	—	9,274,196	45,155,453	2,666,118
Long-term obligation on PDS	217,414	360,000	—	40,000	200,000	120,000
<b>Others</b>						
Derivative liabilities	3,331,183	3,331,183	—	2,322,235	1,008,948	—
	<b>P380,741,286</b>	<b>P411,643,214</b>	<b>P1,965,232</b>	<b>P110,870,657</b>	<b>P181,641,698</b>	<b>P117,165,627</b>

\*Excludes statutory liabilities

### Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the periods ended September 30, 2020 and December 31, 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debts and lease liabilities) less cash and short-term deposits.

Gearing ratios of the Group as of September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020	December 31, 2019
Bank loans	₱28,497,195	₱25,717,137
Long-term obligations	302,963,602	284,873,300
Cash and cash equivalents (including restricted cash)	(73,916,645)	(55,546,410)
Net debt (a)	257,544,152	255,044,027
Equity	214,856,303	217,195,081
Equity and net debt (b)	₱472,400,455	₱472,239,108
Gearing ratio (a/b)	54.52%	54.01%

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## 24. Financial Instruments

### Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	September 30, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	<b>₱2,400,942</b>	<b>₱2,166,120</b>	₱3,183,080	₱2,846,279
Financial liabilities				
Lease liabilities	<b>40,895,392</b>	<b>38,203,989</b>	45,293,761	39,046,242
Long-term debt - fixed rate	<b>222,022,168</b>	<b>234,793,953</b>	196,854,474	203,058,442
PSALM deferred adjustment	<b>2,400,942</b>	<b>2,166,120</b>	3,183,080	2,846,279
Long-term obligation on PDS	<b>217,414</b>	<b>289,023</b>	199,350	320,194
	<b>₱265,535,916</b>	<b>₱275,453,085</b>	₱245,530,665	₱245,271,157

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade and other receivables and trade and other payables*

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short-term maturity of these financial instruments.

*Lease liabilities*

The fair value of the lease liabilities was calculated by discounting future cash flows using applicable interest rates. The disclosed fair value is determined using Level 3 inputs.

*Fixed-rate borrowings*

The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The disclosed fair value is determined using Level 3 inputs.

*Long-term obligation on PDS and PSALM deferred adjustment*

The fair value of the long-term obligation is calculated by discounting expected future cash flows at prevailing market rates.

*Customers' deposits*

The fair value of bill deposits approximate their carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformers and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

*Financial assets at FVTPL*

These equity securities are carried at fair value.



### *Derivative asset and liabilities*

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign currency-denominated payments.

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

The Group also entered into commodity swap contracts to hedge the price volatility of its forecasted coal purchases.

The movements in fair value changes of all derivative instruments for the year ended September 30, 2020 and December 31, 2019 are as follows:

	<b>September 30, 2020</b>	December 31, 2019
At beginning of year	<b>(P2,385,997)</b>	P132,902
Net changes in fair value of derivatives designated as cash flow hedges	<b>(440,375)</b>	(2,515,732)
Net changes in fair value of derivatives not designated as accounting hedges	<b>(226,406)</b>	(3,889)
Fair value of settled instruments	<b>(278,405)</b>	722
At end of year	<b>(P3,331,183)</b>	<b>(P2,385,997)</b>

### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly
- Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

As of September 30, 2020 the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
<b>Carried at fair value:</b>				
<b>Investments in financial assets:</b>				
<b>At FVTPL</b>	<b>₱952,907</b>	<b>₱952,907</b>	<b>₱—</b>	<b>₱—</b>
<b>At FVOCI</b>	<b>1,267,704</b>	<b>1,267,704</b>	<b>—</b>	<b>—</b>
<b>Derivative liability</b>	<b>3,331,183</b>	<b>—</b>	<b>3,331,183</b>	<b>—</b>
<b>Disclosed at fair value:</b>				
<b>Lease liabilities</b>	<b>38,203,989</b>	<b>—</b>	<b>—</b>	<b>38,203,989</b>
<b>Long-term debt - fixed rate</b>	<b>234,793,953</b>	<b>—</b>	<b>—</b>	<b>234,793,953</b>
<b>Long-term obligation on PDS</b>	<b>289,023</b>	<b>—</b>	<b>—</b>	<b>289,023</b>

During the period ended September 30, 2020, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

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## 25. Disclosures

### a. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, Hedcor Bukidnon, Hedcor Tudaya, Hedcor Sabangan and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

### b. COVID-19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The economic slowdown during the ECQ has been caused by reduced consumer spending in most sectors and therefore, affects the Group's operations.

In its power segment, energy is being dispatched at a lower level, and because of the reduced energy demand, market prices are down, ultimately affecting the Group's energy

trading business. Further, collections were impacted as consumer payments on energy bills were not made on original due dates because of the staggered payment scheme directed by the Energy Regulatory Commission.

In its financial services segment, potential impact is on the expected higher rate of defaults on its loans and receivables.

COVID-19 did not have an immediate impact on the Group's food manufacturing segment. The food manufacturing sector as of September 30, 2020 has been generally unaffected negatively.

In its real estate segment, COVID-19 negatively impact the Group because of decreased construction progress upon implementation of the ECQ, effectively delaying roll-outs of new projects. In addition, a decrease in the number of real estate buyers during this period resulted to a lower sales volume.

In its infrastructure segment, the decline in construction activity resulted to lower demand for cement and construction materials.

The Group has an in-placed and extensive business continuity plan on similar risk, including the lay out of the necessary steps that will help address or minimize the Group's business exposures. However, considering the evolving nature of this outbreak, the Group will continue to monitor the situation and adjust the steps it is currently implementing in subsequent periods.

c. Dividends to Non-Controlling Interests

The Company's material partly-owned subsidiary, AP and its subsidiaries, paid cash dividends amounting to ₱3.4 billion and ₱4.9 billion to non-controlling interests during the nine-month periods ended September 30, 2020 and 2019, respectively.

d. Treasury Shares

In March 2020, AEV purchased 2.6 million treasury shares amounting to ₱82.4 million.

e. Material Events and Changes

1. In January 2020, AEV International, with the Company acting as the guarantor, issued US dollar-denominated Regulation S-only senior unsecured notes (the "Notes") with an aggregate principal amount of US\$400.0 million and a tenor of 10 years. Notes are unrated, have a fixed coupon rate of 4.2% payable semi-annually, and are unconditionally and irrevocably guaranteed by AEV as the guarantor. The Notes are listed on the Singapore Exchange.
2. In April 2020, the Company executed an agreement with Metropolitan Bank & Trust Corporation for a 7-year term loan in the amount of up to ₱10.0 billion. The proceeds of the loan will be used to refinance AEV's maturing bonds, finance its capital expenditures, and for general corporate requirements. As of June 30, 2020, there was no drawdown from this facility.
3. In July 2020, AP issued ₱9.55 billion series E and F bonds. The bonds have a fixed annual interest rate of 3.125% and 3.935% and matures in 2022 and 2025. The bonds have been rated PRS Aaa by PhilRatings.

4. On October 29, 2020, the Company obtained the permit from the Securities and Exchange Commission (SEC) to offer and issue the second tranche of retail bonds from its SEC-registered ₱30 billion fixed-rate retail bonds shelf registration program. The second tranche bonds, with a principal amount of ₱5 billion and an oversubscription option of up to ₱5 billion, will be issued on November 16, 2020 and have been rated “PRS Aaa” by Philratings.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons were created during the interim period. There were also no events that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

Likewise, there were no other material changes made in such items as: accounting principles and practices, estimates inherent in the preparation of financial statements, status of long-term contracts, changes in the composition of the issuer, and reporting entity resulting from business combinations or dispositions.

Lastly, there were no changes in estimates of amounts reported in prior interim period and financial year that would have a material effect in the current interim period.

f. Material Adjustments

There were no material, non-recurring adjustments made during the period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

g. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group’s financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

The Company obtained Standby Letters of Credit and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations.

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**SCHEDULE A – RELEVANT FINANCIAL RATIOS**

	<b>Formula</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>LIQUIDITY RATIOS</b>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.32</b>	1.27
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	<b>1.00</b>	0.86
<b>SOLVENCY RATIOS</b>			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>1.83</b>	1.71
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.83</b>	2.71
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	<b>1.20</b>	1.17
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	<b>54.52%</b>	54.01%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	<b>2.33</b>	3.14
<b>PROFITABILITY RATIOS</b>			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	<b>15%</b>	16%
Return on equity *	$\frac{\text{Net income after tax}}{\text{Total equity}}$	<b>Not Applicable</b>	13%

*Ratio marked \* is deemed Not Applicable for the interim reporting period since this will not be comparable to the ratio reported in the previous period.*

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**SCHEDULE B - USE OF PROCEEDS****(Amounts in Thousands)**1.) ₱5.0 billion bonds issued in 2019

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

2.) ₱24.0 billion bonds issued in 2015

	Projected Usage (Per Prospectus)	Actual Usage
Capital Infusion into Aboitiz Land, Inc.	₱9,892,000	₱10,000
Capital Infusion into Apo Agua Infraestructura, Inc.	2,055,000	14
Capital Infusion into Aseagas Corporation	311,000	222,500
Capital Infusion into PETNET, Inc.	765,000	125,000
Full repayment of existing long-term debt to fund purchase of UBP shares in 2010 & 2011	1,188,000	1,188,000
Bond Issuance Costs	214,077	219,926
Acquisition of a stake in the Philippine business of Lafarge S.A.	9,574,923	22,234,560
<b>TOTAL</b>	<b>₱24,000,000</b>	<b>₱24,000,000</b>

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

3.) ₱8.0 billion bonds issued in 2013

	Projected Usage (Per Prospectus)	Actual Usage
Aboitizland - JV with Ayala Land, Inc.	₱1,499,600	₱1,350,000
Aboitizland - Additional landbank purchases	500,000	590,000
Aboitizland - Purchase of Lima Land Shares	1,545,500	1,546,000
Aboitizland - Purchase of Lima Land Shares	—	985,000
<b>Sub-total</b>	<b>3,545,100</b>	<b>4,471,000</b>
<b>Payment of Existing Short-term Debt to Finance:</b>		
Capital Infusion into AEV Aviation	500,000	500,000
Purchase of UnionBank shares in 2012	1,030,000	1,030,000
Purchase of UnionBank shares in 2013	1,768,000	1,768,000
<b>Sub-total</b>	<b>3,298,000</b>	<b>3,298,000</b>
Aseagas - Liquid Bio Methane Project	622,437	295,473
Bon Issuance Costs	79,603	86,114
Warchest	454,860	—
<b>TOTAL</b>	<b>₱8,000,000</b>	<b>₱8,150,586</b>

**ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES****1) AGING OF RECEIVABLES****AS OF : SEPTEMBER 30, 2020**

(amounts in thousand pesos)

	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
<b>Trade Receivables</b>					
Power	10,623,874	1,528,421	645,565	6,956,115	19,753,975
Food Manufacturing	6,035,959	415,251	197,556	1,574,790	8,223,556
Real Estate	4,086,628	253,964	176,376	3,054,755	7,571,723
Holding and Others	901,158	30,045	45,767	98,277	1,075,247
	<b>21,647,619</b>	<b>2,227,681</b>	<b>1,065,264</b>	<b>11,683,937</b>	<b>36,624,501</b>
<b>Others</b>	<b>7,599,222</b>	<b>37,546</b>	<b>36,228</b>	<b>473,517</b>	<b>8,146,513</b>
	<b>28,339,907</b>	<b>2,265,227</b>	<b>1,101,492</b>	<b>12,157,454</b>	<b>43,864,080</b>
<b>Less Allowance for Expected Credit Losses</b>					<b>3,614,123</b>
					<b>40,249,957</b>

**2) ACCOUNTS RECEIVABLE DESCRIPTION**

<b>Type of Receivable</b>	<b>Nature / Description</b>	<b>Collection Period</b>
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

**3) NORMAL OPERATING CYCLE**

Power Subsidiaries

Distribution - 60 days

Generation - 65 days

Food Subsidiaries - 90 days

Real Estate Subsidiaries - 30 days