

April 14, 2020

SECURITIES AND EXCHANGE COMMISSION

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

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

via PSE EDGE

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

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

via electronic mail

PHILIPPINE DEALING & EXCHANGE CORP.
Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City

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

Gentlemen:

Attached is the SEC Form 17-A (Annual Report 2019) of Aboitiz Equity Ventures Inc. for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES INC.

By:



MANUEL ALBERTO R. COLAYCO
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

2018

Annual Report

1 2 3 1

Month Day

Fiscal Year

1 7 - A

FORM TYPE

4th Monday of April

0 4 2 7

Month Day

Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

Philippine Stock Exchange**Common**

12. Check whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 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 12 months (or for such shorter period that the registrant was required to file such reports);

Yes (✓)

No ()

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

Yes (✓)

No ()

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

For 2019, aggregate voting stock of registrant held outside of its affiliates and/or officers and employees totaled 2,631,894,429 shares as of December 31, 2019 (for details please refer to the attached notes to financial statements and Schedule H of this report) while its market price per share was ₱51.50.

Based on this data, total market value of registrant's voting stock not held by its affiliates and/or officers and employees was computed to be ₱135,542,563,093.50.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the RSA subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes ()

No (✓)

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview of the Business of the Registrant

Aboitiz Equity Ventures Inc. (AEV, the “Company” or the “Registrant”), is the public holding and management company of the Aboitiz Group, which is among conglomerates listed on the Philippine Stock Exchange (PSE), the eighth largest conglomerate based on assets, the fifth largest based on revenue and the fifth largest based on market capitalization, in each case as of December 31, 2019. Driven by the pursuit of advancing business and communities for the nation’s development, AEV’s business operations have developed into five strategic business units (each, an “SBU”): (a) Power; (b) Food; (c) Financial Services; (d) Real Estate; and (e) Infrastructure. In addition, the Company reports all other business activities and investments not falling within these five core businesses under a separate segment, “Others.” In 2014, the Company started its overseas expansion and now has operations in 11 countries across the Asia-Pacific region.

The Company’s common shares were listed on the PSE in 1994 and, as of March 31, 2020, AEV had a market capitalization of ₱212 bn, with a common share price of ₱37.70 per share.

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

Power. AEV’s power generation, distribution and retail electricity supply business is operated through Aboitiz Power Corporation and its subsidiaries, joint ventures and associates (collectively, “AboitizPower”). Based on Energy Regulatory Commission (ERC) Resolution No. 5, dated June 18, 2019, the power generation business of AboitizPower (the “Power Generation Business”) is among the leaders in the Philippines in terms of installed capacity. Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales (based on the DOE’s Distribution Development Plan 2016-2025) and the second largest retail electricity supplier (RES) company (based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of August 2019). AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Today, through its renewable energy subsidiaries, AboitizPower has the largest renewable energy company installed capacity (based on ERC Resolution No. 5, dated June 18, 2019). AboitizPower is listed on the PSE and as of March 31, 2020, AboitizPower had a market capitalization of ₱194 bn, with a common share price of ₱26.30 per share.

Food. AEV’s integrated agribusiness and food company is operated in the Philippines primarily through Pilmico Foods Corporation (PFC) and its subsidiaries, and its international feeds business through Pilmico International Pte. Ltd. (Pilmico International) and its various subsidiaries and associates (the food SBU collectively referred to herein as the “Food Group”). The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition. In July 2018, Pilmico International acquired 75% equity interest in Gold Coin Management Holdings, Ltd. (GCMH) and its subsidiaries (collectively, the “Gold Coin Group”), expanding AEV’s animal feed business into 11 countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH. The Gold Coin Group is a leading brand in animal nutrition with over 2,900 employees and 21 production facilities, with an installed milling capacity of three million MT per year as of December 31, 2019. Following the GCMH acquisition, the Company believes that the Food Group is the fourth largest animal feed producer in Southeast Asia based on internal market data of the capacities of major players within the market.

Financial Services. AEV’s financial services group is consolidated under its associate, Union Bank of the Philippines (UnionBank or the “Bank”) and its subsidiaries, which include City Savings Bank, Inc. (CitySavings), a thrift bank, UBP Investments Corporation (UBPIC), a holding company, and UBX Philippines Corporation (UBX PH), an innovation and technology company. UnionBank is a universal banking corporation listed on the PSE. UnionBank is among the top universal banks in the country, ranking eighth among the top 10 private universal banks in the Philippines based on assets as of

December 31, 2019, as reported in disclosures made by private universal banks to the PSE. UnionBank had a market capitalization of ₱69,879 mn, with a common share price of ₱57.35 as of February 29, 2020.

Real Estate. AEV's development of residential, commercial and industrial communities is through AboitizLand, Inc. (AboitizLand). As of December 31, 2019, AboitizLand had 13 residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums, as well as five commercial projects in operation. In addition, AboitizLand is the developer and operator of three economic zones: (a) the Mactan Economic Zone II (MEZ II) in Lapu-Lapu City, Mactan, Cebu; (b) the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its subsidiary, Cebu Industrial Park Developers Inc. (CIPDI); and (c) the Lima Technology Center in Malvar, Batangas. AboitizLand also has five commercial projects under development, namely: (a) The Outlets at Lipa in Lipa, Batangas; (b) The Persimmon Plus in Mabolo, Cebu City; (c) the iMez Building; (d) Pueblo Verde; and (e) The Outlets at Pueblo Verde. The latter three commercial projects are all located in Lapu-Lapu City, Mactan, Cebu.

Infrastructure. The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital) and AEV CRH Holdings, Inc. (AEV CRH). Aboitiz InfraCapital, as part of a consortium, was granted "original proponent status" by the Department of Transportation (DOTr) for its unsolicited proposals to rehabilitate Manila's international airport, Ninoy Aquino International Airport (NAIA), and to operate and maintain the new Bohol-Panglao International Airport and the Laguindingan Airport. Laguindingan Airport is the first international airport in northern Mindanao that serves the cities of Cagayan de Oro, Iligan, and Marawi, as well as the provinces of Misamis Oriental, Lanao del Norte, and Bukidnon. Aboitiz InfraCapital also holds administrative franchises to provide water and wastewater-related services to residential, commercial and industrial customers in Batangas, Cebu and Davao, among others. AEV CRH is AEV's partnership with CRH plc, a global leader in the manufacture and supply of building materials and products. AEV CRH acquired Republic Cement & Building Materials, Inc. (RCBM and together with its subsidiaries and affiliates, the "Republic Cement Group") in 2015. As of December 31, 2019, the Company believes that the Republic Cement Group is one of the country's leading local cement manufacturing and distribution companies with five integrated plants and one grinding facility in operation across Luzon, Visayas, and Mindanao.

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

A. PARENT COMPANY

(1) Business Development

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

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

As of March 31, 2020, Aboitiz & Company, Inc. (ACO) owns 48.57% of the outstanding capital stock of AEV, 4.70% are owned by directors, officers, and related parties, while the rest are owned by the public.

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

(a) DESCRIPTION OF THE REGISTRANT

(i) Principal Products and Services

As of March 31, 2020, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into six main categories as follows: (a) power distribution, power generation, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; (e) infrastructure; and (f) portfolio investments (parent company/ others). Principal products and services offered by the AEV's core businesses are discussed

Based on the SEC parameters of what constitutes a significant Subsidiary under Item XX of Annex "B" of SRC Rule 12, AboitizPower is AEV's only significant Subsidiary. (Please see Annex "A" for the corporate structure of AEV showing the different business segments.)

(ii) Sales

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

	2017	2018*	2019
Gross Income	₱150,422	₱186,943	₱201,157
Operating Income	₱36,576	₱39,162	₱32,655
Total Assets	₱492,244	₱554,494	₱588,386

Note: Values in the above table are in mn.

* 2018 Total Assets and other Balance Sheet accounts have been restated to effect the adjustments arising from the finalization in 2019 of the purchase price allocation on the acquisition of GCMH in 2018.

The operations of AEV and its Subsidiaries are based largely in the Philippines.

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

Contribution to Revenue

	2017		2018		2019	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Power	119,391.3	79	131,572.1	70	125,635.2	61
Food	26,229.8	17	50,252.9	27	74,465.7	36
Financial Services	742.2	1	644.6	0	-	0
Real Estate	3,674.0	2	4,001.4	2	4,195.9	2
Infrastructure	34.1	0	96.0	0	95.8	0
Others	1,646.9	1	1,818.7	1	1,550.4	1
	151,718.3	100	188,385.6	100	205,942.9	100
Eliminations	(1,296.7)		(1,442.8)		(4,785.4)	
Total	150,421.6	100	186,942.8	100	201,157.5	100

Note: Values in the above table are in mn. Percentages refer to the business group's share in the total net revenue for a given year. The revenues of associates do not form part of the Group's consolidated revenues. For additional details on the income contributions of all business segments/groups to AEV, please refer to Business Segment Information of the Notes to the Consolidated Financial Statements.

Contribution to Net Income Attributable to Equity Holders of AEV, before elimination of transactions within the Group

	2017		2018		2019	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Power	15,696.8	68	16,692.4	73	13,334.7	61
Food	1,700.4	8	1,556.9	8	1,582.0	7
Financial Services	4,124.0	22	3,583.3	19	7,150.5	32
Real Estate	605.3	7	168.8	3	942.9	4
Infrastructure	744.2	1	645.0	3	483.4	2
Others	(1,262.0)	-6	(413.5)	-6	(1,457.3)	-6
Total	21,608.7	100	22,233.0	100	22,036.1	100

(iii) Distribution Methods of the Product or Services

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

AEV's business units have their respective distribution methods of products and services. Please refer to the discussion on distribution methods of each Strategic Business Unit (SBU).

(iv) New Products/Services

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

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

(v) Competition

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

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

(vi) Sources of Raw Materials

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

(vii) Major Customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ix) Patents, Copyrights, and Franchises

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

Philippine IPO

Trademarks	Owner	Registration No. / Date Issued	Description	Status
Driven to Lead. Driven to Excel. Driven to Serve. word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2012-001132 June 21, 2012	Application for the word mark "Driven to Lead. Driven to Excel. Driven to Serve."	Registered.
Aboitiz Better Ways word mark (Class Nos. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2013-015095 March 27, 2014	Application for the word mark "Aboitiz Better Ways".	Registered.
Aboitiz Better World word mark (Class Nos. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2013-015094 March 27, 2014	Application for the word mark "Aboitiz Better World".	Registered.
Aboitiz word mark (Class Nos. 30, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2018-018635 March 17, 2019	Application for the word mark "Aboitiz".	Registered.
Aboitiz word mark (Additional activities under Class Nos. 36, 37)	Aboitiz Equity Ventures Inc.	04-2019-000086	Application for the word mark "Aboitiz" to cover additional services under Class Nos. 36 and 37.	Registered.
Advancing Business and Communities Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021743	Application for the device mark "Advancing Business and Communities", with color claim.	Registered.
Aboitiz Equity Ventures word mark (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021492	Application for the word mark "Aboitiz Ventures".	Registered.
Aboitiz Equity Ventures Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021742 October 6, 2019	Application for the device mark "Aboitiz Equity Ventures", with color claim.	Registered.
A Future Built By You (Class No. 35)	Aboitiz Equity Ventures Inc.	4-2019-003834 August 8, 2019	Application for the mark "A Future Built By You".	Registered.
Aboitiz & Device – Black (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012408 September 24, 2007	Application for the device mark "Aboitiz (Black)".	Registered.
Aboitiz & Device – Red (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012409 September 24, 2007	Application for the device mark "Aboitiz (Red)".	Registered.
Passion for better ways word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012413 September 24, 2007	Application for the word mark "Passion for better ways".	Registered.

International Trademarks Application (Madrid Protocol)

Trademarks	Owner	Country of Application	Status
Aboitiz (Word Mark) (#1504418) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	WIPO	Registered.

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

(x) Government Approvals

AEV and its Subsidiaries rely on government approvals relative to the industries in which they operate. The discussion on the need of any government approval for principal products or services of

the Company and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in Item (ix) Patents, Copyrights, and Franchises of each SBU discussion of this Annual Report

(xi) Effect of Existing or Probable Governmental Regulations

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

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

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

1. Tax Reform for Acceleration and Inclusion Law

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

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

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

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

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

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

In addition, House Bill No. 4157, referred to as the Corporate Income Tax and Incentive Rationalization Act (“CITIRA Bill” or “Package 2”) was passed and approved on third and final reading in the House of Representatives on September 13, 2019. The CITIRA Bill is the result of the re-filing of the Tax Reform for Attracting Better and Higher Quality Opportunities (TRABAHO) Bill from the previous 17th Congress. The bill also seeks to reform the country’s fiscal incentives to make it performance-based, targeted, time-bound, and transparent. This means that incentives will be granted based on the number and quality of jobs that will be created, the investments made on research and development and skills training, the capital invested for countrywide infrastructure development, among other criteria. A counterpart bills is currently undergoing deliberations at the committee level in the Senate.

2. Revised Corporation Code

RA 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are:

- a) Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
- b) A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- c) Banks, quasi-banks, pawnshops, non-stock savings and loan associations (NSSLA), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the Securities and Regulation Code The Philippines is party to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, a judgment or final order of a foreign court is, through the institution of an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.
- d) The Code allows the creation of a “One Person Corporation”. However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
- e) Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- f) The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements

and procedures to be followed when a stockholder or member elects either option.

- g) As to the filing of the by-laws and any amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.
- h) A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Philippine SEC approves any merger or consolidation; or any voluntary dissolution.
- i) In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

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

3. The Philippine Competition Act

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

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

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

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

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

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

On March 1, 2018, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1 bn for both the Size of Person and Size of Transaction tests to ₱5 bn for the Size of Person and ₱2 bn for the Size of Transaction as defined in the Implementing Rules and Regulations (IRR). In addition, parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2 bn; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2 bn.

The same memorandum circular also provided that unless otherwise modified or repealed by the Commission, the thresholds set out in Rule 4, Section 3 of the IRR, as amended, shall be automatically adjusted commencing on 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority’s official estimate of the nominal Gross Domestic Product (“GDP”) growth of the previous calendar year rounded up to the nearest hundred millions. The annual nominal GDP from 2017 to 2018 grew by 10.23%.

The new thresholds for the notification requirements as provided in PCC Resolution No. 02-2020, effective March 1, 2020, are as follows:

Test	Old Threshold	New Threshold (effective March 1, 2020)
Size of Person Test	₱5.6 bn	₱6 bn
Size of Transaction Test	₱2.2 bn	₱2.4 bn

This means that the value of the assets or revenues of the Ultimate Parent Entity (UPE) of at least one of the parties must exceed ₱6 bn instead of ₱5.6 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired entity must exceed ₱2.4 bn instead of ₱2.2 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply. As to joint venture transactions, notification is mandatory if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 bn; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 bn. The new thresholds will not apply to (a) transactions already pending review with the PCC, (b) notifiable transactions consummated before March 1, 2020, and (c) transactions already decided by the PCC.

Violations of the Philippine Competition Act and its IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1 to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 mn but not more than ₱250.0 mn; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100.0 mn to ₱250.0 mn may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, the PCC published the 2017 Rules of Procedure (“Rules”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary

inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

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

4. Foreign Investments Act of 1991

RA No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 (“FIA”), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the “Negative List”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a) a citizen of the Philippines;
- b) a domestic partnership or association wholly-owned by citizens of the Philippines;
- c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- d) a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In

Jose M. Roy III v. Chairperson Teresita Herbosa (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp (G.R. No. 195580) and its corresponding motions for reconsideration (the “Narra Nickel Case”), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders’ own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation’s Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

5. Data Privacy Act of 2012

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

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

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

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

6. Registration under the BOI

Under the Executive Order (EO) No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday; (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

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

(xii) Amount Spent on Research and Development

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

(xiii) Cost and Effects of Compliance with Environmental Laws

AEV and its subsidiaries, associates and joint ventures are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These standard laws and regulations that govern AEV's business operations include the Philippine Clean Air Act (RA No. 8749), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. Power plant operations are considered environmentally critical projects for which an EIS and an ECC are mandatory.

AEV has incurred, and is expected to continuously incur, operating costs to comply with these laws and regulations. However, these costs cannot be segregated or itemized as these are embedded in, and are part and parcel of, each SBU's overall system in compliance with both industry standards and regulatory requirements. Each SBU has appointed and designated a Pollution Control Officer to closely monitor compliance with the requirements of these regulations.

As of the date of this Annual Report, neither AEV nor any of its subsidiaries, associates or joint ventures has been subject to any material fines or legal action involving non-compliance with any applicable environmental laws and regulations.

(xiv) Employees

On the parent company level, AEV has a total of 284 employees as of February 29, 2020, composed of executives, managers, supervisors, and rank and file employees. There is no existing collective bargaining agreement (CBA) covering AEV's employees.

The following table provides a breakdown of total employee headcount per SBU, divided by function, as of February 29, 2020:

Employees								
Number of Employees	AEV	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	Gold Coin and Subsidiaries	Aboitiz InfraCapital and Subsidiaries	RCBM and Subsidiaries	AboitizPower and Subsidiaries
Executives	57	284	41	21	30	16	6	79
Managers	74	1,741	82	48	112	11	141	70
Supervisors	58	1,810	357	179	321	14	315	78
Rank & File	95	2,544	302	153	1,829	24	439	201
TOTAL	284	6,379	805	401	2,887	65	901	428
Unionized Employees	N/A	1,231*	23	N/A	225	N/A	703	N/A
Expiry of CBA	N/A	2020*	May 31, 2020	N/A	GCI: Aug 2021 GCSI: Aug 2021 GCFM: Dec 2019 GCSSB: Feb 2021	N/A	N/A	N/A

*Only applies to UBP and CSB.

In addition to mandated statutory benefits (such as holiday pay, service incentive leave, maternity leave, paternity leave, and 13th-month pay), the Company provides benefits to its employees in the following areas: healthcare, annual leave, loans and financial assistance applicable to a variety of uses, retirement benefits to qualified employees, and productivity bonuses. Salaries and benefits are reviewed regularly and adjusted to retain current employees and attract new talent. The Company currently has no stock option plans available to its employees. As of the date of this Annual Report, the Company does not anticipate any increase in manpower within the next 12 months unless new development projects and acquisitions materially require an increase.

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

Part of the governance of Risk Management is the regular review of the Risk Management Plans of all its business units. This is being conducted at least twice a year across the Group for Strategic Risks, while for Operational Risks, the business units have a more frequent review of their risk management plan.

Risk management was also integrated into the strategic planning process, wherein risks are also identified especially for those areas that could have an impact to the strategic objectives set by the Company. The Risk Management Team have also started to integrate Environment, Social and Governance (ESG) in the risk assessment process, including enhancement of business continuity plans to make sure climate change related risks are properly mitigated.

Following the Group Risk Management governance structure, the Top Risks are regularly presented and discussed with Senior Management and the Board of Directors.

1. Project Risks

As the Aboitiz Group continues to expand, project risk is identified as one of the top risks group-wide. Risk drivers include delays in the completion of greenfield projects that resulted in higher cost and inability to meet the projected net income.

Risk management is an embedded concept in project management to ensure project stability and success. Each significant and potential project is evaluated by the Project Management Team to gain a more rigorous understanding of the risks that the organization will take. Risk treatment plans are also identified and monitored.

Lessons learned sessions continue to be part of the process for each major project milestone. This exercise not only allows management and the project team to celebrate quick wins, but also learn from the past and current challenges and seize emerging opportunities from the project. This practice enhances the company's ability to capture the opportunities that help define the future of the organization.

For the greenfield projects, there are several studies in relation to natural catastrophe before the Business Development Team can recommend a particular site. Climate change is predicted to increase the frequency of typhoon, flooding and storms, that could potentially pose serious challenges to the Company.

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

2. Regulatory Risks

Taking into consideration the type of industries the Group is engaged in - power, food, banking, construction and infrastructure - a significant amount of attention is given to regulatory risk. For AEV and its Subsidiaries, regulatory risk arising from new or existing regulation is considered as one of the critical areas in the overall business management. In recent years, the Group has also expanded outside of the Philippines, regulatory could arise from non-familiarity with the regulatory and political landscape for each new country where we expand and operate.

Each industry may have specific regulatory risks, but one thing is common, regulations are challenging and changing all the time and the Company has to keep up with the demands for regulation compliance. Failure to do so will have negative consequences both in the Group's net income and reputation.

The Company's approach in mitigating reputation risk is to integrate understanding how regulations and legislations will affect our various businesses, and planning and preparing for expected changes in regulation, rather than waiting for regulations to be imposed.

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

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

3. Reputation Risks

AEV recognizes that the Company's reputation is its single, most valuable asset – a competitive advantage that has enabled it to earn the trust of its stakeholders. Likewise, the Company is aware

that the reputation it has today took generations to strengthen and is, therefore, something the Company wants to protect, build, and enhance continuously. In today's world of higher corporate governance standards, heightened public consciousness brought on by social media, and greater scrutiny from key stakeholders, the Company finds itself operating in a new environment where corporate reputation has become a differentiating asset.

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

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

In 2019, the Board has also agreed to form a technical working group across AEV and its subsidiaries to focus on developing the framework on Environment, Social and Governance (ESG) and how to embed this in the risk management process in order to address ESG-related issues.

4. Information Security Risks

Due to the increasing number of information security breach events happening globally and the increasingly complex challenges that come with digital transformation, information security risks is considered as one of the top risks of the Company. As the level of complexity of information security breaches grows, AEV's management understands that information security threats should be addressed in order to avoid these breaches, which can have catastrophic implications on the organization's bottom line and reputation.

With the Group's core businesses of power generation and distribution, banking and financial services, food, land, and infrastructure, there is an increased risk for high-impact events that could disrupt operations and services.

To address this risk, Aboitiz Group aims to strengthen its security and resilience for the potential consequences of information security breaches through the ongoing implementation of the Information Security Management System (ISMS), Cyber Security Program and Operational Technology (OT) Security Governance. The Group is also working to build an information security risk – aware culture to further strengthen prevention, detection and comprehensive response process to keep pace with the information security threat landscape. All of these initiatives will cover the three pillars of Information and Operational Systems Security: People, Process and Technology.

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

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

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

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

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

In 2019, the Company continued enhancing its Business Continuity program based on the results of the Business Continuity Maturity Audit conducted the year prior. Part of the review included an initial scan of the potential impact of climate change to the frequency and severity of natural catastrophes and their impact on the business. Moving forward, these enhanced scenarios will form part of the regular BC Plan review.

One of the scenarios used in the business impact analysis is West Valley Fault as part of the enhancement of the Company’s business continuity plans. Aside from damage to facilities and impact on people, this event could also potentially result to reduced output of the different operating plants. As part of the business impact analysis, several scenarios related to climate change were also identified that would have significant physical effects to the different business units across the Group, thereby resulting to business interruptions.

6. Financial Risks

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

- Refinancing and liquidity risk in terms of the Company’s ability to borrow money to fund future projects. This can also potentially arise from balloon/bullet payments for existing loans;
- Interest rate risks resulting from movements in interest rates that may have an impact on outstanding long- term debt;
- Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency- denominated placements, transactions and borrowings.

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

The Company recognized the fact that having a strong financial risk management process is critical to ensure a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the Group.

In 2019, as part of its governance role, the Risk and Treasury Teams designed and finalized the Financial Risk Management Framework focusing on the identification of financial risk treatment methods, which includes regular monitoring of the Company’s cash position, issuance of retail bonds, and maintaining good relationship with the banks.

7. Talent Risk

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

Inability to prepare and minimize the impact of this risk will entail potential delay in the execution of various initiatives which could eventually lead to missed business opportunities. Also, heavy workload of the existing employees may have a negative effect on their psychological well – being.

In 2019, the Company embedded the Strategic Workforce Planning to the Business Strategic Plan. This aims to proactively identify the current and future needs of the organization and serve as an input for attraction, learning /organization development and succession. The Group also looked into its employer brand and attraction strategy. Engagement programs across the different business units were enhanced while gap analysis exercises are being performed to identify areas for improvement and further development of team members.

8. Competition Risk

With the diverse lines of business in the Group, the context of this risk varies across. From the increasing competitive market condition, changing customer's needs and entry of industry disruptors, are just some of the potential triggers of this risk.

Each business comes up with their own plans on how to minimize their own exposure. Reviewing and improving key processes to optimize operations, understanding their respective markets, establishing partnership that will create more value for its customers and stakeholders are just some of the actions that the business is working on to protect its revenue and cash flow streams.

9. Emerging Risks

The current risk environment is rapidly shifting as a result of events that many times are not within the Company's control, many times as a result of global events.

Emerging risk is currently defined as newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on an organization in the future. This is also part of the regular discussion of the Risk Management Council and Board Risk and Reputation Management Committee.

Part of the risk management process is the continuous identification and monitoring of emerging risks especially in the following areas: political, economic, social, technology, legal and environment. Climate change risk is one area in which the risk managers have focused their attention to, particularly those that would have potential impact to the facilities, operations, labor, supply chain, customers and the community where our business units operate.

As the Group gears up for future growth, it faces the challenges of sustainability, climate change and disruptive technologies. Risk Management in Aboitiz will continue to take on a whole of the organization approach by integrating with other business functions to drive a more robust understanding of the Company's risks.

(b) REQUIREMENTS AS TO CERTAIN ISSUES OR ISSUERS

(i) Debt Issues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) **Thirty Billion Fixed Rate Peso Denominated Retail Bonds**

On January 29, 2019, AEV's Board of Directors approved the issuance of a fixed-rate peso-denominated retail bonds in the aggregate amount of up to ₱30 bn, to be registered under the shelf registration program of the SEC (the "2019 Shelf Program").

On March 7, 2019, the Board of Directors approved the issuance of the first tranche of its 2019 Shelf Program equivalent to ₱3 bn and with an oversubscription option of up to ₱2 bn (the "Series A Bonds"). The Series A Bonds was offered to the public on June 3, 2019 and was listed to the PDEX on June 18, 2019.

The Series A Bonds were issued in two series; five-year bonds with a fixed interest rate of 6.0157% per annum, and ten-year bonds with a fixed interest rate of 6.3210% per annum. Interest is paid quarterly in arrears every May 21, August 21, November 21, and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

On November 5, 2019, AEV's Board of Directors approved the issuance of up to ₱10 bn fixed-rate retail bonds (the "Second Tranche Bonds"). Depending on market conditions, the Second Tranche Bonds are expected to be offered to the general public during the first half of 2020.

B. STRATEGIC BUSINESS UNITS

I. POWER

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

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

AboitizPower's portfolio of power generating plants consist of a mix of renewable and non-renewable sources and of baseload and peaking power plants. This allows the Company to address the 24-hour demand of the country with its coal and geothermal plants handling baseload demand, while the hydropower, solar, and oil-based plants handle intermediate to peaking demand. Most of these plants are also capable of providing ancillary services, which are also critical in ensuring a reliable grid

operation. Based on ERC Resolution No. 5, dated June 18, 2019, its generation companies have an installed capacity which is equivalent to a 15% market share of the national grid's installed generating capacity. Taking into consideration projects in the pipeline, AboitizPower believes that it will meet its strategic goal of increasing its attributable net sellable capacity to 4,000 MW by the end of 2020, having an attributable net sellable capacity of 3,455 MW as of March 31, 2020. AboitizPower's renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. (ARI) and its Subsidiaries and joint ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country.

AboitizPower also owns interests in nine Distribution Utilities in Luzon, Visayas, and Mindanao, including Visayan Electric and Davao Light, the second and third largest distribution utilities in the Philippines, respectively. AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 7,821,159 MWh for the year 2019.

The power generation business is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA") and for trading in the WESM. The power distribution business is engaged in the distribution and sale of electricity to end-users through its various distribution utilities, and the RES and Others segment includes retail electricity sales to various off-takers that are considered eligible contestable customers ("Contestable Customers") and provision of electricity-related services, such as installation of electrical equipment. AboitizPower's Subsidiaries engaged in the supply of retail electricity sold a total of 4.66 Terawatt hours (TWh) for the year 2019.

As of March 31, 2020, AEV owns 76.88% of the outstanding capital stock of AboitizPower.

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

(i) Principal Products and Services

GENERATION OF ELECTRICITY (POWER GENERATION BUSINESS)

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. As of December 31, 2019, the power generation business accounted for 88% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of December 31, 2019 compared to the same period in 2018 and 2017:

Generation Companies	Energy Sold			Revenue		
	2019	2018	2017	2019	2018	2017
	(in GWh)			(in mn Pesos)		
APRI	2,968	2,857	2,747	12,545	12,518	11,645
Sacasun	49	41	41	269	197	189
Hedcor	226	172	162	881	694	821
LHC	262	291	272	787	970	774
Hedcor Sibulan	191	213	259	1,282	1,385	1,591
Hedcor Tudaya	29	32	41	172	191	240
Hedcor Sabangan	51	53	55	300	315	325
SN Aboitiz Power-Magat	2,054	2,379	1,324	6,608	7,182	8,298
SN AboitizPower-Benguet	1,975	2,085	989	6,065	6,070	6,996
TLI	6,812	6,808	5,126	25,410	26,603	22,939
TSI	1,393	1,959	1,647	9,099	11,141	10,535
Cebu Energy	1,900	1,978	1,724	8,571	9,724	8,752
STEAG Power	1,840	1,840	1,212	4,791	4,373	4,255
GMCP	3,909	5,498	5,482	19,373	23,492	21,644
WMPC	638	438	221	1,158	1,393	1,439
SPPC	0	161	50	0	161	524

Generation Companies	Energy Sold			Revenue		
	2019	2018	2017	2019	2018	2017
	(in GWh)			(in mn Pesos)		
CPPC	550	551	141	1,685	1,253	1,484
EAUC	383	368	63	1,013	819	844
TMI	1,200	1,432	182	1,865	2,016	2,076
TMO	938	814	286	1,968	1,694	3,111
Davao Light*	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light*	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

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

Renewables

Aboitiz Renewables, Inc. (ARI)

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998. As of March 31, 2020, AboitizPower's renewable energy portfolio comprises attributable net sellable capacity of approximately 921 MW in operation, divided into 46 MW of solar, 585 MW of hydro, and 290 MW of geothermal.

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

Generation Company	Percentage of Ownership	Plant Name (Location)	Plant Name (Location)	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet 1-11 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lon-oy, Irian 1 and 3, and Sal-angan	Run-of-river hydro	51	51	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	5	5	Distribution utility
		Manolo Fortich (Mindanao)	Run-of-river hydro	69	69	FIT
Hedcor Sabangan	100%	Sabangan (Luzon)	Run-of-river hydro	14	14	FIT
Hedcor Sibulan	100%	Sibulan (A, B and Tudaya A) (Mindanao)	Run-of-river hydro	49	49	Distribution utility
Hedcor Tudaya	100%	Tudaya (B) (Mindanao)	Run-of-river hydro	7	7	FIT
Luzon Hydro Corporation	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	70	70	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46	46	WESM
SN Aboitiz Power-Benguet	60%	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	53	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASPA
SN Aboitiz Power-Magat	60%	Magat (Luzon)	Large Hydroelectric	360	180	WESM/ Coops/ ASPA

		Maris Main Canal 1 (Luzon)	Run-of-river hydro	9	4	FIT*
AESI	100%	ULGPP**strips	Geothermal	40	40	Bilaterals
Total				1,255*		

Notes:

* Sum figures will differ due to rounding effect.

** Unified Leyte Geothermal Power Plant. The contract between AESI with PSALM in respect of the 40MW ULGPP capacity was terminated on 26 October 2019.

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

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

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

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

In 2018, the Bakun AC Hydro Plant gained its ISO 22301:2014 Business Continuity Management Certification, aligning with international standards in improving its business resilience. It has maintained this certification in 2019, together with its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, and Information Security.

Hedcor, Inc. (Hedcor)

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

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

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

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year. In 2019, Hedcor's hydropower plants generated a total of 964 GWh of Cleanergy.

In 2017, Hedcor broke ground on its Bineng Combination Hydro project in La Trinidad, Benguet. It replaced Bineng 1, 2, and 2B, which originally had a combined capacity of 6 MW, with a new facility that

produces 19 MW of hydro power of which 100% is attributable to AboitizPower. The plant commenced commercial operations in July 2019.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 49.23-MW hydropower plants composed of three cascading plants (the “Sibulan Project”) located in Santa Cruz, Davao del Sur. The Sibulan Project consists of: Sibulan A Hydro, which produces 16.32 MW; Tudaya 1 Hydro, which produces 6.7 MW; and Sibulan Hydro B which produces another 26.25 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. ERC renewed the Certificates of Compliance (COC) for Tudaya Hydro 1 on March 10, 2014, and for the Sibulan Hydro A and B plants on May 18, 2015. The energy produced by the Sibulan Plants are sold to Davao Light through a PSA signed in 2007. The company was incorporated on December 2, 2005.

In 2018, Hedcor Sibulan gained its ISO 22301:2014 Business Continuity Management Certification. Likewise, it has passed all surveillance audits in 2019, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 7-MW Tudaya Hydro 2 run-of-river hydropower plant in Santa Cruz, Davao del Sur. The company was incorporated on January 17, 2011.

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

Together with Hedcor Sibulan, Hedcor Tudaya also gained its ISO 22301:2014 Business Continuity Management Certification in 2018, and maintained its certifications in 2019.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Hedcor Sabangan, a wholly-owned Subsidiary of ARI, owns, operates, and manages the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province. The Sabangan plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River. Hedcor Sabangan was incorporated on January 17, 2011. The Sabangan plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco.

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

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

The Manolo Fortich plant is composed of the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2. Both plants produce at least 350 GWh annually, harnessing the power of Tanaon, Amusig, and Guihean rivers. The construction of the Manolo Fortich plant was completed in 2018.

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

Large Hydros

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

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

SN Aboitiz Power-Magat’s Certificate of Compliance (“COC”) was issued on December 2015 and is valid for five years or until November 28, 2020. SN Aboitiz Power-Magat is ARI’s joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa and Latin America. SN Aboitiz Power-Magat is 60% owned by MORE. As of March 31, 2020, SN Power Invest Netherlands BV owns the remaining 40% equity interest of SN Aboitiz Power-Magat.

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

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

The new Pmax of the four units was based on the capability test conducted NGCP in 2018. The new technical specifications will be reflected in the Magat Plant’s COC upon its renewal in 2020.

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

Because 2019 has generally been characterized as an El Niño year, total inflows in the Magat dam were only 89% of historical normal during that year. The first half dry season of 2019 resulted in 105% of the normal total inflows but very low inflows for the months of February to April occurred at about 64% only of historical normal. The second half wet season recorded 83% of normal inflows. Overall, the El Niño event for 2019 resulted in low energy typhoons tracking the Magat watersheds that also led to this below normal water availability in the Magat Dam.

Driven by lower water inflows, the Magat Plant’s total sold quantities from spot energy generation and AS is at 1.8 Terawatt-hours (TWh), which is lower than previous year’s sold capacity of 2.3 TWh. This is equivalent to a sold capacity factor of 54%, compared to 67% in 2018. Spot and AS revenue for the year 2019 is ₱5.2 bn for 2019, which is 13% lower than the previous year’s ₱5.98 bn. SN Aboitiz Power-Magat’s Bilateral Contract Quantity (BCQ) revenue for 2019 is ₱17 mn, significantly lower than the previous year’s ₱564.8 mn.

SN Aboitiz Power-Magat switched on its 200-kW pilot floating solar project in Ramon, Isabela on June 27, 2019. The facility is placed over a 2,500-square meter area over the Magat reservoir, with a circular installation made up of 720 solar panels held in place by four mooring systems.

The 8.5MW run-of-river Maris Main Canal I HEPP I (MHEPP) is composed of two generator units with a nameplate capacity of 4.25 MW each. The project broke ground in late 2015 and was completed in November 2017. The plant was granted entitlement to the FIT system in its operations pursuant to the COC issued by ERC on November 2017. This is the first non-hydro renewable energy project of SN Aboitiz Power Group, which is looking at other renewables and complementary technologies to expand its

portfolio. At present, the project will provide power to SN AboitizPower-Magat's facilities in the area. The SN Aboitiz Power Group will look into scaling up the project so that the power generated may contribute to its renewable energy capacity and to the country's energy security.

SN Aboitiz Power-Magat retained its Integrated Management System certifications for ISO 14001 for Environmental Management System, ISO 9001 for Quality Management System, ISO 45001 for Occupational Health and Safety Management Systems, and ISO 55001 Asset Management System, as verified and audited by DQS Philippines in 2019. The company recorded 1.8 mn manhours without lost time incident in 2019.

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

SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga hydroelectric power complex, which consists of the 105-MW Ambuklao HEPP (the "Ambuklao Plant") and the 140-MW Binga HEPP (the "Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province. SN Aboitiz Power-Benguet is also a joint venture between ARI and SN Power. As of March 31, 2020, 60% equity is owned by MORE and 40% equity interest is owned by SN Power. The company was incorporated on March 12, 2007.

The Ambuklao-Binga hydroelectric power complex was turned over to SN AboitizPower-Benguet in July 2008. SN AboitizPower-Benguet began a significant rehabilitation project that restored the Ambuklao Plant to operating status and increased its capacity from 75 MW to 105 MW when it re-commenced operations in 2011. The Binga Plant also underwent refurbishment that began in 2010 and was completed in 2013. This refurbishment increased Binga Plant's capacity to 125 MW. In March 2017, SN Aboitiz Power-Benguet received its amended COC from ERC for all four units of the Binga Plant. The amended COC reflects the increase of the Binga plant's capacity from 130 MW (35 MW for each of the four units) to 130.08 MW (35.02 MW for each unit). It is capable of generating up to 140 MW. The Ambuklao Plant and Binga Plant sell capacity from spot energy generation and ancillary services to the national transmission system and related facilities that conveys power.

As noted earlier, the year 2019 was characterized as generally an El Niño year. The year's total inflows to the Benguet dam were 98% of historical normal and only 62% in comparison to the total inflows in 2018. The first half dry season of 2019 resulted in 94% of the normal total inflows. The El Nino effects experienced from May to July resulted in inflows approximately only 60% of historical normal inflows. The second half wet season recorded 98% of the normal total inflows (but only 62% in comparison to the second half of 2018). Inflow distribution for the months of August and September were recorded at 142% of normal, leading to spilling almost all throughout the months. The inflows for the rest of the second half months were below normal. Overall, the El Niño event for 2019 resulted in low energy typhoons tracking the Benguet watersheds that also led to near normal water availability in the Benguet dams.

Although inflows were higher in the Ambuklao reservoir in 2019 as compared to 2018, there was an overall lower AS Capacity Approval and spot sales for SN Aboitiz Power-Benguet. The Ambuklao Plant's total sold capacity from spot energy generation and ancillary services for 2019 is only 737 GWh, which is 91% of the capacity sold in 2018 of 810 TWh. This is equivalent to a sold capacity factor of 80% for 2019, as compared to the 88% in 2018.

On the other hand, the Binga Plant's total sold capacity from spot energy generation and AS in for the year 2019 is at 1.02 TWh, or 93% of the 1.1 GWh sold capacity in 2018. This is equivalent to a sold capacity factor of 84% for 2019, compared to the 90% in 2018.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2019 is at ₱4.97 bn, as compared to ₱4.9 bn rin 2018. SN Aboitiz Power-Benguet's BCQ revenue for 2019 is at ₱350 mn, which is significantly lower than 2018's BCQ revenue of ₱542 mn.

Both the Ambuklao Plant and Binga Plant have retained their Integrated Management System certifications (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and ISO 55001 for Asset Management) in 2019. The company also successfully migrated and got

certified to ISO 45001 Occupational Health & Safety Management System from OHSAS 18001. The Ambuklao Plant and Binga Plant jointly have more than 4.32 mn man hours of no lost time incident in 2019.

Geothermal

AP Renewables Inc. (APRI)

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

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

On August 24, 2018, APRI and PGPC signed a Geothermal Resources Supply and Services Agreement (“GRSSA”) for the supply of steam and drilling of new production wells for the Tiwi-MakBan Geothermal Facilities. The GRSSA effective date will run until the expiration of APRI’s initial DOE operating contracts term on October 22, 2034, thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC has committed to drill at least 12 new production wells over a six-year period to increase steam availability. The GRSSA also provides for more equitable and competitive fuel pricing in the long run.

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

Solar

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

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

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

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

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

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

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

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

To date, APX has a total of 4.487 MWp rooftop solar projects operating or under development stage. Notable operational PV solar systems are the 1.508MWp Rooftop PV Solar System at The Outlets @ Lipa for Lima Land, Inc. and the 0.832MWp Rooftop PV Solar System at the PANC Feedmill in Capas, Tarlac.

Renewables Pipeline

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

SN Aboitiz Power-Gen implements the SN Aboitiz Power Group's Business Development Program, which aims to grow the SN Aboitiz Power Group's renewable energy portfolio by looking at potential power projects in the Philippines, primarily within its current host communities in Northern Luzon.

There is a pipeline of projects in various stages from initial prospecting, pre-feasibility, feasibility, construction, including the completed Maris Plant which has since been transferred to SN Aboitiz Power-Magat.

As of the end of 2019, SN Aboitiz Power-Gen's most significant project is the proposed 380-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (which is currently on hold due to market constraints), and the 20-MW Olilicon hydropower plant (the "Alimit Project").

All four of the Indigenous Peoples Organizations that will be impacted by the proposed Alimit hydropower complex have signified their Free and Prior Informed Consent (FPIC) by signing MOAs.

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

Non-Renewable Energy

Therma Power, Inc. (TPI)

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

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Coal Group						
TLI	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/WESM
PEC	50%	Pagbilao 3 (Luzon)	Coal-fired	400	200	Bilaterals
TSI	100%	TSI Plant (Mindanao)	Coal-fired	260	260	Bilaterals
TVI	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/WESM
CEDC	26.4%	Cebu Energy (Visayas)	CFB	216	57	Bilaterals/WESM

GN Power Mariveles	78.32%	Mariveles Project (Luzon)	Coal-fired	632	495	Bilaterals/WESM
STEAG Power	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71	NPC (2031)
Oil Group						
CPPC	60%	CPPC Plant (Visayas)	Bunker-C fired power plant	66	40	Distribution utility
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired power plant	44	44	Bilaterals
SPPC	20%	SPPC Plant (Mindanao)	Bunker-C fired power plant	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
		Power Barge Mobile 2 (Mindanao)	Barge-mounted power plant	96	96	Bilaterals
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted power plant	200	200	Distribution utility
WMPC	20%	WMPC Plant (Mindanao)	Bunker-C fired power plant	100	20	Bilaterals
Cotabato Light	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired power plant	7	7	N/A
Total				3,382*	2,537*	

* Sum figures will differ due to rounding effect

Oil Group

Therma Marine, Inc. (TMI)

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

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

Therma Mobile, Inc. (TMO)

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

On January 7, 2019, TMO notified Meralco that it will physically disconnect from Meralco's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC and IEMOP, following applicable legal notice requirements. TMO signed a PSA with Meralco for a term of one year beginning April 26, 2019.

East Asia Utilities Corporation (EAUC)

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

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

Therma Power-Visayas, Inc. (TPVI)

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

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

On July 16, 2018, PSALM physically turned over the NPPC to TPVI. TPVI is currently working on the rehabilitation of the 44-MW diesel plant, which DOE has endorsed as a committed power project.

Cebu Private Power Corporation (CPPC)

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

CPPC is a joint venture company between AboitizPower and the Vivant Group. As of March 31, 2020, AboitizPower beneficially owns 60% of CPPC.

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

Southern Philippines Power Corporation (SPPC)

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

As of March 31, 2020, AboitizPower has a 20% equity interest in SPPC, a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

Western Mindanao Power Corporation (WMPC)

WMPC owns and operates a 100-MW Bunker C-fired power station located in Zamboanga City, Zamboanga Peninsula in Western Mindanao. The company was incorporated on March 15, 1996.

As of March 31, 2020, AboitizPower has a 20% equity interest in WMPC, a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

Coal Group

Therma Luzon, Inc. (TLI)

TLI, a wholly-owned Subsidiary of TPI, is the first IPPA in the country, and assumed the role of the registered trader of the contracted capacity of the 700-MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "Pagbilao Plant"). TLI was incorporated on October 20, 2009.

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

Pagbilao Energy Corporation (PEC)

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

Through TPI, AboitizPower has 50% equity interest in PEC, while TPEC Holdings Corporation owns the remaining 50% as of March 31, 2020.

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

Therma South, Inc. (TSI)

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

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

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

Therma Visayas, Inc. (TVI)

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

AboitizPower, through TPI, effectively owns 80% equity interest of TVI as of March 31, 2020. The remaining 20% is held by Vivant Group.

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

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

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

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

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

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

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

As of March 31, 2020, Abovant has a 44% equity interest in Cebu Energy, while Global Formosa owns the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in Cebu Energy as of March 31, 2020.

Redondo Peninsula Energy, Inc. (RP Energy)

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

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

STEAG State Power Inc. (STEAG Power)

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

While STEAG Power's pioneer status expired on November 14, 2012, its COC, on the other hand, has been renewed by ERC and is effective until August 2021.

As of March 31, 2020, AboitizPower has 34% equity interest in STEAG Power following the purchase of said equity from Evonik Steag GmbH (now STEAG GmbH or STEAG), Germany's fifth largest power generator. STEAG and La Filipina Uy Gongco Corporation currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

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

AA Thermal, Inc.

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

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

GNPower Mariveles Coal Plant Ltd. Co. (GNPower Mariveles or GMCP)

GMCP is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x316 MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines ("Mariveles Project").

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced on January 29, 2010 and was declared commercially available in 2013.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line owned and operated by NGCP. Substantially all of the capacity of the Mariveles Project is contracted under long term PPAs with highly-rated distribution utilities and Contestable Customers, through its designated RES, GNPower Ltd. Co.

In October 2016, TPI acquired the partnership interests held by affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). Following the receipt of approvals from Board of Investments (BOI) and PCC, TPI completed the acquisition of GMCP and GNPD on December 27, 2016.

Beginning October 13, 2017, through its general and limited partners, AboitizPower's sharing percentage on: (i) profits and losses and (ii) distributions, including net distributable liquidation proceeds, in GMCP is 66.0749%.

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

Effectively, the partnership interests in GMCP are owned by: (i) TPI, (ii) ACE Mariveles Power Ltd. Co., a joint venture between AC Energy, Inc. (ACE), a wholly-owned Subsidiary of Ayala Corporation and Power Partners Ltd. Co. (Power Partners), and (iii) Power Partners.

On January 10, 2020, GMCP became a duly registered personal information controller with National Privacy Commission (NPC).

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

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

GNPD started the construction of Unit 1 in September 2016 with target delivery in the second quarter of 2020 for Unit 1. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017 and with expected target delivery in the fourth quarter

of 2020. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

GNPD's construction is conducted in two phases: (i) the first phase is for Unit 1 and its associated ancillary facilities as well as the balance of plant, and (ii) the second phase is for an additional identical 668MW (net) unit (Unit 2) and its associated ancillary facilities. The electricity that will be produced by Unit 1 of GNPD will be exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Eventually, energy from Unit 1 and Unit 2 will be exported through NGCP's 500kV high voltage transmission line once completed.

On December 27, 2016, TPI completed the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group, L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). The sharing percentage on (i) profits and losses and (ii) distributions of AboitizPower in GNPD, through its general and limited partners, will eventually be reduced to 40%.

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself. After the restructuring on December 31, 2018, TPI directly owns a 45% partnership interest in GNPD. As of March 31, 2020, AboitizPower owns 72.50% effective partnership interest in GNPD.

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

On December 19, 2019, GNPD became a duly registered personal information controller with NPC.

On December 27, 2019, GNPD renewed its registration with the Freeport Area of Bataan (FAB). As a FAB Registered Enterprise, GNPD is entitled to the incentives granted under Republic Act (RA) No. 9728, the organic law creating the FAB.

Other Generation Assets

Cotabato Light maintains a stand-by 4.45-MW Bunker C-fired power plant capable of supplying approximately 14.16% of its requirements as of December 31, 2019.

Future Projects

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

DISTRIBUTION OF ELECTRICITY (POWER DISTRIBUTION BUSINESS)

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

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

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

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

The power distribution business' earnings contribution to AboitizPower's business segments in 2019 is equivalent to 24%. The Distribution Utilities had a total customer base of 1,030,726 as of end-2019, compared to 995,828 in 2018, and 954,300 in 2017.

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

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Davao Light	2,633,920	2,468,192	2,317,985	454	421	404	420,666	404,574	384,434
Cotabato Light	173,114	165,409	153,973	31	31	29	43,449	41,681	41,110
Visayan Electric	3,500,781	3,159,032	2,938,532	601	547	522	450,088	437,823	422,814
SFELAPCO	714,948	665,425	623,607	140	134	116	112,091	107,536	101,942
Subic Enerzone	329,633	423,939	517,558	62	100	106	3,473	3,343	3,267
Mactan Enerzone	117,433	123,276	114,272	22	22	21	87	85	83
Balamban Enerzone	101,885	100,554	91,273	27	27	27	34	31	31
Lima Enerzone	249,394	224,175	197,908	44	39	33	834	755	619
Malvar Enerzone	51	N/A	N/A	0.06	N/A	N/A	4	N/A	N/A
Total	7,821,159	7,330,002	6,955,108	1,382	1,320	1,258	1,030,726	995,828	954,300

Visayan Electric Company, Inc. (Visayan Electric)

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

Visayan Electric, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The franchise has been renewed in September 2005 for a period of 25 years or until September 2030.

As of 2019, Visayan Electric's total systems loss is at 6.00%. This includes a feeder loss level of 4.38%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower directly holds a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant Group.

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

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

Davao Light was incorporated on October 11, 1929, and acquired by the Aboitiz Group in 1946. Davao Light's original 50-year franchise, covering Davao City, was granted in November 1930 by the Philippine Legislature. The most recent renewal of the franchise was in September 2000 for a period of 25 years, or until September 2025.

52.29% of Davao Light's power supply mix is from renewable energy sources, including NPC-PSALM, Hedcor Sibulan, and Hedcor's Talomo plant.

In 2019, Davao Light has upgraded certain substations and its associated 13.8 kV distribution feeders, as well as various distribution lines in different zones in Davao City. This is to increase capacity, reliability, and flexibility in the sub-transmission and distribution network of Davao Light's franchise and cater to the growing power demand of customers and the thriving economy. The company has also completed the construction and upgrade of a total of 8.2 circuit kilometers of 13.8 kV line and 6 circuit kilometers of 69 kV line. Its Underground Distribution System (UDS) project, which was started in 2019, is slated for completion by 2020.

The growth in demand resulted in total sales of 2,633,920 MWh as of December 2019. Davao Light recorded a total growth in energy sales for 2019 of 6.71% and increase of demand of 7.73%.

As of 2019, Davao Light's total systems loss is at 7.32%., This includes a feeder loss of 4.28%, which is below the government-mandated feeder loss cap of 6.25%.

AboitizPower has a 99.93% equity interest in Davao Light as of March 31, 2020.

Cotabato Light and Power Company (Cotabato Light)

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

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 14.16% of its franchise area requirements. The standby power plant, capable of supplying electricity in cases of supply problems with its power suppliers or NGCP and for the stability of voltage whenever necessary, is another benefit available to Cotabato Light's customers.

As of 2019, Cotabato Light's total systems loss is at 8.08%. This includes a feeder loss of 7.36%, which is above the government-mandated feeder loss cap of 6.25%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

As of March 31, 2020, AboitizPower directly owns 99.94% equity interest of Cotabato Light.

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

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

SFELAPCO's franchise in the the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. As of Decembebr 31, 2019, it includes 597.466 and 997.026 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. SFELAPCO supplies various barangays in certain cities and municipalities of Pampanga.

As of 2019, SFELAPCO's systems loss is at 4.86%. This includes a feeder loss of 3.34%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower has an effective equity interest of 43.727% in SFELAPCO.

Subic EnerZone Corporation (Subic EnerZone)

On June 3, 2003, Subic Enerzone was incorporated as a joint venture owned by a consortium including Davao Light, AEV, and SFELAPCO, among others, to undertake management and operation of the SBFZ power distribution utility.

As of January 31, 2020, Subic EnerZone served a total of 3,346 customers, consisting of 82 industrial locators, 1,167 commercial locators, 1,975 residential customers, 103 streetlights and 19 industrial locators under RES.

As of 2019, Subic EnerZone's systems loss is at 3.54%. This includes a feeder loss of 3.17%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower owns, directly and indirectly through Davao Light, a 99.98% equity interest in Subic EnerZone.

Mactan Enerzone Corporation (Mactan Enerzone)

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

Mactan Enerzone sources its power from SN Aboitiz Power-Magat and Green Core Geothermal Incorporated pursuant to a CSEE.

In 2019, Mactan Enerzone served a total of 53 captive industrial locators, 28 captive commercial locators, and 3 industrial locators under RES.

As of 2019, Mactan Enerzone's total systems loss is at 0.96%. This includes a feeder loss of 0.42%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower owns a 100% equity interest of Mactan Enerzone.

Balamban Enerzone Corporation (Balamban Enerzone)

Balamban Enerzone was incorporated in February 2007 when CIPDI, a joint venture between AboitizLand and THC, spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries located in Balamban, Cebu.

In 2019, Balamban Enerzone served a total of 16 captive industrial customers, 12 captive commercial customers, and six contestable industrial customers.

As of 2019, Balamban Enerzone's total systems loss is at 0.42%. This includes a feeder loss of 0.16%, which is below the government-mandated feeder loss cap of 6.25%.

As of March 31, 2020, AboitizPower directly owns a 100% equity interest of Balamban Enerzone.

Lima Enerzone Corporation (Lima Enerzone)

Lima Enerzone was incorporated as Lima Utilities Corporation on June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply.

In 2019, Lima Enerzone served a total of 93 captive industrial locators, 15 captive commercial locators, 710 captive residential customers, and 16 industrial locators under RES.

As of 2019, Lima Enerzone's total systems loss is at 5.24%. This includes a feeder loss of 0.61%, which is below the government-mandated feeder loss cap of 6.25 %.

As of March 31, 2020, AboitizPower directly owns a 100% equity interest of Lima Enerzone.

Malvar Enerzone Corporation (Malvar Enerzone)

Malvar Enerzone was incorporated in June 9, 2017 to serve and provide locators within the Light Industry & Science Park IV (LISP IV) in Malvar, Batangas. Malvar Enerzone is expected to manage the construction, installation, operation, and maintenance of the power distribution of LISP IV for 25 years. LISP IV is expected to have two 50MVA transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters.

As of 2019, Malvar Enerzone's total systems loss is at 14.79%. This consists of a feeder loss of 14.79%, which is above the government-mandated feeder loss cap of 6.25 % due to the ongoing substation construction and very low load factor for all locators in LISP IV.

As of March 31, 2020, AboitizPower directly owns a 100% equity interest of Malvar Enerzone.

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

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. With the start of commercial operations of Open Access, large-scale customers are allowed to obtain electricity from RES licensed by ERC.

Aboitiz Energy Solutions, Inc. (AESI)

AESI is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES valid until October 28, 2022. The company was incorporated on August 11, 1998.

At the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers. For the year 2019, AESI supplied retail electricity to a total of 212 customers, with total energy consumption of 2,107.09 mn kWh. As of March 31, 2020, AboitizPower owns a 100% equity interest of AESI.

Adventenergy, Inc. (AdventEnergy)

AdventEnergy was specifically formed to serve Contestable Customers who are located in economic zones.

AdventEnergy differentiates itself from competition by sourcing most of its electricity requirements from a renewable source. As a result, an increasing number of companies are opting to source a part, if not the majority, of their electricity supply from AdventEnergy as an environmental initiative.

During 2019, AdventEnergy supplied retail electricity to 79 customers with a total consumption of 1,409.82 mn kWh.

As of March 31, 2020, AboitizPower owns a 100% equity interest of AdventEnergy.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009 as a joint venture between AboitizPower and Vivant Corporation. It was granted a license to act as a RES valid until May 22, 2022.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy provides its customers with contract options for electricity supply that is based on their operating requirements.

During 2019, Prism Energy supplied retail electricity to 48 customers with a total energy consumption of 242.87 mn kWh.

As of March 31, 2020, AboitizPower directly owns a 60% equity interest in Prism.

SN Aboitiz Power – Res, Inc. (SN Aboitiz Power - RES)

SN Aboitiz Power-RES is the retail arm of the SN Aboitiz Power Group. SN Aboitiz Power-RES is a joint venture between ARI and SN Power. As of March 31, 2020, its 60% equity interest is owned by MORE with the remaining 40% owned by SN Power Philippines.

SN Aboitiz Power-RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last twelve months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

In 2019, the company contributed strongly to the SN AboitizPower Group's financial bottomline, with a net revenue of ₱565 mn compared to ₱114 mn in 2018. This was driven by successful buy contracts booked under SN Aboitiz Power-RES.

(ii) Sales

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

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

	2019	2018	2017
Gross Income	₱126,216	₱131,572	₱119,391
Operating Income	28,856	36,497	34,174
Total Assets	₱409,933	₱389,662	₱361,477

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

Comparative amounts of revenue contribution and corresponding percentages to total revenue by business group are as follows:

	2019		2018		2017	
Power Generation	₱84,379	53%	₱85,580	54%	₱78,252	31%
Power Distribution	48,029	30%	46,989	29%	44,392	54%
Retail Electricity Supply	24,566	15%	26,191	16%	19,971	14%
Services	1,965	1%	1,098	1%	1,407	1%
Total Revenue	158,939	100%	159,858	100%	144,021	100%
Less: Eliminations	(32,723)		(28,286)		(24,630)	
Net Revenue	₱126,216		₱131,572		₱119,391	

Note: Values are in Million Pesos.

(iii) Distribution Methods of the Product or Services

POWER GENERATION BUSINESS

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

POWER DISTRIBUTION BUSINESS

Ancillary Services are necessary to help ensure a reliable and stable Grid, which co-exist with the energy market or WESM. NGCP signs ASPA with qualified generators to fulfill specific ancillary service requirements per Grid. Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, and TLI have ASPAs with NGCP. The SN Aboitiz Power Group delivers regulating, contingency, and dispatchable reserves, blackstart service and reactive power support, through its three power plants, namely Ambuklao Plant, Binga Plant, and Magat Plant. TLI's Pagbilao plants are also delivering contingency reserves to the Luzon Grid under its ASPA. On March 26, 2018, ERC approved TMI's ASPA with NGCP for a maximum period of five years. TMI provides both contingency and dispatchable reserves to the Mindanao Grid on a non-firm basis.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, Hedcor Sabangan, and Hedcor Manolo Fortich 1 plants, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river HEPPs. Hedcor, Hedcor Tudaya, Hedcor Sabangan, and Hedcor Bukidnon, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-All Administrator, for the collection and payment of the FIT. The power generated by Hedcor Tudaya 2 is covered by a RESA. Currently, Hedcor Bukidnon and Hedcor are applying for FIT eligibility of the 27.38MW Manolo Fortich 2 and 20.4MW La Trinidad Project plants, respectively.

AboitizPower's Distribution Utilities have exclusive distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV, and 69 kV, while smaller industrial, commercial, and residential customers receive electricity at 240 V or 480 V.

With the exception of Malvar Enerzone, all of AboitizPower's Distribution Utilities have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities to receive power from PSALM to their respective independent power producers to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by ERC.

RETAIL ELECTRICITY SUPPLY BUSINESS

AboitizPower's wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI maintain a portfolio of energy-based supply contracts from renewable and non-renewable sources to secure reliable and affordable electricity for its customers. These electricity supply contracts involve a mix of fixed rate and margin based electricity fees that are updated year on year to ensure that supply is maintained at competitive rates.

(iv) New Products/Services

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

(v) Competition

POWER GENERATION BUSINESS

AboitizPower continues to face competition in both the development of new power generation facilities and the acquisition of existing power plants. Competition for financing these activities, as well as the demand for use of renewable energy sources, remains to be a challenge to AboitizPower's growth and portfolio of assets.

The continued robust economic growth of the Philippine economy, the presence of a market to sell, such as WESM, and the country's growing energy needs have attracted many competitors, including multinational development groups and equipment suppliers, to explore opportunities in electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

In particular, AboitizPower is expected to face competition from leading multinationals such as AES Corporation, TeM Energy, The Electricity Generating Public Company Limited (EGCO), and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power Corporation, AC Energy, First Gen Corporation, DMCI Holdings, Inc., Meralco PowerGen Corporation, and SMC Global Power.

With the commencement of retail competition and Open Access, these foreign and local generation companies have already set up their own RES business, which include Direct Power RES, and Ecozone Power Management Inc. RES. Of these, the largest player in terms of number of registered Contestable Customers is MPower RES.¹ The main strength of this largest player is its association with the country's largest distribution utility, MERALCO, and the goodwill that comes from its size and dominance.

POWER DISTRIBUTION BUSINESS

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

RETAIL ELECTRICITY SUPPLY BUSINESS

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of November 2019, there are 32 RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share at 31.61%. AboitizPower, through its RES companies, has the second-largest market share at 19.69%,² with contracted capacity of 756.89 MW³ as of November 2019.

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

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

(vi) Sources of Raw Materials and Supplies

POWER GENERATION BUSINESS

The Generation Companies produce energy using the following fuel types based on attributable net selling capacity: 17% hydropower, 8% geothermal, 1% solar, 59% coal, and 15% oil. In 2019, renewable fuel sources comprised 73% of attributable net selling capacity, while thermal accounted for 27%.

The hydropower facilities of some of the Generation Companies harness the energy from the flow of water from neighboring rivers to generate electricity. These facilities have impounding dams allowing the storage of water for later use. The hydroelectric companies on their own, or through NPC as in the case of LHC, possess water permits issued by National Water Resources Board (NWRB), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

¹ Based on ERC's Competitive Retail Electricity Market Report released in August 2019.

² Excluding SFELAPCO which is 20.284% owned by AboitizPower.

³ Excluding SFELAPCO which is 20.284% owned by AboitizPower.

APRI's steam requirement for its geothermal power generation continues to be supplied by PGPC. The terms of the steam supply are governed by a Geothermal Resource Sales Contract under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells over the next six years.

Oil-fired plants use Bunker-C fuel to generate electricity. SPPC and WMPC source fuel from Pilipinas Shell Petroleum Corporation and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, and TMO has a fuel supply agreement with Shell and Phoenix Petroleum. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for the Pagbilao Plant annual coal requirements. Nevertheless, it is continuously looking for and evaluating other coal sources to diversify sources and ensure security of supply.

Likewise, TSI has annual coal supply contracts for its coal plant in Mindanao. It applies the same sourcing strategy as that of Pagbilao where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. GMCP, STEAG Power, and CEDC also have long-term coal supply agreements.

POWER DISTRIBUTION BUSINESS

The rates at which the Distribution Utilities purchase electricity from affiliated Generation Companies are established pursuant to bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with a Distribution Utility. These agreements are entered into on an arms'-length basis, on commercially reasonable terms, and are approved by ERC. ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from affiliated Generation Companies.

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

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a 10-year PSC with San Miguel Consolidated Power Corporation (SMCPC) for a supply of 60MW in 2016. SMCPC began supplying the 60-MW contracted capacity in February 2018. Davao Light also renewed its Contract to Supply Electric Energy (CSEE) with PSALM for a period of three years from 2018, 2019, and 2020 for 133 MW, 140 MW and 140 MW, respectively. To cover its peak demand requirement for 2018 to 2021, Davao Light has Non-Firm ESAs with TMI and WMPC for up to 45MW and 60MW, respectively.

To address long-term power supply requirement, Visayan Electric entered into a 25-year Electric Power Purchase Agreement (EPPA) with CEDC in October 2009 for the supply of 105 MW. In December 2010, Visayan Electric signed a five-year PSA with GCGI for the supply of 60 MW at 100% load factor which was extended for another ten years in October 2014. Visayan Electric also has a PPA with CPPC which expired in 2013. A new PSA has since been signed is pending for ERC approval. ERC has allowed Visayan Electric to continue drawing power from CPPC under the same terms and conditions of the expired PPA until ERC approves the 2013 PSA. Visayan Electric also has a 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Malvar Enerzone has a power supply contract with Batangas II Electric Cooperative, Inc. to meet the ecozone's power requirements until its electricity demand is stable.

The provisions of the Distribution Utilities' PPAs are governed by ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract. Distribution Utilities also enter into PSAs with various generation companies.

Transmission Charges

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

Distribution Utility	Valid until
Davao Light	January 25, 2024
Lima Enerzone	July 25, 2022
Mactan Enerzone	January 25, 2020*
Balamban Enerzone	January 25, 2020*
SFELAPCO	December 25, 2023
Cotabato Light	August 25, 2023
Visayan Electric	January 25, 2024
Subic Enerzone	August 25, 2023

** Ongoing applications with NGCP for renewal of their TSAs*

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

(vii) Major Customers

POWER GENERATION BUSINESS

As of December 31, 2019, out of the total electricity sold by AboitizPower's Generation Companies, approximately 95% is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 5%, is sold by the Generation Companies through the WESM.

POWER DISTRIBUTION BUSINESS

AboitizPower's Distribution Utilities have wide and diverse customer bases. As such, the Company believes that loss of any one customer is not expected to have a material adverse impact on AboitizPower. The Distribution Utilities' customers are categorized into four principal categories:

- (a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations, and shopping malls;
- (b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes;
- (c) *Commercial customers.* Commercial customers include service-oriented businesses, universities, and hospitals; and
- (d) *Other customers.* Customers not falling under any of the above categories.

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government account, or special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

RETAIL ELECTRICITY SUPPLY BUSINESS

As of February 29, 2020, AboitizPower's RES business has approximately 312 Contestable Customers with active contracts, from a wide number of industries, including property development, meat

processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

(viii) Patents, Copyrights, and Franchises

POWER GENERATION BUSINESS

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

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

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

AboitizPower's HEPPs are also required to obtain water permits from NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

AboitizPower, its Subsidiaries, and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by DOE.

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

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00336L*	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 16-05-M-00061M*	Hedcor, Inc.	Talomo 1 – Unit 1	Hydroelectric Power Plant	Calinan, Davao City	500 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 1 – Unit 2			500 kW			
COC No. 16-05-M-00062M*	Hedcor, Inc.	Talomo 2 – Unit 1	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2 – Unit 2			200 kW			
		Talomo 2 – Unit 3			200 kW			
COC No. 16-05-M-00063M*	Hedcor, Inc.	Talomo 2A – Unit 1	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 2A – Unit 2			200 kW			
COC No. 16-05-M-00064M*	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00065M*	Hedcor, Inc.	Talomo 3 – Unit 1	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
		Talomo 3 – Unit 2			960 kW			
COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25 years	May 18, 2015
		Sibulan A – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25 years	May 18, 2015
		Sibulan B – Unit 2			13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	March 10, 2019- March 9, 2024	March 5, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No. 19-03-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro		March 5, 2019

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
		Tudaya 2 – Unit 2			2.775 MW	Hydro	April 11, 2019-April 10, 2024	
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25 years	September 29, 2015
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ 1, Lapu-Lapu City, Cebu	49.60 MW	Bunker C	June 11, 2018 – June 10, 2023	March 27, 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/ Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
		N/A	Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	November 11, 2015
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25 years	

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018
COC No. 17-03-M-00309L	SN Aboitiz Power – Benguet, Inc.	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 – March 11, 2022	March 9, 2017
		Binga – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Diesel Auxiliary Generator Set		330.40 KW	Diesel		
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 - August 30, 2021	August 18, 2016
		Ambuklao – Unit 2			34.85 MW			
		Ambuklao – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2016 - August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	March 25, 2015
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23 years	May 4, 2015
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23 years	May 4, 2015
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25 years	November 26, 2015
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25 years	November 26, 2015
		Plant C, Unit 6			57 MW			
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	September 1, 2015 - August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25 years	January 19, 2016 - August 31, 2020
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 - September 19, 2024	September 20, 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		

*Awaiting issuance of renewal of COC from ERC.

POWER DISTRIBUTION BUSINESS

Under EPIRA, the business of electricity distribution is a regulated public utility business that requires a franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones are not required to obtain a franchise from Congress, but must be duly registered with PEZA in order to operate within the economic zone.

All distribution utilities are required to submit to ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code, which provides the rules and regulations for the operation and maintenance of distribution systems, and the performance standards set out in the Implementing Rules and Regulations (IRR) of EPIRA.

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

Distribution Utility	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. (RA No. 9339 was approved on Sept. 1, 2005.)	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years, or from September 24, 2005 to September 24, 2030	
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960 (Lapsed into law September 7, 2000.)	Valid until September 7, 2025
	ERC CPCN Decision dated February 26, 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	
Cotabato Light	RA No. 10637	25 years from effectivity of RA No. 10637, as amended (RA No. 10637 was approved on June 16, 2014.)	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 years, or from June 17, 2014 or until June 16, 2039	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	25 years, or from March 24, 2010 to March 23, 2035	
Subic Enerzone	Distribution Management Service Agreement (DMSA) between Subic Enerzone and joint venture of AEV- Davao Light	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028.

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone which operate the power distribution utilities in MEPZ II, WCIP, LTC, and LISP4 respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

RETAIL ELECTRICITY SUPPLY BUSINESS

Like power generation, the business of supplying electricity is not considered a public utility operation under EPIRA, but is considered a business affected with public interest. As such, EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from ERC. With the implementation of Open Access in 2013, AboitizPower's RES Subsidiaries, AESI, AdventEnergy, SN Aboitiz Power – RES, and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator.

Trademarks

AboitizPower and its Subsidiaries own, or have pending applications for the registration of, intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications the Company and its Subsidiaries have filed with the Philippine IPO and their pending trademark applications abroad.

Philippine IPO

Trademarks	Owner	Registration No./Date Issued	Status
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ November 11, 2010	Registered.

Trademarks	Owner	Registration No./Date Issued	Status
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ November 11, 2010	Registered.
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ November 11, 2010	Registered.
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ February 10, 2011	Registered.
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ January 13, 2006	Registered.
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019	Registered.
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010	Registered.
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11, 2010	Registered.
AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011	Registered.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ August 20, 2007	Registered.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ August 20, 2007	Registered.
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007	Registered.
Cotabato Light Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ May 29, 2019	Registered.
Davao Light Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ May 29, 2019	Registered.
Balamban Enerzone Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ May 29, 2019	Registered.
Mactan Enerzone Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ May 29, 2019	Registered.
Lima Enerzone Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ May 29, 2019	Registered.
Malvar Enerzone Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ May 29, 2019	Registered.
Subic Enerzone Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ May 29, 2019	Registered.
Visayan Electric Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ August 29, 2019	Registered.
MORE Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4/2018/00018077 February 21, 2019	Registered.
SN ABOITIZ POWER GROUP Logo (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc.	4/2018/00018076	Registered.
SN ABOITIZ POWER-BENGUET, INC. Logo	SN Aboitiz Power-Benguet, Inc.	4/2014/00005209/ December 29, 2016	Registered.
NURTURE NATURE, NURTURE LIFE Logo	SN Aboitiz Power-Benguet, Inc.	4/2011/00001049/ May 19, 2011	Registered.
SNAP ABOITIZ POWER-MAGAT, INC. Logo	SN Aboitiz Power-Magat, Inc.	4/2014/00005208/ March 9, 2017	Registered.
THE POWER TO MAKE A DIFFERENCE Logo	SN Aboitiz Power-Magat, Inc.	4/2011/001048/ May 26, 2011	Registered.
 Logo	SN Aboitiz Power-Magat, Inc.	June 7, 2018/ 4/2017/00018969	Registered.

International Trademarks Application (Madrid Protocol)

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office (WIPO)
AboitizPower Word Mark (Class Nos. 30, 40, 42)	Vietnam
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Word Mark (Agenda Nos. J00.2015.02.7275-77) (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Get It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Indonesia
AboitizPower	Myanmar
Cleanergy	Myanmar
Cleanergy Get It	Myanmar
Cleanergy Got It	Myanmar

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

(ix) Government Approval

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

(x) Effect of Existing or Probable Governmental Regulations

1. WESM in Mindanao

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

- (a) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;
- (b) Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by ERC, and trial operations of the WESM, among others;
- (c) Conduct of the Trial Operation Program for the WESM;
- (d) Automatic termination of IMEM; and
- (e) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

WESM in Mindanao was originally targeted to start in October 2018, but was deferred because some conditions precedent for full commercial operations were not yet complied. Trial operations were conducted in 2018 to ensure the readiness of eventual WESM participants in Mindanao. In September 2019, the DOE and the IEMOP announced that commercial operations of the WESM in Mindanao is targeted on January 26, 2020. However, ERC is yet to promulgate the new Price Determination Methodology which is one of the conditions precedent to commence full commercial operations.

2. Independent Electricity Market Operator (IEMOP)

On February 4, 2018, DOE issued Circular No. DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the WESM. The policy on IMO outlines the mandates of DOE and ERC over the IMO, its guiding principles, composition, including a board

composed of at least five members, its functions, WESM's new governing and governance structure, and the conditions for transition.

The IMO transition plan called for the formation of a new company called the IEMOP as an independent market operator, with PEMC remaining as WESM's governing body. Previously, PEMC oversees both the operations and governance functions of WESM. The transition also entails the reconstitution of the PEMC Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

On September 26, 2018, IEMOP formally took over operations of the WESM from PEMC. IEMOP facilitates the registration and participation of generating companies, distribution utilities, directly connected customers or bulk users, suppliers and contestable customers in the WESM. It also determines the hourly schedules of generating units that will supply electricity to the Grid, as well as the corresponding spot-market prices of electricity via its Market Management System.

Currently, the IEMOP is under legislative review by the House Committee on Energy specifically on its roles and functions as well as the legal basis for its establishment. This is in response to several House Resolutions calling for the review of the IEMOP in aid of legislation.

3. Proposed Amendments to the EPIRA

Since the enactment of the EPIRA in 2001, members of Congress have proposed various amendments to the law and its IRR. A summary of the significant proposed amendments are as follows:

- (a) Classification of power projects as one of national significance and imbued with public interest;
- (b) Exemption from VAT on the sale of electricity by generation companies;
- (c) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
- (d) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
- (e) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
- (f) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
- (g) Regulation of generation, transmission, distribution, and supply rates to allow Return-on-Rate-Base (RORB) up to 12%;
- (h) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
- (i) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
- (j) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
- (k) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the Grid and/or nationally installed generating capacity;

- (l) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
- (m) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
- (n) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
- (o) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
- (p) Grant of authority for NPC to generate and sell electricity from remaining assets;
- (q) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity; and
- (r) Creation of a consumer advocacy office under the organizational structure of ERC.

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

On December 13, 2006, ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering Performance-based Regulation (PBR) for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the RORB mechanism, which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

ERC has also implemented a Performance Incentive Scheme (PIS) whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by ERC, such as the: (a) average duration of power outages; (b) average time of restoration to customers; and (c) average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

The second regulatory period of Cotabato Light ended on March 31, 2013, while that of Visayan Electric and Davao Light ended on June 30, 2014. In addition, the second regulatory period of Subic Enerzone and SFELAPCO ended on September 30, 2015. The reset process for the subsequent regulatory period, however, has been delayed due to the issuance by ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RDWR. Said paper aims to revisit various matters relating to the reset process. ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

On December 22, 2015, Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. Public consultations were held on various dates in Metro Manila, Cebu and Davao.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, ERC adopted the Resolution Modifying the RDWR for Privately Owned Distribution Utilities Entering PBR. Based on said Resolution, the Fourth Regulatory Period shall be as follows:

- (a) Cotabato Light: April 1, 2017 to March 31, 2021
- (b) Davao Light and Visayan Electric: July 1, 2018 to June 30, 2022
- (c) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, ERC posted for comments the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on said document.

The reset process for the fourth regulatory period has not yet started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity.

On June 2019, ERC posted for comments its draft Rules for Setting Distribution Wheeling Rates and Issues Paper for the Regulatory Reset of the First Entry Group (MERALCO, Cagayan de Oro Electric and Dagupan Electric). Various public consultations were held in the month of July 2019. However, during the July 29, 2019 PBR public consultation, MSK called the attention of ERC to act first on its 2015 petition on rate methodology before proceeding with the reset process. Thus, ERC put resolving the MSK petition in its priority list and resumed public hearings in September 2019. ERC also conducted Power 101 and PBR briefing sessions to various other consumer groups who said that they cannot intelligently comment on the PBR rules without understanding the concepts.

Due to the rules change on PBR, all AboitizPower Distribution Utilities have not undergone the third regulatory period.

5. ERC Regulation on Systems Loss Cap Reduction

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

Under the ERC resolution, the DSL cap for private utilities was set at 6.5% for 2018, which shall be reduced gradually on an annual basis until a DSL cap level of 5.50% is achieved by the year 2021. As of 2019, the DSL cap is already set at 6.25%. The aforementioned caps are exclusive of sub-transmission and substation losses. The aforementioned rules also provide for a performance incentive scheme (PIS), which is a price-linked reward for distribution utilities, with the goal of reducing the DSL passed on to customers and to promote efficiency in distribution systems in the long term.

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

On June 4, 2018, Cotabato Light filed an Application (dated May 18, 2018) for the Individualized Distribution System Loss Cap, requesting, among others, that it be exempted from the 6.5% cap pending the filing and approval of its application for Individualized DSL cap of 7.48% in Technical Loss and 1.77% in Non-Technical Loss and sought approval to use the previous 8.5% DSL cap instead. The case is still pending with ERC to date.

6. Competitive Selection Process

On June 11, 2015, DOE promulgate Department Circular No. DC2015-06-0008 (the “2015 DOE Circular”) which mandated all distribution utilities to undergo competitive selection process (CSP) in securing PSAs after the effectivity of the said circular. The 2015 DOE Circular also authorized ERC to adopt a set of guidelines for the implementation of the CSP. The 2015 DOE Circular took immediate effect following its publication on June 30, 2015.

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, *“A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market”* (the “ERC CSP Rules”). This resolution provides that a PSA shall be

awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed CSPs. For PSAs which were already executed but were not yet filed with the ERC and those that were still in the process of negotiation during the time of the effectivity of the ERC CSP Rules, the relevant distribution utility already had to comply with the CSP requirement before its PSA application would be accepted by the ERC. The ERC CSP Rules took immediate effect following its publication on November 7, 2015.

ERC Resolution 13, Series of 2015, was restated in ERC Resolution No. 1, Series of 2016, entitled, “*A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015.*” ERC Resolution No. 1, Series of 2016, extended the date of the effectivity of the CSP requirement from November 7, 2015 to April 30, 2016. It further stated that all PSAs executed on or after the said date would be required, without exception, to comply with the provisions of the ERC CSP Rules.

On February 1, 2018, DOE promulgated DC No. DC2018-02-0003 (“2018 DOE Circular”) entitled “*Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market.*” Through this Circular, DOE issued its own set of guidelines (the “DOE CSP Rules”) for the procurement by distribution utilities of PSAs for the Captive Market.

Under the DOE CSP Rules, all PSAs shall be procured through CSP, except for the following instances: (1) generation project owned by the distribution utility funded by grants or donations; (2) negotiated procurement of emergency power supply; (3) provision of power supply by any mandated Government-Owned and Controlled Corporation (GOCC) for off-grid areas prior to, and until the entry of New Power Providers (NPP); and (4) provision of power supply by the PSALM through bilateral contracts. A PSA may also be entered into by direct negotiation if the CSP fails twice. The DOE CSP Rules took effect upon its publication on February 9, 2018.

The validity of ERC CSP Rules and ERC Resolution No. 1, Series of 2016, was challenged before the SC on the ground that ERC, in issuing the said resolutions, amended the 2015 DOE Circular and effectively postponed the date of effectivity of the CSP requirement. Consequently, on May 3, 2019, the SC in the case of *Alyansa Para sa Bagong Pilipinas, Inc. v. ERC (G.R. No. 227670)*, declared the first paragraph of Section 4 of the ERC CSP Rules and ERC Resolution No. 1, Series of 2016, as void *ab initio*. The SC further ruled that all PSAs submitted to ERC on or after June 30, 2015 shall comply with the CSP and that upon compliance with the CSP, the power purchase cost resulting from such compliance shall retroact to the date of the effectivity of the complying PSA, but in no case earlier than June 30, 2015, for purposes of passing on the power purchase cost to the consumers.

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

On December 4, 2019, DOE issued Department Circular No. DC2019-12-0018 entitled “*Adopting a General Framework governing the utilization of Ancillary Services (AS) in the Grid*” (the “AS Circular”). The policy seeks to ensure the reliability, quality and security of the supply of electricity by adhering to principles that will provide the safe and reliable operation of the grid by taking into account the entry of emerging technologies and the intermittency of variable renewable energy generating resources.

Included in the policy is the creation of an Ancillary Services Technical Working Group (AS-TWG) that will render technical assistance and advice to DOE in developing further policies on AS. One of the main functions of the AS-TWG is to review the Philippine Grid Code (PGC) (2016 edition) to address issues on the implementation of new AS categories and Primary Response requirement. The circular orders the System Operator to ensure optimal procurement of the required Ancillary Services.

Pending the harmonization of AS-related issuances and review of the relevant provisions of PGC 2016, the classification and required levels of AS shall be in accordance with the AS categories prior to PGC 2016.

According to the AS Circular, prior to the commercial operation of the Reserve Market, the SO shall

ensure compliance with its obligation to procure the required level and specifications of AS in line with the following:

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

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

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

8. Ancillary Services Pricing and Cost Recovery Mechanism

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

As provided in the WESM rules, when reasonably feasible, the WESM Market Operator, in coordination with the WESM System Operator, shall establish and administer a spot market for the purchase of certain reserve categories. The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

The WESM Reserve Pricing and Cost Recovery Mechanism (PCRM) is intended to supplement the WESM Price Determination Methodology for purposes of providing the details of formula and procedures by which reserve trading amounts and reserve cost recovery charges for the categories of reserve that will be traded in the WESM are calculated. Once approved by ERC, this Reserve PCRM will apply to all reserve categories traded in the WESM and will supersede, to this extent, the Ancillary Services Cost Recovery Mechanism of the Transco.

The Reserve PCRM covers the determination of: (1) reserve trading amounts of reserve providers; (2) reserve cost recovery charges; and (3) administered reserve prices and reserve cost recovery charges. To date, the Reserve PCRM is the subject of an application by the WESM Market Operator, which is pending the approval of ERC.

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

On September 14, 2018, NGCP filed a Petition seeking the Commission's approval of its proposed amendments to the Ancillary Services – Cost Recovery Mechanism.

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

9. Energy Efficiency and Conservation Act

RA No. 11285 or the Energy Efficiency and Conservation Act ("ECC") was signed into law on April 12, 2019. This act established a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation, including the promotion of efficient utilization of energy, increase in the utilization of energy efficiency and renewable energy technologies, and delineation of responsibilities among various government agencies and private entities.

Under the law, all government agencies, including government-owned corporations, are directed to ensure the efficient use of energy in their respective offices, facilities, transportation units, and in the discharge of their functions. DOE will also be authorized to develop a Minimum Energy Performance (MEP) standard for the commercial, industrial, and transport sectors, and energy-consuming products including appliances, lighting, electrical equipment, and machinery, among others. DOE is also tasked to prescribe labeling rules for all energy-consuming products, devices, and equipment.

DOE will develop and enforce a mandatory energy efficiency rating and labeling system for energy-consuming products, such as air conditioners, refrigeration units, and television sets, to promote energy-efficient appliances and raise public awareness on energy saving. The law also calls for fuel economy performance labeling requirements for vehicle manufacturers, importers, and dealers. LGUs are tasked to implement the Guidelines on Energy Conserving Design on Buildings for the construction of new buildings.

Under the ECC's IRR dated November 22, 2019, DOE can visit designated establishments to inspect energy-consuming facilities, evaluate energy-management systems and procedures, identify areas for efficiency improvement, and verify energy monitoring records and reports and other documents related to the compliance requirements within office hours and with an authorized representative of the establishment present. The IRR also calls for the commissioning of a certified conservation officer and energy manager to ensure compliance and be responsible for managing energy consumption, administering programs, and other responsibilities under the law.

10. Providing for the Framework Governing the Operations of Embedded Generators

On February 8, 2019, DOE promulgated Department Circular No. DC2019-02-0003 *entitled "Providing for the Framework Governing the Operations of Embedded Generators"*. As its guiding principle the policy provides for the central dispatch by the System Operator on Embedded Generators with material impact to Grid operations for maintenance of transmission grid stability. The policy shall apply to the following:

- (a) Embedded Generators (EGs);
- (b) Distribution Utilities;
- (c) Metering Service Providers;
- (d) Market Operators;
- (e) Transmission Service Providers; and
- (f) System Operators;

The policy does not cover Self Generating Facilities, distributed generation for net metering, and off-grid generating facilities. As part of the licensing requirements under this circular, EGs shall secure COCs from ERC pursuant to existing guidelines on licensing of generation facilities.

EGs with the following characteristics are required to register in the WESM:

- (a) EGs with Pmax equal to or above regional thresholds:
 - (i) 10 MW in Luzon;
 - (ii) 5 MW in Visayas; or
 - (iii) 5 MW in Mindanao;
- (b) EGs that are below the regional Pmax threshold but have a contract outside their host distribution utility, intend to sell to the WESM, or inject power into the Grid; and
- (c) FIT-eligible renewable energy plants.

Nonetheless EGs in general may still register in the WESM on a voluntary basis.

All EGs shall comply with the Central Dispatch instructions issued by the System Operator, through the host distribution utility, in accordance with the PGC, Philippine Distribution Code, WESM Rules and Market Manuals, and other applicable dispatch guidelines. In line with this, the System Operator shall establish a dispatch protocol for EGs scheduled in the WESM and initiate necessary amendments to the existing Dispatch Protocol Manual and other relevant Market Manuals for the approval of DOE.

11. Energy Virtual One-Stop Shop Act

RA No. 11234 or the Energy Virtual One-Stop Shop Act (EVOSS Law) was signed into law by President Duterte on March 8, 2019 and became effective on March 29, 2019. DOE issued the IRR for the EVOSS Law on June 24, 2019. Under the EVOSS Law, prospective power generation, transmission or distribution companies can apply, monitor and receive all the necessary permits, and even pay for charges and fees, through the online platform called Energy Virtual One-Stop Shop (EVOSS) once it takes effect, cutting down the lengthy permitting process for the development of power projects. The EVOSS online system will be managed and maintained by DOE, while its operations will be monitored by the EVOSS Steering Committee.

EVOSS applies to all new generation, transmission, and distribution projects throughout the country as well as government agencies and other relevant entities involved in the permitting process. The system provides a secure and accessible online processing system; recognizes the legal effect, validity, and enforceability of submitted electronic documents; and develop an online payment system for all fees for securing permits or certifications. The system enables government agencies involved in pending power projects to operate under a streamlined permitting process utilizing a uniform application template and in compliance with mandated processing timelines as identified in the law. The entire process will be using a system that utilizes electronic documents and monitors permit status via an online system.

The promulgation of the EVOSS law, along with the implementation of the online system it mandates, is expected to substantially hasten the development of power projects. It has the potential to address delays brought about by lengthy government permitting processes and ultimately encourages the private sector to invest more in the power sector.

12. Prescribing Revised Guidelines for Qualified Third Party

On November 22, 2019, DOE promulgated Department Circular No. DC 2019-11-0015 also known as the *“Revised Guidelines for Qualified Third Party”*. The Qualified Third Party (QTP) Guideline Policy is an initiative that was prescribed in the EPIRA, which shall assist the distribution utilities in ensuring and accelerating the total electrification of the country.

The policy provides revisions to the existing guidelines covering the qualifications and participation of QTPs in the provision of electric services to “Unviable Areas” within the respective franchise areas of distribution utilities and electric cooperatives. As part of the Scope of the Revised QTP Guidelines, the policy shall apply to the provision of electricity services in defined as unviable areas, which include unserved and underserved electricity customers, within the franchise areas of distribution utilities.

13. Providing a Framework for Energy Storage System in the Electric Power Industry

On September 18, 2019, DOE promulgated Department Circular No. DC2019-08-0012 also known as *“Providing a Framework for Energy Storage System in the Electric Power Industry”*, which governs the regulation and operation of energy storage systems (ESS). The increasing penetration of Variable Renewable Energy (VRE) in the country has prompted the need for the recognition of ESS as one of the technologies to manage intermittent operations of the VRE-generating plants' output thereby ensuring system stability. The issuance of the circular further hastens the entry of Energy Storage Systems as part of the modernization of the Philippine power sector. It finally answers questions relating to who should

own and operate energy storage systems in the Philippines. The circular addresses policy gaps by providing a framework for the implementation and roll out of ESS in the country.

The circular applies to power industry participants, including power generation companies owning and/or operating ESS. The covered technologies include battery energy storage system; compressed air energy storage; flywheel energy storage; pumped-storage hydropower; and other emerging technologies that may be identified, qualified, and approved by DOE as ESS. The rules are also applicable to customers and end-users owning and/or operating ESS, which include distribution utilities; and directly connected customers. The circular also applies to qualified third parties; transmission network providers; system operators; market operators; and PEMC.

14. Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers Under the Green Energy Option Program

In July 18, 2018, DOE issued Department Circular No. DC2018-07-0019 also known as the *“Rules Governing the Establishment of the Green Energy Option Program (GEOP) in the Philippines.”* This sets the guidelines for consumers or end-users, renewable energy suppliers, and network service providers, among other stakeholders, in facilitating and implementing such energy source under the EPIRA.

GEOP is a renewable energy policy mechanism issued pursuant to the RE Law that provides end-users the option to choose renewable resources as their sources of energy.

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

The participation of the end-users in the GEOP will be governed by a supply contract between the end-user and the renewable energy supplier, and conform with ERC rules on distributed energy resources and generation facilities.

GEOP is presently available to end-users in Luzon and Visayas only, until such time that DOE, in consultation with the NREB and industry stakeholders, determines the readiness of the Mindanao market.

Other provisions of the GEOP include the establishment of the GEOP Oversight committee, as well as the ERC issuing regulatory framework particularly in setting the technical and interconnection standards and wheeling fees, to affect and achieve the objectives of GEOP. With regard the billing mechanism, the GEOP Rules provide that a “dual billing system” may be adopted by the end-user availing of the program.

15. Promulgating the Renewable Energy Market Rules

On December 4, 2019, DOE issued Department Circular No. DC2019-12-0016, entitled *“Promulgating the Renewable Energy Market (REM) Rules”*, thereby officially starting the Renewable Portfolio Standards (RPS) compliance process.

The REM Rules establishes the basic rules, requirements and procedures that govern the operation of the Renewable Energy Market, which seeks to:

- (a) Facilitate the efficient operation of the REM;
- (b) Specify the terms and conditions entities may be authorized to participate in the REM;
- (c) Specify the authority and governance framework for the REM;
- (d) Provide for adequate sanctions in cases of breaches of the REM Rules; and

- (e) Provide timely and cost-effective framework for resolution of disputes among REM Members and the Renewable Energy Registrar (“Registrar”).

The REM is a market for the trading of Renewable Energy Certificates (RECs) in the Philippines, intended as a venue for Mandated Participants obligated by RPS to comply with their RPS requirements. REM's objective is to accelerate the development of the country's renewable energy resources.

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

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

16. Feed-in-Tariff System

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

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

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

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. In Resolution No. 1, Series of 2017, ERC set the degressed FIT rates for hydro and biomass plants at ₱5.8705/kWh and ₱6.5969/kWh, respectively. Through a letter dated February 23, 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until December 31, 2019.

As the fund administrator of the FIT Allowance (FIT-All), Transco filed application before the ERC asking for provisional authority to implement a FIT-All rate of ₱0.2278/kWh for CY2020. On January 28, 2020, ERC released a decision authorizing Transco to collect a FIT-All rate of ₱0.0495/kWh, lower than the applied ₱0.2471/kWh rate for Calendar Year (CY) 2019. Prior to this decision, the last approved FIT-All rate is ₱0.2226/kWh for CY2018.

(xi) Cost and Effects of Compliance with Environmental Laws

The Safety Health Environment and Security (SHES) group of AboitizPower oversees the SHES programs and activities within its operational control from the corporate center, business units, to facility teams. This includes the accounting of all environmental impacts. For the Generation Group, the facilities include: (1) APRI's Tiwi-MakBan plants, (2) SacaSun San Carlos plant, (3) the Benguet, Bakun, Sabangan, Sibulan A, B, and Tudaya A), Tudaya B, Manolo Fortich, and Talomo HEPPs, (4) SN AboitizPower Group's Ambuklao, Magat, and Maris plants, (5) Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (6) Coal Group's Davao and Toledo plants. In 2019, the reporting boundary of the SHES group expanded to include AboitizPower's Distribution Utilities, namely, Cotabato Light, Davao Light, Visayan Electric, Balamban Enerzone, Mactan Enerzone, Lima Enerzone, and Subic Enerzone.

AboitizPower and its Subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives and programs. All facilities are in compliance with regulatory requirements, thus noting zero spending for remediation costs.

The alignment to international best practices in all power plants and distribution utilities are exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety.

In 2019, the total environmental management expenses increased to ₱51 mn, which is a 132% increase compared with previous year (₱22 mn). This consists of ₱4.6 mn for APRI, ₱10mn for Hedcor, ₱15.4 mn for the Coal Group, ₱1.8 mn for the SN AboitizPower Group; ₱12.4 mn for the Oil Group, and a total of ₱7 mn for the Distribution Utilities.

Of the ₱51 mn total environmental management expenses, ₱12.5 mn was allocated for capital expenditure (capex) aimed at improving pollution prevention and control. The following projects were implemented: (1) improvement of SN AboitizPower-Magat HEPP's Sewage Treatment Plant (STP), (2) improvement and total rehabilitation of SN AboitizPower-Benguet HEPP's STP, (3) installation of STP for domestic waste at CPPC, (4) Coal Group's installation of flowmeter at Toledo plant's seal pit to comply with NWRB requirements, (5) APRI Makban's automation of one unit of Continuous Ambient Monitoring System, (6) upgrade of Visayan Electric's hazardous waste storage (7) multiple installation of Davao Light's power transformer oil catch basin as oil spill containment and (8) installation of material recovery facility at Cotabato Light.

Operation expenditure (opex) projects were also implemented to improve environmental management practices on site, such as: (1) APRI's energy conservation program which resulted to 5% reduction of electricity consumption for its offices; (2) Hedcor's enhanced waste management program resulting to 65% reduction on the volume of residual wastes in 2019 as compared to the previous year; (3) SN AboitizPower-Benguet's waste minimization through construction of Eco Composting Receptacles which lead diversion of compostable waste into organic fertilizers instead of disposal to landfills; and (4) the Enerzone's Race-to-Reduce program which resulted in reduction of paper, water, electricity, and fuel consumption as compared to previous years.

AboitizPower also supports environmental initiatives that go beyond its compliance requirements. The Company takes part in AEV's A-Park program, various coastal and river clean-up activities, and biodiversity initiatives. In the year 2019, the Company has planted a total of 460,000 trees at an expanse of 960 hectares with the help of almost 3,000 volunteers. AboitizPower organized and conducted 49 coastal and river clean-up activities, wherein over 13,000 kilograms of wastes were collected. Furthermore, AboitizPower supports a number of biodiversity initiatives, such as the Mt. Malinao Biodiversity Assessment supported by APRI, Adopt-a-River supported by Cotabato Light, and Adopt-an-Estero Project at San Isidro Buhangin supported by Davao Light.

AboitizPower and its Subsidiaries received a total of 107 awards, certifications and citations in 2019. SN AboitizPower-Benguet and SN AboitizPower-Magat received the National Silver Award and National Bronze Award, respectively, during the 11th DOLE Gawad Kaligtasan at Kalusugan (GKK) Awarding Ceremony on December 11, 2019. DOE's Safety & Health Association of the Philippines Energy Sector (SHAPES) Inc. recognized SN AboitizPower as Hall of Famer in the 2019 SHAPES Corporate Outstanding Safety & Health Excellence Award.

AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and law in 2019. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

II. FOOD MANUFACTURING

Overview of the Business

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

(i) Products and Services

Feeds and Flour

PFC is primarily engaged in the manufacture and sale of flour, feeds, and their by-products. These by-products are largely wheat by-products, particularly wheat bran sold under the Pilmico Brand. It has a wide network of distributors and dealers located in major cities of Metro Manila, Cebu, Davao, Iloilo, Bacolod, and Cagayan and has established representative offices in Jakarta, Indonesia and Ho Chi Minh City, Vietnam, allowing the export and distribution of flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. As of January 31, 2020, it is one of the largest flour manufacturers in the country and is ranked among the top three domestic flour producers based on internal market data.

Flour Products

PFC produces premium quality hard wheat flour for breads and soft wheat flour for cookies and crackers. Hard wheat flour brands include: Sun Moon Star, Sunshine, Glowing Sun and Kutitap. Meanwhile, soft wheat flour brands include: Gold Star and Mega Star. The Food Group also produces a leading brand of specialty flours under the Wooden Spoon Brand. Some notable brands under the Food Group's specialty flour include: Wooden Spoon Cake Flour, Wooden Spoon All-purpose flour, Wooden Spoon Siopao Flour, and Wooden Spoon Whole Wheat Flour.

The Food Group has taken the opportunity to expand its flour business internationally. Currently, PFC has a representative office in Ho Chi Minh City, Vietnam. Through these representative offices, PFC was able to establish its flour export business, successfully distributing its flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. The Food Group expects to take further efforts to strengthen the presence of its flour business in the ASEAN region.

Feeds Products

Feeds products offered by the Food Group include aqua feeds for different stages of growing pangasius, tilapia and other species, and animal feeds for different stages of growing swine, poultry, cow, and rabbit. The Food Group also offers animal healthcare products in the Philippines as part of its objective of becoming a total solutions provider for its feeds' customers. PFC and PANC also sell feeds raw materials through their commodity trading business.

Hog and Layer Farms

The Food Group's hog and layer farms operations are conducted through its subsidiary, PANC. As of January 31, 2020, PFC, together with another wholly-owned subsidiary, Filagri Holdings, Inc. (Filagri), owns 100% equity interest of PANC. PANC operates farms and feed mill plants in Capas, Tarlac.

In January 1999, PANC began commercial operations of its feed mill plant located in Capas, Tarlac to cater to the growing demand of feeds in Luzon. Since commencing its swine operations with 4,750 sow level in the second half of 1999, PANC has grown to 14,000 sow level as of 30 September 2019, which translates to a monthly sales volume of 22,000 heads of market hogs. PANC plans to increase its sow level to 20,000 by 2021 which is expected to translate to a monthly sales volume of 32,000 heads of market hogs.

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

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

International Animal Nutrition

Pilmico International, a company organized under the laws of Singapore, is the project vehicle of AEV's first international investment in the feeds business. It was established in June 2014 as a wholly-owned subsidiary of the Company.

As of March 31, 2020, Pilmico International holds a 100% equity interest in Pilmico Vietnam Company Limited (PVN), a 100% equity interest of Pilmico Viet Nam Trading Company Ltd. (Pilmico Vietnam Trading) and a 100% equity interest in GCMH, which controls the Gold Coin Group.

Pilmico Vietnam Company (PVN)

In 2014, AEV began its expansion into the Vietnamese market via the aqua feeds segment through Pilmico International. Pilmico International acquired 70% of the total outstanding shares in PVN (formerly, Pilmico VHF Joint Stock Company and originally, Vin Hoan 1 Feed JSC), one of the largest aqua feeds producers in Vietnam. This acquisition allowed the Food Group to expand its feeds business in Vietnam and build its market base internationally. As of March 31, 2020, Pilmico International owns 100% equity interest of PVN.

PVN's operations are in Dong Thap Province in Vietnam, approximately 165 kilometres from Ho Chi Minh City. It has a current capacity of 270,000 MT per year. This capacity has supported efforts to build a commercial market in Vietnam and export market, in addition to the long-term supply agreement with Vinh Hoan Corporation.

The investment in PVN allowed the Food Group to gain a foothold in the Vietnamese aqua feeds business, and at the same time, build its reach to other aqua farm customers. This strategic move was also intended to establish a gateway to investments in other ASEAN countries like Thailand, Laos, and Cambodia, allowing the Food Group to expand its core feeds business internationally, and to diversify and gain competence in the aqua feeds product segment currently not produced in the Philippines.

Gold Coin Feedmill (Binh Duong)

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

Pilmico VN Trading

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

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

In July 2018, to further expand the Food Group's animal feeds business within the Asian region, AEV, through Pilmico International, acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group. In May 2019, Pilmico International completed its acquisition of the remaining 25% equity interest in GCMH. GCMH is an investment holding company incorporated under the laws of the British Virgin Islands in January 2000. GCMH is the parent holding entity, through which all investments in the Gold Coin Group are held and has subsidiaries in Singapore, China, Hong Kong, Indonesia, Malaysia, Vietnam, Thailand, Sri Lanka, Myanmar, Pakistan, Brunei, and the Philippines.

Headquartered in Singapore, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feeds and is a leading brand in animal nutrition with more than 21 livestock and aqua feed mills across seven countries in the Asia-Pacific, with an installed milling capacity of three million MT per year as of January 31, 2020. As of January 31, 2020, it has two research facilities located in China and Malaysia. In particular, the Gold Coin Group manufactures and sells animal feed and specialty nutrition products, including compound feed, pre-mix and additives for the livestock and aqua sectors in the Asia-Pacific region. Products and services include: (i) livestock feed such as feed for poultry broiler/layer, swine, duck, other birds and fish; (ii) aqua feed or feeds for aquaculture produce such as shrimp; and (iii) specialty nutrition or the premix and specialty concentrate complete feed. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio.

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

(ii) Distribution

PFC and PANC sells its feeds and flour products through a nationwide distribution network of dealers. PFC likewise exports its flour products to Hong Kong, Myanmar and Vietnam. PANC's hog and meat products are sold to "viajeros" or small-scale distributors and institutional customers (such as hotels, restaurant, and caterers).

In addition to its existing presence through its representative offices, through its acquisition of the Gold Coin Group, the Food Group gained access to a comprehensive platform with an extensive distribution and sales network spread across 11 countries in the Asia-Pacific region.

The Gold Coin Group has established relationships with customers, offering a number of brands of livestock and aqua feeds products with quality feed formulation across various key markets. Moreover, in 2018, the Gold Coin Group launched a sales optimization program to introduce a centrally designed sales program with an aim to integrate livestock operation, distribution, and sales channels to expand its specialty nutrition and aqua feeds. Taking advantage of this program, the Food Group is developing a stronger and multi-branded one-stop shop animal nutrition platform to address the demands of its wide range of customers across the Asia-Pacific region.

The Food Group's businesses are not dependent upon a single customer or a few customers such that a loss of any one would have a material adverse effect on the performance of its sales and distribution. The Food Group has no single customer that, based on existing orders, accounts for 20% or more of its total sale of goods and services.

(iii) New Products

International Animal Nutrition

The Gold Coin Group provides nutritional solutions and onsite technical support to customers to optimize aquaculture and farm production across the Asia-Pacific Region. As of 2018, the group has an existing 17 livestock feed mills in six countries (China, Indonesia, Malaysia, Vietnam, Sri Lanka, and Brunei); four aqua feed mills in three countries (Indonesia, Malaysia, and Thailand); and offers specialty nutrition across six countries (Malaysia, Sri Lanka, Philippines, China, Pakistan, and Myanmar). Meanwhile, research and development activities are supported by five research farms located in Malaysia, Indonesia & China, covering both Livestock and Aqua products. Its production facilities are ISO 22000/HACCP certified.

The Gold Coin Group intends to introduce innovative new products, product variants, and line extensions in the livestock and aquaculture feeds segments. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio. The group also relies on technological innovation and feed re-formulation in order to maximize profits. The capabilities of the Gold Coin Group will allow the Food Group to develop a stronger and multi-branded platform of animal nutrition products to address the demands of a wide range of customers across the Asia-Pacific Region.

(iv) Competition

As an integrated food and agri-business company primarily engaged in the manufacture and sale of animal feeds, flour, flour by-products as well as the production of swine and table eggs, the Food Group operates in a competitive industry driven by global raw material prices with an increasing trend on process improvement and digitization. Moreover, with global food demand on the rise brought by rising income from a growing middle class in developing countries, industry growth has been supported by global and domestic expansions by a growing number of agri-business players.

The Food Group's business model is well positioned at the beginning of the food value chain with facilities in the Philippines located in Tarlac (feedmill and farms) and Iligan (flourmill and feedmill). The Food Group products are distributed through external distributors and dealers located in major cities all throughout the Philippines.

The Food Group believes that it competes through cost leadership and providing a better customer experience.

PFC believes that it is among the top three domestic flour, swine, and animal feed producers in the Philippines, which include San Miguel Food and Beverage, Inc. and Universal Robina Corporation for flour, B-MEG, and Unahco for feeds, and Monterey and Robina for farms, all of which leverage on strategic logistic hubs, competitive pricing and dedicated sales support teams to drive growth. The Gold Coin Group's competitors in international feeds include Charoen Pokphand Group, Japfa Comfeed, Cargill and Proconco.

(v) Sources of Raw Materials

The Food Group, through PFC and PANC, imports wheat, soybean meal and other grains mostly from various suppliers in the United States, Canada, and Australia. This exposes the Food Group to risks arising from currency fluctuations and volatile price movements of raw materials.

PVN imports soybean meal from Argentina and the United States, and cassava from Cambodia. Rice bran and other grains are sourced from various suppliers in Vietnam.

A wide variety of raw materials are required by the Gold Coin Group to manufacture its livestock and aqua feeds products, including, but not limited to, corn grains, soya beans and meals, and wheat products. Costs of raw materials account for 80% to 85% of sales value. Corn grains and soybean, sourced from China, Malaysia, Singapore, Indonesia, and Vietnam, account for 65% to 70% raw material usage and can be subject to volatile price movements.

Efficient sourcing of these materials requires a combination of local and import strategies. In order to optimize its position as one of the largest animal nutrition providers in the Asia-Pacific Region and take advantage of the synergies between related parties and affiliates, the Gold Coin Group instituted a centralized commodity trading team for the Food Group that determines procurement and strategic sourcing activities.

(vi) Major Customers

The Food Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. The Gold Coin Group has no single customer that, based on existing orders, will account for 20% or more of its total sale of goods and services.

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

Transactions with and/or dependence on related parties are discussed at the holding company level.

Additionally, to unlock cost synergies and efficient sourcing of raw materials within the Food Group, the Gold Coin Group instituted a centralized commodity trading team that is tasked to identify and secure procurement and strategic sourcing activities. Transactions are made at arms-length, fair, and compliant with transfer pricing rules.

(viii) Patents, Copyrights, and Franchises

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

Philippine IPO

	Trademark	Registration Date	Expiration Date
1	PILMICO FOODS CORPORATION	November 28, 2005	November 28, 2021
2	SUN-MOON-STAR	October 2, 2006	October 2, 2022
3	GOLD STAR AND DEVICE	August 17, 2006	August 17, 2022
4	SUNSHINE	October 15, 2007	October 15, 2023
5	GLOWING SUN	October 2, 2006	October 2, 2022
6	KUTITAP AND DEVICE	January 17, 2005	January 17, 2021
7	KUTITAP with color claim	December 5, 2004	December 5, 2020
8	MEGA STAR AND DEVICE with color claim	November 28, 2005	November 28, 2021
9	SUNFLOUR AND DESIGN	May 5, 2008	May 5, 2024
10	PILMICO FLOUR AND DESIGN	July 30, 2009	abandoned
11	PILMICO 'M' handshake	August 12, 2010	August 12, 2020
12	Silver Star	February 24, 2012	February 24, 2022
13	Silver Star Logo with color claim	January 13, 2012	January 13, 2022
14	SUN RAYS HARD WHEAT FLOUR	February 20, 2014	February 20, 2024
15	STAR BEAM SOFT WHEAT FLOUR	December 26, 2013	December 26, 2023
16	STAR BLAZE SOFT WHEAT FLOUR	February 20, 2014	February 20, 2024
17	LUNA CAKE FLOUR	February 20, 2014	February 20, 2024
18	SUN STREAM HARD WHEAT FLOUR	February 20, 2014	February 20, 2024
19	PILMICO Device	December 26, 2013	December 26, 2023
20	PILMICO FLOUR	February 20, 2014	February 20, 2024

21	Mahalin Pagkaing Atin with color claim	July 2, 2015	July 2, 2021
22	SUNLIGHT	September 1, 2016	September 1, 2022
23	The Care Package	March 23, 2018	March 23, 2023
24	The Care Package Logo	March 24, 2017	March 24, 2022
25	WOODEN SPOON	May 4, 1993	May 4, 2023
26	WOODEN SPOON word mark for additional classes Nos. 35 and 43	December 17, 2017	December 17, 2022
27	WOODEN SPOON AND DEVICE for additional classes Nos. 35 and 43	December 17, 2017	December 17, 2022
28	PILMICO word mark	March 24, 2017	March 24, 2022
29	Silver 168	February 22, 2018	October 24, 2020
30	Yummii	December 28, 2017	August 25, 2020
31	Silver Star with Chinese Slogan Device.	February 22, 2018	October 24, 2020
32	SOLA ALL PURPOSE FLOUR	February 20, 2014	February 20, 2024
33	PILMICO logo	June 2, 2017	February 21, 2020
34	"M" handshake mark	August 17, 2017	February 20, 2022
35	Tinapay Natin	November 1, 2018	January 22, 2021
36	My Wooden Spoon	September 23, 2018	June 22, 2021
37	Flour Solutions	October 31, 2019	April 24, 2022
38	Special Purpose Flour	May 30, 2019	May 30, 2022
39	PIGROW with color claim	September 28, 2012	September 28, 2022
40	PIGROW MATERNA	May 24, 2012	May 24, 2022
41	CHICKGROW	October 18, 2019	October 18, 2022
42	PORK SOLUTIONS	August 20, 2007	August 20, 2023
43	POULTRY SOLUTIONS	August 20, 2007	August 20, 2023
44	AQUAMAX	June 6, 2013	June 6, 2023
45	POULTRY EXPRESS	April 14, 2013	April 14, 2023
46	ALAS NG SALTO	February 28, 2013	February 28, 2023
47	AEV MAX	February 8, 2013	February 8, 2023
48	SALTO	February 8, 2013	February 8, 2023
49	ANGAT SARADO	February 8, 2013	February 8, 2023
50	BASIC	February 8, 2013	February 8, 2023
51	LAKAS GATAS	February 8, 2013	February 8, 2023
52	GALLIMAX	February 8, 2013	February 8, 2023
53	SUPREMECON	July 22, 2011	July 22, 2021
54	POWERMIX	January 13, 2012	January 13, 2022
55	PILMICO FEEDS	March 8, 2012	March 8, 2022
56	GROW YOUR PROFIT	December 26, 2013	December 26, 2023
57	PARTNERS FOR GROWTH	July 16, 2010	July 16, 2020
58	PILMICO FARMS LOGO	April 17, 2014	April 17, 2024
59	PILMICO FEEDS	April 17, 2014	April 17, 2020
60	GROWING PIG LOGO	April 17, 2014	April 17, 2020
61	GROWING CHICKEN LOGO	April 17, 2014	April 17, 2020
62	GROWING QUAIL LOGO	April 17, 2014	April 17, 2020
63	GROWING PIGEON LOGO	April 17, 2014	April 17, 2020
64	GROWING DUCK LOGO	December 26, 2013	April 17, 2020
65	POWERHEAL	April 17, 2017	April 17, 2020
66	POWERBOOST	December 8, 2016	March 29, 2020
67	Immunodigest	December 8, 2016	December 8, 2021
68	AVEMAX	September 29, 2016	March 7, 2020
69	CIVIC	June 22, 2017	March 7, 2020

70	ELITE	June 22, 2017	March 7, 2020
71	SALTO	July 29, 2017	March 7, 2020
72	ULTIMAX	September 7, 2017	April 26, 2020
73	EGG2GO	September 13, 2018	January 23, 2021
74	Bagwis	September 13, 2018	January 23, 2021
75	Gut Protech	January 23, 2018	January 23, 2021
76	With Gut ProTech	July 19, 2018	January 23, 2021
77	Worm Buster word mark	November 1, 2018	February 2, 2021
78	Worm Buster device mark	November 1, 2018	February 2, 2021
79	YOLO! Chicha, atbp.	September 23, 2018	March 15, 2021
80	Dok Tilaok	March 31, 2019	June 20, 2021
81	Beat the Day	November 1, 2018	June 25, 2021
82	Taste Adventure	November 1, 2018	June 25, 2021
83	Arya	June 6, 2019	November 14, 2021
84	The Good Meat	December 12, 2018	December 12, 2021
85	Woofy	May 9, 2019	January 11, 2022
86	Prime Kennel	August 25, 2019	January 11, 2022
87	Primum	May 9, 2019	February 22, 2022
88	Power Armor	July 14, 2019	March 12, 2022
89	Powerguard	July 14, 2019	March 12, 2022
90	Powershield	July 14, 2019	April 3, 2022
91	Maxime	July 4, 2019	March 26, 2022
92	Powercharge	August 4, 2019	April 3, 2022
93	Powersurge	November 7, 2019	April 3, 2022
94	Powercure	August 4, 2019	April 3, 2022
95	Powerboost	September 23, 2019	September 23, 2022
96	Classic	September 23, 2019	September 23, 2022
97	Maxime Smiley	October 14, 2019	October 14, 2022
98	Woofy Smiley	October 14, 2019	October 14, 2022
99	M3Time	October 14, 2019	October 14, 2022
100	BETTER NOURISHMENT, BETTER CARE	October 14, 2019	October 14, 2022
101	FORK THE PORK	October 14, 2019	October 14, 2022

International Trademarks Application (Madrid Protocol)


Trademarks	Owner	Country of Application
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	Singapore, Turkey, Vietnam, South Korea
Luna Cake Flour (#1173339) (Class No. 30)	Pilmico Foods Corporation	WIPO, South Korea, China

Sola All Purpose Flour (#1341959) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, South Korea
PILMICO word mark (#1392327) (Class Nos. 5, 29, 30, 31, 35, 43, and 45)	Pilmico Foods Corporation	WIPO, USA (Guam)
Aquamax (#1372599) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Singapore, Ghana
Civic (#1377276) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, USA, Singapore
Elite (#1377277) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Singapore
Gallimax (#1372097) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, USA, Singapore
Powermix (#1372598) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, USA
Ultimax (#1404587) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, USA, Singapore
Salto (Word Mark) (#1407635) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Cambodia, Singapore, USA

Pilmico and its Subsidiaries have other pending trademark application under the Madrid Protocol for the following countries: China and Ghana.

International Trademarks Application (Non-Madrid Protocol)

Trademarks	Owner	Country of Application
PILMICO (#304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Hong Kong
PILMICO (#493122018) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Myanmar
Gallimax -313090 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Avemax -312261 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Pilmico (#2017060367) (Class No. 5)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060366) (Class No. 29)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060365) (Class No. 30)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060362) (Class No. 31)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060361) (Class No. 35)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060360) (Class No. 43)	Pilmico Foods Corporation	Malaysia
Pilmico (#2017060357) (Class No. 44)	Pilmico Foods Corporation	Malaysia
Gold Coin, WANG EMAS & Chinese Characters Device (42094) (Class No. 5)	Gold Coin Management Holdings Limited	Bangladesh
GOLD COIN & Device -8212 (Class No. 21)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device -8210 (Class No. 1)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device -8211 (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device -8214 (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam

GOLD COIN & Device -8213 (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
Gold Coin, Chinese characters & Device (19385/03) (Class No. 31)	Gold Coin Management Holdings Limited	Cambodia
GOLD COIN (3505731) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
GOLD COIN FEED & Chinese characters & device (3021536) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Gold Coin, Chinese Characters and device (300776) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN BAO in Chinese Character (3011619) (Class No.31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN HUANG in Chinese Characters (8080015) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN in Chinese Character (3505730) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN LE in Chinese Character (8080016) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Yu Li in Chinese Characters (532462) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
 (9338648) (Class No. 31)	Gold Coin (Zhangzhou) Company Limited	China
Gold Coin, Chinese characters & Device -199601055 (Class No. 31)	Gold Coin Management Holdings Limited	Hong Kong
Gold Coin, WANG EMAS & Chinese characters device -644125 (Class No. 31)	Gold Coin Management Holdings, Ltd.	India
GOLD COIN UANG MAS & Device (IDM000023251) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia
GOLD COIN UANG MAS LOGO (IDM000051919) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia
TELOR MAS (IDM000235454) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd	Indonesia
AYAMAS (IDM000212187) (Class No. 29)	Gold Coin Management Holdings, Ltd.	Indonesia
GOLD COIN & UANG MAS and Device (IDM000248677) (Class No. 31)	Gold Coin Management Holdings, Ltd.	Indonesia
Gold Coin, Chinese characters & Device (N/012262) (Class No. 31)	Gold Coin Management Holdings Limited	Macao
GOLD COIN & Device (M/066884) (Class No. 1)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066886) (Class No. 21)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066885) (Class No. 5)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066887) (Class No. 29)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066888) (Class No. 31)	Gold Coin Management Holdings, Ltd.	Malaya
ENCAP & Device (91005005) (Class No. 30)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005003) (Class No. 3)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005006) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005004) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Malaysia
Gold Coin, WANG EMAS & Chinese characters Device (87002355)	Gold Coin Services Singapore Pte Limited	Malaysia

(Class No. 29)		
GOLD COIN FEED & Device & Chinese Characters (Colour) (4/20760/2019) (Class Nos. 5 and 31)	Gold Coin Management Holdings Limited	Myanmar
GOLD COIN FEED & Device (Color) (4/20760/2019) (Class Nos. 5 and 31)	Gold Coin Management Holdings Limited	Myanmar
Gold Coin & Device (4/3780/2017) (Class No. 31)	Gold Coin Management Holdings Limited	Myanmar
Gold Coin, WANG EMAS & Chinese characters Device (A52255) (Class No. 31)	Gold Coin Management Holdings Limited	Papua New Guinea
GOLD COIN & Device (S/018303) (Class No. 31)	Gold Coin Management Holdings Limited	Sabah
GOLD COIN & Device (S/018302) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018300) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018301) (Class No. 21)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018299) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (R/017137) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/017136) (Class No. 21)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/017135) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/013574) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN BRAND WANG EMAS with Chinese Characters device (R/013576) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sarawak
ENCAP & Device (T9107668I) (Class No. 5)	Gold Coin Management Holdings Limited	Singapore
ENCAP & Device (T9107670I) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	Singapore
ENCAP & Device (T9107667J) (Class No. 3)	Gold Coin Management Holdings Limited	Singapore
ENCAP & Device (T9107669G) (Class No. 30)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462342A) (Class No. 1)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462346D) (Class No. 31)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462345F) (Class No. 29)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (T7462344H) (Class No. 21)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (T7462343Z) (Class No. 5)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN BRAND ZUELLIG WANG EMAS with Chinese Characters & device (T9105225I) (Class No. 1)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (39635) (Class No. 31)	Gold Coin (Ci) Limited	Sri Lanka
GOLD COIN SPECIALITIES & Thai Characters and Device (Kor87762) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	Thailand
Gold Coin, WANG EMAS & Chinese characters Device (TM135370) (Class No. 42)	Gold Coin Management Holdings Company, Ltd.	Thailand
Gold Coin Feed & Device -123293 (Class No. 31)	Gold Coin Management Holdings Limited	Vietnam

Gold Coin Feed & Device -123294 (Class No. 31)	Gold Coin Management Holdings Limited	Vietnam
Gold Coin, Chinese characters and Device (5263) (Class Nos. 29, 30, 31)	Gold Coin Management Holdings Company, Ltd.	Vietnam
Gold Coin, Kim Tien & Device (66493) (Class Nos. 29, 31)	Gold Coin Management Holdings Company, Ltd.	Vietnam
AMERICAN FEEDS COMPANY (25581) (Class Nos. 5, 31)	American Feeds Company	Vietnam
MAXFEED (55052) (Class No. 31)	American Feeds Company	Vietnam
ViDan (52296) (Class No. 31)	American Feeds Company	Vietnam
AF (71663) (Class No. 31)	American Feeds Company	Vietnam
AF-Plus (71664) (Class No. 31)	American Feeds Company	Vietnam
AF Sự Lựa Chọn Thông Minh Của Nhà Nông INTELLIGENT FARMERS' CHOICE (84729) (Class No. 31)	American Feeds Company	Vietnam

Pilmico and its Subsidiaries have other pending trademark applications to individual countries such as Indonesia, Thailand, Bangladesh, Brunei Darussalam, China, Macao, Malaysia, Singapore, Sri Lanka, and Vietnam.

(ix) Effect of Existing or Probable Governmental Regulations

The laws and regulations that govern the Food Group's business operations in the Philippines include the: (i) Food Safety Act of 2013 (RA No. 10611); (ii) Food and Drug Administration Act of 2009 (RA no. 9711) and the established standards and quality measures by the Food and Drug Administration in relation to the manufacturing and branding of food products to ensure its safe supply; (iii) the Livestock and Poultry Feeds Act and its implementing rules and regulations on the manufacture, importation, labelling, advertising and sale of livestock and poultry feeds; (iv) the Meat Inspection Code of the Philippines (RA No. 9296) establishing measures on quality and safety standards for the slaughter of food animals and the processing, inspection, labelling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products; (v) Consumer Act of the Philippines (RA No. 7394) and the as enforced by the Department of Trade and Industry, and the quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of food products and prohibits the manufacture for sale, offer for sale, distribution, or importation of food products which are not in conformity with applicable consumer product quality or safety standards; (vi) Price Act (RA No. 7581) on matters concerning price controls for basic and prime commodities on select circumstances of calamities and state of public emergency.

The Gold Coin Group, with companies and plant operations across several countries in the Asia-Pacific region, has secured the necessary registrations, permits, and licenses to allow it to do business in the following countries: China, Indonesia, Malaysia, Thailand, Sri Lanka, and Vietnam, among others.

(x) Major Risk/s Involved in the Business

Risks particular to the Food Group are as follows:

Outbreak of diseases, food safety and foodborne illness concerns could adversely affect the Food

There can be no assurance that the Food Group's internal controls and policies will be fully effective in preventing all food safety issues concerning the products it sells, including any occurrences of foodborne illnesses such as Salmonella, E. coli and Hepatitis A. New illnesses resistant to current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. Moreover, the poultry and livestock industry are subject to the risk of an outbreak of diseases which can impact demand for certain products of the

Food Group. For example, the outbreak of African swine fever may affect market demand for pork and protein products generally even if the Food Group's farms are not affected by the outbreak of diseases. One or more instances of food safety or a foodborne illness or illnesses related to livestock, whether or not related to the Food Group's products, could negatively affect its sales. This risk exists even if it were later determined that the illness was wrongly attributed to its products. The occurrence of food safety or a foodborne illness incident, or negative publicity or public speculation about an incident, could have a material adverse effect on the Food Group's business, financial condition and results of operations.

the supply of, or price fluctuations in, major raw materials

Many of the Food Group's products depend on raw materials, most of which are procured from third parties, including purchases of some critical raw materials from both within and outside of the Philippines. These raw materials are subject to price volatility caused by a number of factors including changes in global supply and demand, foreign exchange rate fluctuations, shipping and other transport-related factors, weather conditions, quality of crop and yield and trade and tariff policies, and government regulations and controls.

There is no assurance that raw materials will be supplied in adequate quantities or at the required quality to meet the needs of the Food Group, or that these raw materials will not be subject to significant price fluctuations in the future. Shortages in raw materials may also cause delay in the supply of products to customers. Moreover, the market prices of raw materials may increase significantly if there are material shortages due to, among others, competing usage or drastic changes in weather or natural disasters or shifts in demand from other countries such as China and India. The ability to pass along higher costs through price increases is also influenced by competitive conditions and pricing methodologies used in the various markets in which we compete. As such, there is no assurance that any increases in product costs will be passed on to consumers and any price increases that are passed along to consumers will not have a material adverse effect on price competitiveness. As a result, any significant changes or disruption in supply or material increase in the market price of raw materials could have a material adverse effect on the Food Group's business, financial condition and results of operations.

The business and sales of the Food Group are affected by seasonality

The business and sales of the Food Group are affected by seasonality of customer purchase patterns. The Food Group's products generally experience increased sales during months leading to major holiday seasons, such as Christmas and Lunar New Year. Moreover, other inputs such as grains may be affected by planting and harvest seasons as well as other weather conditions. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and its financial condition and results of operations may fluctuate significantly from quarter to quarter.

The business and prospects of the Food Group may be materially and adversely affected by increased imports of lower-priced products as import duties are decreased or eliminated

The Food Group may face increased competition from less expensive products imported to the Philippines as import duties on those products are decreased or eliminated. In particular, the Philippines is a signatory to several free trade agreements, including the ASEAN Trade in Goods Agreement ("ATIGA") and the ASEAN Free Trade Agreement. With the implementation of ATIGA, the Philippines eliminated intra-ASEAN import duties on 99.56% of its tariff lines including poultry, meat of bovine animals, flour, sausage, prepared or preserved meat, cereals, bread, pastry, cakes, biscuits, fruit juices, coffee, tea or maté, sauces and preparations, ice cream, beer, certain spirits, liqueurs, and spirituous beverages.

The Food Group has already experienced the effects of increased competition as a result of the elimination of these import duties, and expects that competition from imported products will continue to increase. In addition, any reduction in tariffs on imports from other ASEAN countries and from other countries party to a free trade agreement with the Philippines, such as China and Japan, could give rise to increased competition for the Food Group's products.

The Food Group also faces competition from other countries. If the Food Group is unable to compete effectively with lower-priced imports, its market share and sales may decrease, and its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Food Group engages in derivative and hedging transactions

From time to time, the Food Group enters into various commodity derivative instruments, such as forward purchases, caps and collars for wheat and soybean meal, to manage price risks on strategic commodities. For hedging transactions, if prices decrease, hedging positions may result in mark-to-market losses, which are, in turn, expected to be offset by lower raw material costs. As its hedging transactions are mark-to-market, to the extent that the market price of the raw materials subject to such hedging transactions falls below the fixed price under futures contracts, the Food Group's net income will be lower than it would have been had it not engaged in such transactions. Consequently, its financial performance could be adversely affected during periods in which prices of raw materials are volatile.

distributors deteriorate

The products of the Food Group are primarily sold through dealers and distributors. There is no assurance that these dealers and distributors will continue to purchase and distribute the Food Group's products, or that these dealers and distributors can continue to effectively distribute its products without delays or interruptions. In addition, the financial instability of, contractual disputes with, or labor disruptions at its dealers and distributors could disrupt the distribution of its products and adversely affect its business.

III. FINANCIAL SERVICES

Overview of the Business

UnionBank, originally known as Union Savings and Mortgage Bank, was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. UnionBank's common shares were listed on the PSE in June 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. As of January 15, 2020, UnionBank's principal shareholders are AEV, the Social Security System of the Philippines (a government-owned and-controlled corporation that provides social security to workers in the private sector), and The Insular Life Assurance Company, Ltd. (one of the leading and largest Filipino-owned life insurance companies in the Philippines).

UnionBank's core businesses are retail banking, consumer finance (comprising credit card services, mortgage and auto loans, and salary loans), corporate banking, commercial banking (comprising middle-market banking), SME banking, cash management, trust banking, treasury products distribution, funding and trading (involving management of the Bank's liquidity and funding requirements and handling of transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives). In addition, UnionBank has a private banking unit which offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier & Co. (a Swiss global wealth asset manager), and various life insurance products through its bancassurance partnership with Insular Life. As of December 31, 2019, UnionBank and its subsidiaries had 358 branches across the Philippines and a network of 470 ATMs.

For the year ended December 31, 2019:

- UnionBank's consolidated net profit was ₱14,004 mn;
- UnionBank's total consolidated resources was ₱770,919 mn;

- UnionBank's total loan portfolio was ₱393,381 mn; and
- UnionBank's total deposits was ₱484,336 mn.

For the years ended December 31, 2017, 2018 and 2019, UnionBank's Tier 1 capital adequacy ratio was 12.1%, 12.7%, and 13.2%, respectively while total capital adequacy ratio was 14.4%, 15.2% and 15.3%, respectively. Tier 1 capital adequacy ratio is determined by dividing total qualifying Tier 1 capital by total risk-weighted assets. Total capital adequacy ratio is determined by dividing total qualifying Tier 1 and Tier 2 capital by total risk-weighted assets. Both Tier 1 and total capital adequacy ratios are computed using Basel 3 standards adopted by the BSP.

(i) Principal Products and Services

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

In 2013, UnionBank acquired CitySavings, its thrift bank subsidiary that, among other services, grants teacher's loans under the Department of Education's automatic payroll deduction system ("APDS"). CitySavings has since expanded its microfinance and SME banking business through the acquisition of First Agro-Industrial Rural Bank (FAIRBank), Progressive Bank, Inc. (PBI)⁴, and Bangko Kabayan Private Development Bank (Bangko Kabayan); and entered the motorcycle lending business through its merger with Philippine Resource Savings Bank ("PR Savings Bank"). In 2018, CitySavings and UBP Investments Corporation (formerly "Union Properties, Inc."), acquired AEV's 51% interest in PETNET. In May 2018, the Department of Education approved the "Terms and Conditions of the APDS Accreditation (TCAA)" of CitySavings valid until December 2020, subject to renewal. PETNET is the country's largest network of Western Union agents, with over 3,000 branches composed of company-owned and sub-agent locations nationwide. PETNET is a BSP-licensed remittance agent, money changer and foreign exchange dealer. Apart from the Western Union money transfer service, PETNET offers money changing, bills payment, airline ticketing, personal accident insurance, and e-loading in its company-owned locations. In addition, PETNET, is an outsourced service provider of CitySavings, and facilitates and accepts applications for the Department of Education's salary loans and GSIS pension loans. PETNET, more widely known by its retail brand, Pera Hub, continues its initiatives to provide complementary products, cash, and payment-related solutions to its growing market.

UnionBank is currently strengthening its business model by repositioning itself into a digital bank to compete in the evolving banking landscape. After transforming its back-end IT infrastructure to be digital to the core and equipping its people to imbibe a digital and agile culture, the Bank launched the critical customer touchpoints. In August 2017, it launched UnionBank Online, its mobile app that offers a wide range of banking services; and the Ark, the first fully digital bank branch in the Philippines. In May 2019, the Bank introduced its new business banking platform for corporates called The Portal. The Bank also launched a digital platform for SMEs called GlobalLinker which aims to connect suppliers and customers, with services aimed at helping SMEs expand their businesses. These were part of the Bank's digital transformation plan that focuses on delivering superior customer experience while at the same time achieving cost efficiencies.

UnionBank is also expanding its core business model to the underbanked or underserved segment of the population (i.e., the portion of the adult population that is not necessarily unbanked, but actually serviced by the information and fragmented institutions relying on traditional brick-and-mortar and face-to-face delivery segments). The Bank's approach is to deliver products using innovative technologies to service these segments in a more cost-efficient manner. Leading UnionBank in this area is CitySavings together with its other rural bank subsidiaries FAIRBANK, PBI,⁵ Bangko Kabayan, as well as PETNET.

⁴ Subject to regulatory approvals

⁵ Subject to regulatory approvals

(ii) Distribution Methods

UnionBank provides its target customers' information and transaction needs through its well-trained relationship managers, strategically-located branch networks, and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service Group. UnionBank's brick-and-mortar presence is complemented by its strong digital footprint, exhibited by its website (www.unionbankph.com), online banking and mobile application ("UnionBank Online"), cash management platform for corporates ("The Portal"), customer service chatbot, EON digital bank, and various financial services digital platforms/channels.

<i>Relationship Managers</i>	Unionbank's sales force are trained to have expertise regarding the Bank's solutions-based financial services. They are also licensed by the Insurance Commission to provide customers with bancassurance products.
<i>Branch Network</i>	<p>358 branches strategically located within and outside Metro Manila to maximize visibility and expand customer reach. This includes the Bank's digital and paperless branch which allows for straight-thru processing of transactions over-the-counter or via self-service machines, and at the same time, houses branch ambassadors for product discovery and advisory services.</p> <p>The UnionBank also has an increased presence nationwide through the physical network of its subsidiaries which include CitySavings (137 branches), FAIRBank (11 branches mainly in Visayas), and PETNET (over 3,000 locations nationwide).</p>
<i>ATM Networks</i>	<p>UnionBank and its subsidiaries' network of 470 ATMs as of December 31, 2019, supplements its branch network in providing 24-hour banking services to its customers. In addition, UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders to access almost 13,000 ATMs nationwide.</p> <p>CitySavings, as of December 31, 2019, has 73 branches nationwide.</p>
<i>Call Center</i>	UnionBank's 24-hour ISO-certified call center handles retail customer relationship and care, catering to deposit and card product queries, among others.
<i>Customer Service Chatbot</i>	UnionBank's "Rafa" is the country's first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It is capable of answering customer queries on ATM and branch locations, provides latest foreign exchange data, card activations, and assists customers on exploring the Bank's various products and services.
<i>Mobile and E-Banking</i>	UnionBank Online, designed with an omni-channel user experience across various touchpoints (website and mobile app), operating systems (Android or IOS), and device types. UnionBank Online enables customers to perform banking transactions such as account opening, deposit checks, fund transfer, pay bills, and many more without visiting the branch. The Bank also introduced the upgraded version of its cash management platform for corporates called The Portal. Unique features include single sign-on for customers with multi-org access, a fully-featured mobile app, real-time fund transfers, and many more.
<i>EON</i>	Specially designed for digital commerce, EON was the first electronic money product in the Philippines with a "selfie banking" feature which employs facial recognition in authorizing transactions through a smart phone. Other products offered include: (a) the EON prepaid; (b) EON Zero, a virtual lending platform; and (c) EON Duo, a virtual credit card.

<i>Platforms and Other Digital Channels</i>	UnionBank's thrust for digital transformation prompted it to launch digital platforms and channels intended to deliver products/services to various customer segments. Some of them include: Financial Supply Chain (FSC) platform for corporate clients and their ecosystem of suppliers and dealers; GlobalLinker which creates a network of SME suppliers and customers; and other platforms launched by UBX PH to include i2i, which connects rural banks to the country's main financial network; Sentro, an online business-to-business marketplace for the SME ecosystem, with business solutions to include BUX, a payment and logistics fulfillment platform for online merchants; and SeekCap, an SME lending marketplace that offers affordable financing options. UBX also invested in Shiptek Solutions, Inc. to embed financial solutions into its shipping and logistics platform, XLog.
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(iii) New Products and Services

UnionBank offers a broad range of products and services, which include deposits and related services, corporate lending, middle market and SME lending, consumer finance loans such as mortgage, auto loans, credit cards, and salary loans, investments, treasury and capital market, private banking, trust and fund management, cash management and electronic banking, as well as bancassurance. UnionBank continues to reinvent itself from a traditional two-product bank (deposit-taking and lending) to a multi-product financial services company that leverages on technology.

Technology is at the core of the Bank's strategy. To further drive its digital shift, UnionBank launched UBX, its innovation and technology company. This wholly-owned subsidiary will focus on innovation projects such as fintech investments and providing technological services to its clients, in addition to building ecosystems and platforms.

UBX already launched several of its digital platforms such as: Project i2i, launched in May 2018 which aims to connect rural banks to the country's main financial network; Sentro, an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants; and SeekCap, developed in partnership with OneConnect (Ping An's fintech arm), which is an SME lending marketplace that offers affordable financing options and same-day approval. UBX also invested in Shiptek Solutions, Inc. to co-create and embed financial solutions into its shipping and logistics platform, XLog. Furthermore, UBX conducted several pioneering digital initiatives in the financial services space such unveiling the world's first bank-operated cryptocurrency ATM, conducting the first blockchain-based cross-border remittance transaction, and launching the country's first stablecoin, PHX.

(iv) Competition

UnionBank primarily competes against domestic and foreign banks in the Philippines that offer similar products and services. As of December 31, 2019, based on data from the BSP, there were a total of 45 domestic and foreign universal and commercial banks operating in the Philippines with total assets of P17.8 trillion, total loan portfolio of P10.0 trillion, and total deposits of P13.3 trillion. The industry is currently dominated by the three largest universal banks with over P2 trillion in assets. These banks, in particular, have greater financial and other capital resources, and a greater market share than UnionBank. As a publicly-listed bank, UnionBank also monitors its performance against the ten largest publicly-listed universal banks, which comprise 72% of total assets, 82% of total loans, and 71% of total deposits of all universal and commercial banks, based on published statements of condition as of December 31, 2019.

(v) Major Customers

The Financial Services Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and

distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

(vi) Patents, Copyrights, and Franchises

The Financial Services Group owns, or have pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos.

	Trademark	Registration Date	Expiration Date
1	DIGITAL ME	June 29, 2017	June 29, 2027
2	EON	July 30, 2017	July 30, 2027
3	EON CYBER	November 2, 2017	November 2, 2027
4	EON DUO	November 2, 2017	November 2, 2027
5	EON FOR THE DIGITAL ME	July 30, 2017	July 30, 2027
6	EON ZERO	November 2, 2017	November 2, 2027
7	EON ZOOM	November 2, 2017	November 2, 2027
8	SELFIE CASH	July 30, 2017	July 30, 2027
9	SELFIE CREDIT	June 29, 2017	June 29, 2027
10	SELFIE DEBIT	June 29, 2017	June 29, 2027
11	SELFIE LOG-IN	June 29, 2017	June 29, 2027
12	SELFIE PAY	November 2, 2017	November 2, 2027
13	SELFIE PAYMENT	June 29, 2017	June 29, 2027
14	UBP	August 7, 2014	August 7, 2024
15	UMOBILE	July 30, 2017	July 30, 2027
16	UNIONBANK OF THE PHILIPPINES & Logo	August 7, 2014	August 7, 2024
17	UNIONBANK / Class 36: Banking Services	December 19, 2005	December 19, 2025
18	UNIONBANK Logo Color: Orange, Blue	October 21, 2010	October 21, 2020
19	Union eon Cyber Account	December 5, 2013	December 6, 2023
20	UREKA	November 10, 2016	November 10, 2029
21	POW! PAY ONLINE WHEREVER	June 21, 2018	June 21, 2028
22	OWN THE FUTURE	October 25, 2018	October 25, 2028
23	THRIVE IN AN AGILE TEAM ENVIRONMENT DRIVEN BY SUCCESS.	November 11, 2018	November 11, 2028
24	SEIZE THE BOLD OPPORTUNITIES FOR GROWTH.	November 11, 2018	November 11, 2028
25	DISRUPT THE WORLD WITH SMART CHANGEMAKERS	November 11, 2018	November 11, 2028

(vii) Government Approvals

The Bangko Sentral ng Pilipinas (BSP), SEC, Philippine Deposit Insurance Corporation (PDIC), PSE, and the BIR are the major regulatory agencies that provide rules, regulations and guidelines to the Bank's activities.

UnionBank ensures that its products, services and systems have the necessary regulatory approvals and are in compliance with existing rules prior to launch.

(viii) Effect of Existing or Probable Governmental Regulations

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

Anti-Money Laundering Laws and Know Your Customer Procedures

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

Since June 2015, the Bank has put in place a new AML System equipped with monitoring tools and reporting capabilities. Beginning last September 2016, the Bank has likewise implemented a real-time sanctions screening system to screen transactions that pass through the SWIFT network. Since last year, the Bank has also implemented monitoring processes for transactions within a certain threshold. KYC and customer due diligence process remains robust through documentation of client information, review of customer risk rating and identification of ultimate beneficial owners and senior management approval, where warranted.

Finally, on an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides annual formal AML trainings to the members of the Board of Directors, Senior Management and its Branches. Senior Management, branches and other units are also required to take the AML e-learning refresher module regularly in coordination with HR Group and the Compliance and Corporate Governance Office.

Capital Adequacy

Per existing BSP regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to 10% of its risk assets. Risk assets consist of total resources after exclusion of cash on hand, due from BSP, loans covered by holdout on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items as determined by the Monetary Board of the BSP.

Under BSP Circular No. 538, Series of August 4, 2006, UnionBank's capital-to-risk assets ratio (CAR) as of December 31, 2018 is at 15.2%. As of December 31, 2019, the UnionBank's CAR was pegged at 15.3%

(ix) Major Risk/s Involved in the Business

Risks particular to the Financial Services Group are as follows:

UnionB

on the quality and timeliness of available industry and internal risk data

UnionBank, through its Enterprise Risk Management (ERM) Group, monitors all risk exposures of the Bank which include, among the others, credit risk, market, operational risk, operational risk, liquidity risk, and IT risks. The effectiveness of UnionBank's risk management, particularly on management of credit risk which is inherent in its core businesses, is bounded by the quality and timeliness of available data in the Philippines as well as internal risk data in relation to different factors such as, but not limited to, the proposed borrowers' credit history, loan exposures with other financial institutions and other external and market factors affecting overall credit. Insufficient or inaccurate risk and financial data and limitations of UnionBank's risk management systems, if any, may result to UnionBank granting loans that may expose UnionBank to significant credit risk, take positions that may expose UnionBank to

market and liquidity risks, or undertake business activities that may result in operational, IT and other material risks.

UnionBank may face increasing levels of non-performi

financial condition, results of operations, and capital adequacy

UnionBank plans to continue to expand its small and medium-sized enterprises (“SMEs”) and consumer loan operations, such as credit card services, mortgage loans, and salary loans. Such expansion plans will increase UnionBank’s exposure to SMEs and consumer debt, and volatile economic conditions in the Philippines may adversely affect the future ability of UnionBank’s borrowers, including SMEs and individual borrowers, to meet their obligations under their indebtedness and, as a result, UnionBank may experience an increase in the levels of NPLs and provisions for impairment losses in the future.

Volatile economic conditions in the Philippines, including volatile exchange and interest rates, may adversely affect many of UnionBank’s customers, causing uncertainty regarding their ability to fulfil obligations under UnionBank’s loans and significantly increasing UnionBank’s exposure to credit risk. These and other factors could result in an increased number of NPLs and delinquencies in UnionBank’s loan portfolio in the future. Any significant increase in UnionBank’s NPLs or delinquencies in UnionBank’s loan portfolio would have a material adverse effect on its business, financial condition, results of operations and capital adequacy.

***UnionBank may be unable to recover the assessed value of its collatera
on their obligations, which may expose UnionBank to significant losses***

UnionBank’s secured loans have, historically, represented a significant portion of UnionBank’s total loans. There can be no assurance that the collateral securing any particular loan will protect UnionBank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of UnionBank’s collateral may not accurately reflect its liquidation value, which is the maximum amount UnionBank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover UnionBank’s loans.

In addition, some of the valuations in respect of UnionBank’s collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing UnionBank’s loans, including with respect to any future collateral taken by UnionBank, would mean that its provisions for credit losses may be inadequate and UnionBank may need to increase such provisions. Any increase in UnionBank’s provisions for credit losses could adversely affect its business, its financial condition, results of operations and capital adequacy.

Furthermore, UnionBank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, UnionBank to legal liability while in possession of the collateral. These difficulties may significantly reduce UnionBank’s ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. UnionBank initially carries the value of the foreclosed properties at the lower of loan exposure or fair value of the properties at the time of foreclosure. Subsequently, the foreclosed properties are carried at the lower of the amount initially recognized or the fair value less cost to sell. While UnionBank, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and to prevent their deterioration. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees and taxes associated with such

realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans.

expected credit loss standards and on other relevant Philippine regulations, may be more or less stringent than those in other countries

The level of loan loss provisions which the Bank recognizes are aligned with the PFRS 9 accounting standard. Subjective determinations of significant change in credit risk may increase the variation of application of such policies and affect UnionBank's results of operations. Moreover, regulations of the BSP require that Philippine banks classify loans into several categories corresponding to various levels of credit risk as follows: pass, loans especially mentioned, substandard, doubtful and loss. These are considered in PFRS 9 expected credit loss ("ECL") stage determination, in addition to BSP Circular No. 941. Generally, the classification of loans depends on a combination of qualitative and quantitative factors, such as the number of months that payment is in arrears. Periodic examination by the BSP of these classifications in the future may also result in changes being made by UnionBank to such classifications and to the factors relevant thereto.

The BSP requirements in certain circumstances may be less or more stringent than those applicable to banks in other countries and may result in particular loans being classified as non-performing later or earlier than would be required in such countries or being classified in a category reflecting a lower or higher degree of risk. As a result, the amount of UnionBank's NPLs as well as reserves may be lower or higher than what would be required if UnionBank was located in such countries. Further, if UnionBank changes its provisioning policies to become more in line with international standards or practices or otherwise, UnionBank's results of operations may be adversely affected.

UnionBank is subject to credit, market and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds

To the extent any of the instruments and strategies UnionBank uses to manage its exposure to market or credit risk is not effective, UnionBank may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. UnionBank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. UnionBank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. UnionBank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, UnionBank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by UnionBank to effectively manage its credit, market and liquidity risk could have a negative effect on its business, financial condition and results of operations.

condition and results of operations

In the event of a downgrade of UnionBank by one or more credit rating agencies, UnionBank may have to accept terms that are not as favorable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on UnionBank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in UnionBank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or

market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce UnionBank's liquidity and negatively impact its operating results and financial condition.

IV. REAL ESTATE

Overview of the Business

Incorporated on June 2, 1964, AboitizLand (formerly Central Visayan Warehousing Co., Inc.) is the real estate arm of the Aboitiz Group. The first attempt of Aboitiz in real estate development was in 1975. Today, through AboitizLand, it is mainly engaged in the development of real estate projects with a primary focus on residential communities, integrated industrial townships and commercial hubs.

AboitizLand currently has 10 residential projects selling three different product types: lot only, house and lot, and condominiums. It is the developer and operator of three economic zones: (a) MEZ II in Lapu-Lapu City, Mactan, Cebu; (b) WCIP in Balamban, Cebu, through its Subsidiary, CIPDI; and (c) the Lima Technology Center in Malvar, Batangas. It also has six commercial projects in operations, namely: (a) The Outlets at Lipa and (b) Lima Exchange, both in Lipa, Batangas; (c) The Persimmon Plus in Mabolo, Cebu City; (d) the iMez Building; (e) Pueblo Verde; and (f) The Outlets at Pueblo Verde. The latter three commercial projects are all located in Lapu-Lapu City, Mactan, Cebu.

AboitizLand's strategy has been to step up mid-market residential launches to capitalize on the growing provincial house and lot mid-market. It expects to grow its well-performing industrial business through the continued acquisition of land in key geographic corridors and the development of complementary recurring revenue businesses and residential communities within these areas. Through this approach, AboitizLand not only looks to expand its industrial footprint but also create thriving townships in the future.

AboitizLand is also capitalizing on the new and upcoming segment of vertical developments in urban zones through its partnership with Point Blue, Inc. which created the microstudio category in the Philippines. This joint venture looks to build microstudio buildings strategically located near Metro Manila's central business districts. In addition, AboitizLand recently signed a joint venture agreement with Cebu Landmasters Inc. to develop a mixed-use vertical project in Mandaue City, Cebu. Pre-selling of the first condominium tower is expected to begin by the middle of 2020.

In conjunction with these developments, AboitizLand expects to actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the Lima Technology Center.

(i) Products and Services

RESIDENTIAL BUSINESS

During the early 1990s, AboitizLand developed upper-mid to high-end residential subdivisions, focusing mainly on horizontal (lot-only and house-and-lot) developments. Having expanded its portfolio to include mid-market residential products, AboitizLand has also introduced a number of products to the Cebu real estate market, including: (a) the New Urbanism concept of live-work-play in the large master-planned community of Pristina North; (b) Zen living, which takes off from the spa lifestyle trend, in Kishanta; (c) the commercial and residential "urban village", such as The Persimmon; (d) shophouses as a residential product in Ajoya; (e) fully-furnished affordable studio units, such as The Persimmon Studios; (f) Asian Contemporary designed units in Almiya; and (g) inspired by traditional Filipino residences in Amoa.

Cebu District Property Enterprise Inc. ("CDPEI") is a joint venture between AboitizLand and Ayala Land which was incorporated on February 20, 2014. The partnership is focused on the development of Gatewalk Central – a 17-hectare mixed-use project in Mandaue City, Cebu. The partnership leverages

the strengths of both companies, as it brings together AboitizLand's deep-rooted real estate experience in Cebu and Ayala Land's proven track record in developing master-planned and sustainable communities. AboitizLand owns a 50% equity interest in CDPEI with Ayala Land holding the remaining 50% equity interest.

In the first half of 2017, AboitizLand launched Seafront Residences, a 43-hectare beachside community located in San Juan, Batangas, and Foressa Mountain Town, a 250-hectare mountain town community located in Balamban, Cebu.

In 2018, AboitizLand launched two new residential projects in Luzon – Ajoya Capas (13 hectares) and Ajoya Cabanatuan (20 hectares). The Ajoya brand represents AboitizLand's flagship mid-market residential product, featuring modern housing units inspired by contemporary Filipino architecture, and amenities such as a town plaza, a clubhouse, and pocket parks, among others.

Subsequently in the July and August of 2019, AboitizLand further strengthened its position in the Luzon region through the launch of two new residential projects – The Villages at Lipa (50 hectares) and Ajoya Pampanga (21 hectares) respectively.

INDUSTRIAL BUSINESS

A critical component to AboitizLand's overall success is the industrial business unit, which comprised ~60% of AboitizLand's total revenues in 2019 a substantial portion of which was contributed by Lima Land, Inc. ("LimaLand"). Additionally, AboitizLand is a registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a BOT agreement with MCIAA. The 63-hectare zone is home to 52 light-to-medium manufacturing locators and has a 100% occupancy rate.

Lima Land, Inc.

Incorporated in October 1995, LimaLand is the developer and operator of the Lima Technology Center, a PEZA-registered economic zone located in Malvar, Batangas, at the heart of the CALABARZON region, the administrative region composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. Lima Technology Center is a 590-hectare industrial park catering to export-oriented locators engaged in manufacturing and warehousing operations.

Each year, LimaLand has continuously expanded Lima Technology Center to cater to new investors. The first expansion of 50 hectares in 2015 is already fully occupied by new locators. The second and third expansions totaling approximately 70 hectares were completed in 2017 to accommodate new investors and the expansion requirements of existing locators. LimaLand's ongoing construction of its fourth expansion, an additional 50 hectares, will be made available to new and existing locators by the first quarter of 2020. Simultaneously, it is currently on the design phase of its fifth expansion that is expected to add another 47 hectares of inventory in 2022.

AboitizLand envisions Lima Technology Center to be a future thriving township, combining the concepts of an integrated city and an environment for wholesome living. In line with building the township, AboitizLand launched The Outlets at Lipa with its first phase opened to the public in December 2018. The Outlets at Lipa is a 9.3-hectare commercial development located inside Lima Technology Center aimed at complementing the industrial estate by offering outlet shops, restaurants and leisure places for the ecozone employees and neighboring communities. To further build on the commercial and retail aspects available in the estate, AboitizLand started operations in Lima Exchange by launching Robinsons Supermarket together with the transport terminal in December 2019. Lima Exchange is a retail hub which broke ground in December 2018.

In terms of the residential component of the estate, AboitizLand launched its first residential project, The Villages at Lipa, in July 2019. This project is envisioned to be a 50-hectare community that is expected to develop and cultivate 2,500 housing units across three villages targeting the upper-middle- and middle-income markets.

The Company believes Lima Technology Center continues to be one of Asia's new-generation industrial parks that combine smart economics, strategic location, and a synergy of strengths, focused on ensuring the growth and profitability of its investors' enterprises.

LimaLand was formerly managed by the Alsons and Marubeni groups. AboitizLand acquired Alsons' 60% interest in October 2013 with the remaining 40% interest of Marubeni subsequently acquired in February 2014. As of January 31, 2020, LimaLand is a wholly-owned subsidiary of AboitizLand.

COMMERCIAL BUSINESS

The commercial business unit focuses on neighbourhood retail and commercial hubs that complement AboitizLand's existing industrial and residential developments. With the growth of the business process outsourcing ("BPO") sector, AboitizLand launched iMEZ in 2009, its first BPO office building, thereby expanding its product line. In 2013, AboitizLand launched its first outlet development in Visayas and Mindanao region, The Outlets at Pueblo Verde, which offers 20%-75% discounts on global brand merchandise year-round.

Additionally, AboitizLand offers property management services to support not only its own business units, but also those of the other companies within the Aboitiz Group. These services cover community security, site and infrastructure maintenance, village activities and policy administration.

Cebu Praedia Development Corporation

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

CPDC is a wholly-owned subsidiary of AEV.

Propiedad del Norte, Inc.

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

PDNI is a wholly-owned subsidiary of AboitizLand.

Cebu Industrial Park Developers, Inc.

CIPDI is a company owned by AboitizLand and the Kambara Group from Japan, through its wholly-owned subsidiary, Tsuneishi Holdings (Cebu), Inc. Incorporated on June 15, 1992, CIPDI began operations in 1993 with the development and operation of the West Cebu Industrial Park (WCIP) in Balamban, Cebu. WCIP is a 283-hectare industrial zone, catering to medium to heavy industries such as shipbuilding and allied activities. WCIP currently has 11 industrial locators as well as five commercial locators in the area. In April 2017, CIPDI brought to market the first phase of its 250-hectare sustainable mountain town community, Foressa, also located in Balamban, Cebu. This first phase is expected to be 55% sold while the site development is expected to be 83% complete by the end of 2020.

As of January 31, 2020, AboitizLand owns a 60% equity interest in CIPDI.

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

A2 Airports is a joint venture company between AboitizLand and E360, Inc., and is engaged in carrying out the business of build-to-rent microstudio developments catering to young urban professionals. Currently, A2 Airports wholly owns 78 Point Blue, Inc., Triplecrown Properties Inc. and Firmwall Systems Inc. and collectively has 4 buildings in operations located in the prime areas of Taguig and Makati City.

AboitizLand has a 50% equity interest in A2 Airports as of January 31, 2020.

(ii) Distribution Methods

AboitizLand's residential projects currently target a diverse base of customers, ranging from the middle to upper income brackets. AboitizLand now also caters to young urban professionals working in and around central business districts given its recent partnership with E360, Inc. to co-develop microstudio developments.

AboitizLand's industrial division aims to serve various locators from different industries and countries with significant interests in the Philippines.

(iii) New Products and Services

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

(iv) Competition

AboitizLand considers Ayala Land and Vista Land as its main competitors in the residential business. They currently enjoy market dominance in the locations where they compete and are considered as brand leaders in the market because of their presence in both primary and secondary cities nationwide. Both competitors target the same market that falls within their sub-brands that cater from the high-end A market to the broad C market. AboitizLand also caters to the same markets depending on the location and type of product that it offers. According to an industry report of Colliers International dated 6 February 2019, the full year 2018 market was able to pre-sell 54,000 residential units. By way of comparison, AboitizLand sold around 600 residential units in 2019, generating a substantial amount in sales revenue.

In terms of the commercial business, AboitizLand looks to strategically develop commercial spaces that will enhance its current communities. By doing so, AboitizLand aims to maximize the value footprint in these areas while servicing the needs of the community. Furthermore, the continued relevance of AboitizLand's successful track record in traditional retail formats provide a positive outlook for its largest commercial project to date, The Outlets at Lipa. Although relatively new in this segment, it was able to successfully implement new retail formats in locations it already serves. However, traditional big-box retail such as SM and Vista Land remain market leaders in the commercial business and are considered as our main competitors in this segment. While SM caters to all market classes, AboitizLand caters to the broad C to the upper B market currently focusing on the latter for its offerings at the Outlets.

Lastly, the industrial parks continue to serve as key hubs for economic activity. With its expertise, AboitizLand looks to further capitalize on these hubs not only by expanding its industrial footprint, but also through the development of recurring revenue businesses and residential communities adjacent to its industrial areas. Through this approach, AboitizLand looks to transform these industrial spaces into thriving townships. Among the national developers in the country, Ayala Land, Vista Land, and Megaworld are the main proponents of township developments. With their years of experience and land banks around the country, they remain AboitizLand's competitors in this segment. Similar to the residential and commercial business, AboitizLand caters to several markets that encompass its township developments. For example, The Villages at Lipa caters to mid – to upper-mid-market residents, The Outlets at Lipa serves retail customers, while Lima Technology Center is home to industrial locators and soon, BPO offices.

(v) Sources of Raw Materials

AboitizLand and its Subsidiaries have a broad base of suppliers, both local and foreign. They are not dependent on one or a limited number of suppliers.

(vi) Major Customers

AboitizLand's residential projects currently targets a diverse base of customers, ranging from the middle to upper income brackets. AboitizLand's industrial division serves various locators, with the slight exception of its industrial segment operated through CIPDI, which has commitments to Tsuneishi Holdings Corporation (THC) of Japan.

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

(vii) Patents, Copyrights, and Franchises

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

	Trademark	Registration Date	Expiration Date
1	ABOITIZLAND GEOMETRIC SYMBOL LOGO, with color claim	March 11, 2010	March 11, 2020
2	ABOITIZLAND MADE FOR LIFE AND DEVICE, with color claim	March 11, 2010	March 11, 2020
3	ABOITIZLAND AND DEVICE, with color claim	March 11, 2010	March 11, 2020
4	ABOITIZLAND	April 15, 2010	April 15, 2020
5	THE OUTLETS	December 4, 2014	December 4, 2020
6	THE OUTLETS AND DEVICE, with color claim	February 26, 2015	February 26, 2020
7	Ajoya word mark	March 9, 2017	March 24, 2022
8	Ajoya device mark	March 24, 2017	March 24, 2022
9	Foressa word mark	March 24, 2017	March 24, 2022
10	Foressa device mark	June 15, 2017	March 24, 2022
11	Lekeitio word mark	April 20, 2017	April 20, 2020
12	Lekeitio device mark	June 2, 2017	June 2, 2020
13	Seafront Residences word mark	July 14, 2017	July 14, 2022
14	Seafront Residences device mark	August 10, 2017	August 10, 2022
15	The Outlets Logo	July 14, 2017	July 14, 2022
16	Seafront Villas word mark	July 14, 2017	July 14, 2022
17	Seafront Villas device mark	August 17, 2017	August 17, 2017
18	La Villita word mark	July 14, 2017	March 7, 2020
19	La Villita device mark	August 10, 2017	March 8, 2020
20	Plaza Kalea word mark	September 14, 2017	March 7, 2020
21	Plaza Kalea device mark	July 14, 2017	March 7, 2020
22	Lima Exchange word mark	December 7, 2017	July 13, 2020
23	Lima Exchange device mark	October 26, 2017	July 13, 2020
24	Lima Land word mark	April 12, 2018	July 13, 2020
25	Lima Land device mark	March 22, 2018	July 14, 2020
26	Lima Technology Center word mark	June 15, 2018	July 13, 2020

27	Lima Technology Center device mark	April 12, 2018	July 13, 2020
28	The Villages at Lipa word mark	October 16, 2018	October 16, 2021
29	The Villages at Lipa device mark	October 16, 2018	October 16, 2021
30	ASIERA	October 22, 2019	October 22, 2022
31	ASIERA LOGO (FULL COLOR)	October 22, 2019	October 22, 2022
32	ASIERA LOGO (REVERSED WHITE)	October 22, 2019	October 22, 2022
33	ASIERA LOGO (ONE COLOR BLACK)	October 22, 2019	October 22, 2022
34	ASIERA HOMES LOGO (FULL COLOR)	October 22, 2019	October 22, 2022
35	ASIERA HOMES LOGO (REVERSED WHITE)	October 22, 2019	October 22, 2022
36	ASIERA HOMES LOGO (ONE COLOR BLACK)	October 22, 2019	October 22, 2022

(viii) Effect of Existing or Probable Governmental Regulations

The laws and regulations that govern the Real Estate Group's business operations include the: (i) Subdivision and Condominium Buyer's Protective Decree (P.D. 957) which outlines the necessary approvals and permits required for subdivision and condominium development projects. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the government which, together with local government units ("LGUs"), enforces these decrees and has jurisdiction to regulate the real estate trade and business. (ii) Urban Development and Housing Act of 1992 (RA No. 7279), as amended recently by Republic Act No. 10884, requiring developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least fifteen percent (15%) of the total subdivision area or total subdivision project cost, and at least five percent (5%) of condominium area or project cost, at the option of the developer, within the same city or municipality whenever feasible, and in accordance with the standards set by HLURB and other existing laws. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development; and (iii) the Condominium Act (RA No. 4726), as amended, providing additional regulation on the development and sale of condominium projects. The Condominium Act requires the annotation of the master deed or the declaration of restrictions on the title of the land on which the condominium project shall be located. The declaration of restrictions shall constitute a lien upon each condominium unit in the project, and shall bind all condominium owners in the project.

(ix) Major Risk/s Involved in the Business

Risks particular to the Real Estate Group are as follows:

AboitizLand may not be able to acquire land for new projects

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

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

AboitizLand's ability to lease sites in its development projects, including its industrial projects, could be affected by a number of factors including competition for tenants, changes in market rates, the inability to renew leases, bankruptcy of tenants, the increase in operating expenditures, and efficiency in collection, property management and tenant relations. In addition, adverse trends in the industries that

are located in AboitizLand's commercial and industrial projects could result in lower demand for leases or the inability of existing tenants to honor their lease commitments. The inability of AboitizLand to lease spaces could materially affect its business, financial condition and results of operations.

AboitizLand may not be able to complete its development projects within budgeted project costs or on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take a year or longer before generating positive net cash flow through sales or pre-sales. As a result, AboitizLand's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. The schedules of AboitizLand's projects depend on a number of factors, including the performance and efficiency of its third-party contractors and its ability to finance construction. Other factors that could adversely affect AboitizLand's project development schedules include:

- (a) natural catastrophes and adverse weather conditions;
- (b) changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- (c) delays in obtaining government approvals and permits;
- (d) changes in relevant regulations and government policies;
- (e) relocation of existing residents and/or demolition of existing constructions;
- (f) shortages of materials, equipment, contractors and skilled labor;
- (g) labor disputes;
- (h) construction accidents;
- (i) errors in judgment on the selection and acquisition criteria for potential sites; and
- (j) other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm AboitizLand's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. If a property project is not completed on time, the purchasers of pre-sold units within the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and claim damages. There is no assurance that AboitizLand will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

V. INFRASTRUCTURE

Overview of the Business

The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital, Inc. and AEV CRH, the holding company of Republic Cement & Building Materials, Inc.

(i) Products and Services

ABOITIZ INFRACAPITAL

Aboitiz InfraCapital (formerly AEV Infracapital, Inc.), incorporated on January 13, 2015, is the investment vehicle of the Aboitiz Group in all infrastructure related investments.

Aboitiz InfraCapital established itself as a provider of water supply, water distribution, wastewater treatment, and water-related infrastructure through its acquisition of equity interests in Apo Agua in 2015, Lima Water in 2017, and Balibago Waterworks Systems, Inc. (BWSI) in 2017. In addition, Aboitiz InfraCapital has been actively submitting unsolicited proposals to the government for various airport projects and is participating in the independent mobile tower sector.

Aside from its current portfolio of water infrastructure projects, Aboitiz InfraCapital submitted two unsolicited proposals to the government in 2018 involving the rehabilitation and expansion of: (i) NAIA, as part of a consortium of seven of the country's major conglomerates; and (ii) three regional airports: New Bohol International Airport in Panglao, Laguindingan Airport, and Bicol International Airport. Original Proponent Status has been granted to the NAIA Consortium, and to Aboitiz InfraCapital in respect of the New Bohol International Airport and the Laguindingan Airport. The National Economic and Development Authority ("NEDA") Investment Coordination Committee has also recently approved the proposal for the New Bohol International Airport.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology ("DICT") allowing Aboitiz InfraCapital to potentially build, operate, and maintain a network of cellular towers throughout the Philippines that it can lease to the telecommunication companies. Aboitiz InfraCapital is currently in commercial discussions with the mobile network operators.

Lima Water Corporation

Lima Water was incorporated on May 28, 1999. Lima Water provides industrial and potable water to over 80 industrial locators at the Lipa, Batangas based Lima Technology Center. Lima Water has a daily water capacity of 8,700 cubic meters. Lima Water also operates its own centralized wastewater treatment plant to ensure the proper treatment of waste water generated within the Lima Technology Park. On August 1, 2017, Aboitiz InfraCapital acquired and took full operational control of Lima Water from its affiliate AboitizLand. As of March 31, 2020, Aboitiz InfraCapital owns a 100% equity interest in Lima Water.

Apo Agua Infraestructura, Inc.

Incorporated on August 8, 2014, Apo Agua is a joint venture between AEV and J.V. Angeles Construction Corporation. The overall objective of Apo Agua is to provide a sustainable, reliable, and safe supply of bulk water to the Davao City Water District ("DCWD").

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with DCWD for the Davao City Bulk Water Supply Project (DCBWSP). Today, Apo Agua is progressing with the construction of the bulk water treatment facility, while DCWD is currently constructing and upgrading the facilities necessary to receive the treated water. The bulk water treatment facility is expected to supply over 300 million liters of water per day, equivalent to an annual supply volume of 109.5 million cubic meters.

A unique component of the project is a pioneering innovation which utilizes the "water-energy nexus" concept. The bulk water treatment facility will be powered by its own run-of-river hydroelectric power plant.

Once the DCBWSP operates in the first half of 2021, the water availability in all service connections that will be served by the project will improve with 24/7 water supply availability and adequate pressure. The project will also prevent irreversible and damaging environment effects such as salt-water intrusion, drying-up of wells, and land subsidence brought about by over extraction of groundwater.

On January 18, 2020, Apo Agua clocked in 1,717,222 safe man-hours without lost-time incident. A total of 517 residents from its host and impact barangays have been provided jobs.

As of March 31, 2020, AEV and its wholly-owned subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

NAIA and Regional Airports

Aboitiz InfraCapital is a member of the NAIA Consortium, which was granted original proponent status by the MIAA and the DOTr for its unsolicited proposal on September 10, 2018. The consortium looks

forward to being able to provide the much-needed upgrades to NAIA, complement the Government's enhancement of the overall passenger experience and improve the operational efficiency of NAIA as the nation's primary gateway. Aboitiz InfraCapital, together with the other members of the consortium, will continue to work with the Government through the next steps in the process of getting approval from the National Economic Development Authority Board, in accordance with Republic Act No. 6957, also known as the BOT law.

Similar to NAIA, Aboitiz InfraCapital was also granted original proponent status by the DOTr for its unsolicited proposal to expand, operate and maintain the new Bohol-Panglao International Airport on September 3, 2018. The Company believes this international airport located on the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. The new Bohol-Panglao International Airport replaced the old Tagbilaran Airport and was inaugurated on November 28, 2018 with an estimated capacity of two million passengers per annum.

On August 10, 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the upgrade, expansion, operations and maintenance of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor. On February 26, 2019, Aboitiz InfraCapital was granted original proponent status by the Civil Aviation Authority of the Philippines ("CAAP") for its unsolicited proposal on Laguindingan Airport. The proposal involves the operations and maintenance, including the much-needed upgrade works, of the Laguindingan Airport. The airport has been operational since 2013 with a design capacity of 1.6 million passengers per annum. According to CAAP, in 2018 the Laguindingan Airport served more than two million passengers.

On September 18, 2019, Aboitiz InfraCapital submitted to the DOTr an unsolicited proposal to operate and maintain the new Bicol International Airport. The airport is envisioned to become the new gateway to the Bicol region, helping bolster economic development of the region and contributing significantly to unlocking the large tourism potential of the region. The airport is currently being constructed by the government and is expected to be completed in 2020.

Towers

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding ("MOU") with the DICT. The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. Aboitiz InfraCapital currently has signed MOUs with Globe Telecom, Inc. on July 2, 2019 and with Smart Communications, Inc. on August 19, 2019, setting the stage to commence negotiations for the first batch of towers that Aboitiz InfraCapital intends to deliver to each mobile network operator.

CEMENT

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

AEV, in partnership with CRH plc, formed two investment vehicles for their infrastructure projects, AEV CRH and CRH Aboitiz, incorporated in July 2015. On 15 September 2015, CRH Aboitiz acquired equity interests in Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services Philippines, Inc.).

AEV CRH was initially granted the option to acquire 5,174,720,568 shares of RCBM (formerly Lafarge Republic, Inc.), representing 88.85% of RCBM's outstanding capital stock in a private sale from its major shareholder. In compliance with the requirements of the Securities Regulation Code, AEV CRH conducted a mandatory tender offer to acquire the remaining shares from the minority shareholders of RCBM. On 9 September 2015, AEV CRH accepted from the public a total of 596,494,186 shares representing 10.24% of the outstanding shares of RCBM. The tendered shares brought up AEV CRH's total shares in RCBM to 99.09% as of 29 February 2016. As of 31 January 2020, AEV CRH owns 99.40% of RCBM's outstanding capital stock.

As of March 31, 2020, AEV owns 60% and 45% equity interests in AEV CRH and CRH Aboitiz, respectively.

Republic Cement & Building Materials, Inc. (RCBM)

Incorporated on 3 May 1955, RCBM is primarily engaged in the manufacture, development, exploitation, and sale of cement, marble and a number of other building materials, and the processing or manufacture of materials for a range of industrial or commercial purposes.

In September 2015, AEV CRH acquired a total of 99.09% equity interest in RCBM partly through private sale and partly through a mandatory tender offer. AEV CRH was required to conduct a mandatory tender offer subsequent to its acquisition of approximately 88.85% of the issued and outstanding shares of RCBM through a private sale. On 14 January 2016, RCBM filed a Petition for Voluntary Delisting with the PSE, which was approved by the PSE Board of Directors, effective on 25 April 2016.

On 26 September 2016, AEV CRH's equity interest in RCBM increased to 99.37% following the increase in the par value and decrease in its authorised capital stock. RCBM's number of shareholders also fell below 200, as a result of which it ceased to be a public company. In its Order of Revocation dated 4 January 2017, the Philippine SEC granted RCBM's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities. As of 30 September 2019, AEV CRH's equity interest in RCBM has since increased to 99.40% through the purchase of three shares of minority shareholders.

RCBM's operating cement manufacturing plants are located in the following sites: (a) Barangay Minuyan, Norzagaray, Bulacan (Bulacan Plant); (b) Bo. Bigte, Norzagaray, Bulacan (Norzagaray Plant); (c) Bo. Mapulo, Taysan, Batangas (Batangas Plant); and (d) Barangay Dulumbayan, Teresa, Rizal (Teresa Plant). RCBM also has a cement grinding facility located in Bo. Dungo-an, Danao, Cebu (Danao Plant). RCBM serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers. The amount of products supplied to the Aboitiz Group is insignificant.

As of March 31, 2020, RCBM owns 100% equity interest of Republic Cement Iligan, Inc. (formerly Lafarge Iligan, Inc.) and 99.75% of Republic Cement Mindanao, Inc. (formerly Lafarge Mindanao, Inc.).

Republic Cement Mindanao, Inc. (RCMI)

RCMI was incorporated on 25 May 1957 to engage and deal in the production, purchase and sale of cement, concrete and allied products; quarrying, crushing and dealing in limestone in all its forms; and mixing, processing and sale of limestone with binder of any description. To facilitate the transition of RCMI from a Lafarge-associated entity to a CRH-Aboitiz company following the completion of the purchase of the Lafarge Philippine assets, in 2015 it changed its corporate name from "Lafarge Mindanao, Inc." to "Republic Cement Mindanao, Inc."

In its Order dated 6 April 2018, the Philippine SEC granted RCMI's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities.

Since 1999, RCMI's business operations have been concentrated mainly on cement distribution and the contracting for the manufacture of cement by an affiliate, RCII. RCMI serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers. The amount of products supplied to the Aboitiz Group is not material.

As of March 31, 2020, RCBM has a 99.75% equity interest in RCMI.

Republic Cement Iligan, Inc. (RCII)

Incorporated on 1 June 1967, RCII's primary purpose is to acquire, own, construct, manage and operate a cement plant for the manufacture and production of a range of cement and cement products or by-products, including any derivatives thereof.

RCII manufactures cement for RCMI. RCII's operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City.

On 27 December 2019, RCBM's equity interest in RCII increased to 100% following the increase in the par value and decrease in the authorized capital stock of RCII.

Republic Cement Land & Resources, Inc. (RCLR) (formerly: Luzon Continental Land Corporation)

RCLR was incorporated on 26 October 1998 primarily to acquire, develop and operate land, quarries, mining rights, buildings and other real or personal property used for mining, and process a range of ore and cement materials. It currently leases land and supplies limestone and other raw materials to its affiliate, RCBM. -No updates.

AEV CRH acquired RCLR from Calumboyen Holdings, Inc. on 15 September 2015. As of March 31, 2020, AEV CRH owned a 100% equity interest in RCLR.

Republic Cement Services, Inc. (RCSI)

RCSI was incorporated on 21 August 2001 and is the managing company of RCBM, RCMI, and RCII. As of March 31, 2020, CRH Aboitiz owns a 100% equity interest in RCSI.

(ii) Distribution Methods

In 2019, the cement sales of the Republic Cement Group were primarily made through distributors and dealers, with other sales made directly to contractors, developers, pre-cast manufacturers and ready-mix concrete companies. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

Meanwhile, Lima Water, with a daily water capacity of 8,700 cubic meters, provides industrial and potable water to over 80 industrial locators at the Lipa, Batangas based Lima Technology Center.

(iii) New Products and Services

Aboitiz InfraCapital is currently undertaking project development activities in relation to its various infrastructure projects. Meanwhile, the Republic Cement Group continues to develop high quality cement products for the builder's ease, efficiency, and flexibility.

(iv) Competition

The main competitors of the Republic Cement Group for its cement products consist of the cement manufacturers in the Philippines, as well as traders who import cement into the Philippines.

The Republic Cement Group's brand names and product lines have long been respected in the local construction industry, enabling it to effectively compete in the market. The Republic Cement Group continuously innovates and improves its product lines and production efficiency, to respond to the growing needs of the quality-conscious Filipino builder.

(v) Sources of Raw Materials

The principal raw materials for the manufacture of cement consist of minerals such as limestone, silica sand and shale, which are quarried from the Republic Cement Group's or RCLR's sites, mining claims, or purchased from local suppliers or affiliates. Cement manufacture is the result of a definite process – the

crushing of minerals, grinding, mixing, calcining/sintering, cooling and adding of retarder or gypsum. Other raw materials, slag, coal, other fuel and spare parts are obtained locally and abroad.

The Republic Cement Group is not dependent upon one or a limited number of suppliers for essential raw materials.

Energy Requirements

Cement manufacture is an energy-intensive process requiring reliable and affordable power supply for uninterrupted production. The operating plants source their power requirements from the following power providers:

Company	Location	Power Provider
RCBM	Bulacan, Norzagaray, Teresa and Batangas Plants	Aboitiz Energy Solutions, Inc. and Masinloc Power Partners Co. Ltd.
	Danao Plant	Aboitiz Energy Solutions, Inc.
RCII	Barangay Kiwalan, City of Iligan, Province of Lanao del Norte	Power Sector Assets and Liabilities Management Corporation and PowerSource Philippines Energy, Inc.

The Republic Cement Group has its own generator sets in most of its operating plants to provide back-up power in case of power shortage or interruptions or poor power quality. In November 2014, RCII entered into a PSA with PowerSource Philippines Energy, Incorporated (PSPEI), wherein RCII invested in PSPEI as a minority shareholder. This PSA is effective upon financial close of the PSPEI's financing for the development, construction and operation of the power plant which will supply power to RCII, with a term of fifteen years commencing from the date of commercial operations.

(vi) Major Customers

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

(vii) Patents, Copyrights, and Franchises

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

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

(viii) Major Risk/s Involved in the Business

Risks that are particular to Aboitiz InfraCapital and its Subsidiaries are:

Aboitiz InfraCapital may not be able to fully realize the benefits of implementing its infrastructure business

Aboitiz InfraCapital's ability to successfully grow and operate its infrastructure business is subject to various risks, uncertainties and limitations, including:

- (a) the need to procure materials, equipment and services at reasonable costs and in a timely manner;

- (b) reliance on the performance of third-party providers and consultants which have an impact on the overall operating performance of Aboitiz InfraCapital's business units;
- (c) the possible need to raise additional financing to fund infrastructure projects, which Aboitiz InfraCapital may be unable to obtain on satisfactory commercial terms or at all;
- (d) deficiencies or delays in the design, engineering, construction, installation, inspection, commissioning, management or operation of projects where applicable;
- (e) penalties if concession requirements are not satisfied;
- (f) the timely delivery by the Government of any rights of way for its projects;
- (g) its ability to complete projects according to budgeted costs and schedules;
- (h) market risks;
- (i) non-implementation of toll or fare adjustments provided under its concession;
- (j) regulatory risks; and
- (k) delays or denials of required approvals, including required concessional and environmental approvals.

Occurrence of any of the foregoing or a failure by Aboitiz InfraCapital to successfully operate its infrastructure business could have a material adverse effect on its business, financial condition and results of operations.

Aboitiz InfraCapital may not be successful in securing new concessions or projects

Aboitiz InfraCapital's future plans in relation to the infrastructure business contemplate the continued acquisition of new concessions and projects, successful participation in bids for projects as well as exploring opportunities in other sectors. Aboitiz InfraCapital's ability to expand its business and increase operating profits is dependent on many external factors and events that are outside of Aboitiz InfraCapital's control, including changes in governmental laws and policies, such as the current "Build Build Build" initiative of the President Duterte administration.

Item 2. Properties

The Company's head office is located at the 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by AEV is leased from a third party.

On a consolidated basis, the property, plant and equipment of the Group were valued at ₱225.56 bn and ₱221.69 bn as of December 31, 2019 and 2018, respectively. Breakdown of these assets is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2019	2018
Power, Plant & Equipment	₱141,461,981	₱167,957,079
Construction in progress	5,449,824	36,548,046
Buildings, Warehouses and Improvements	45,258,069	28,738,498
Transmission & Distribution Equipment	21,295,812	19,458,140
Machinery & Equipment	9,630,900	9,354,817
Office Furniture, Fixtures and Equipment	12,658,212	9,830,361
Leasehold Improvements	3,055,627	3,033,091
Land	3,754,564	3,489,652
Transportation Equipment	2,794,242	2,700,468
Others	2,344,094	2,440,081
Less: Accumulated Depreciation and Amortization	59,728,438	61,860,288
TOTAL PPE	187,974,887	221,689,945

Right-Of-Use Assets	37,583,878	-
TOTALS	225,558,765	221,689,945

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

*2018 Property, Plant and Equipment account has been restated to effect the adjustments arising from the finalization in 2019 of the purchase price allocation on the acquisition of GCMH in 2018.

*2018 Total Assets and other Balance Sheet accounts have been restated to effect the adjustments arising from the finalization in 2019 of the purchase price allocation on the acquisition of GCMH in 2018.

Property, plant and equipment with carrying amount of ₱124.0 bn and ₱126.9 bn as of December 31, 2019 and 2018, respectively, are used to secure the Group's long-term debts. For further details refer to Note 18 (disclosure on Long-term Debts) of the attached AEV 2019 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION	CONDITION
Cotabato Light	Industrial land, buildings/plants, equipment and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment and machineries	P. Reyes Street, Davao City and Bajada, Davao City	In use for operations
VECO	Industrial land, buildings/plants, equipment and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
Aseagas	Raw land and improvements	Lian, Batangas	Ceased operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/plants, eqpt. & machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	Inactive*
GMCP	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
LEZ	Industrial land, buildings/plants, equipment and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Buildings/plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use

Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development: for future use
PETNET	Raw land and improvements	Better Living Subdivision, Parañaque City	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor. Matco Road, Lagao, General Santos City	In use for operations
RCBM	Cement manufacturing plants	Barangay Minuyan, Norzagaray, Bulacan; Bo. Bigte, Norzagaray, Bulacan; Bo. Mapulo, Taysan, Batangas; Barangay Dulumbayan, Teresa, Rizal	In use for operations
RCBM	Cement grinding stations	Bo. Dungo-an, Danao, Cebu	In use for operations
RCII	Cement manufacturing plant	Barangay Kiwalan, Iligan City, Iligan	In use for operations

* On January 4, 2019, AboitizPower, disclosed to the PSE TMO's commercial inactivity since June 26, 2018 following the absence of an approved power supply agreement.

International Animal Nutrition

Locations of Principal Properties and Equipment of Gold Coin group are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION	CONDITION
GCKM	Livestock mill (broiler, swine and fish feeds)	Kunming, Yunnan Province, China	In use for operations
GCZZ	Livestock mill (swine, broiler, pigeon feeds and SN products)	Zhangzhou, Fujian Province, China	In use for operations
GCZH	Livestock mill (poultry, swine, floating fish feeds and SN products)	Zhuhai, Guangdong Province, China	In use for operations
GCDG	Livestock mill (poultry, swine, floating fish and pigeon feeds)	Dongguan, Guangdong Province, China	In use for operations
GCFM-BW	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCFM-PK	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCSB	Aqua mill (shrimp feed)	Selangor, Malaysia	In use for operations
GCS	Production mill (poultry broiler and layer feed; conducts commodities trading for the region)	Sarawak, East Malaysia	In use for operations
BFF	Production mill (fish meal)	Sarawak, East Malaysia	In use for operations
GCFS	Livestock mill (poultry broiler feed)	Sabah, East Malaysia	In use for operations
GCIBKS	Livestock mill (poultry layer and broiler feed)	Bekasi, Indonesia	In use for operations
GCIMDN	Livestock mill (poultry layer and broiler feed)	Medan, Indonesia	In use for operations
GCISBY	Livestock mill (poultry layer and broiler feed)	Surabaya, Indonesia	In use for operations
GCSILPG	Aqua mill (shrimp feeds)	Lampung, Indonesia	In use for operations
GCSIBKS	Aqua mill (shrimp feeds)	Bekasi, Indonesia	In use for operations
Ayam Unggul	Breeder farm (hatchery)	Bekasi, Indonesia	In use for operations
AFC	Livestock mill (swine feed and some poultry feed; has fish production lines)	Hai Duong North Vietnam	In use for operations
GCFHN	Livestock mill (swine feed and some poultry feed; has fish production lines)	Dong Nai, South Vietnam	In use for operations
GCFD	Livestock mill (swine feed)	Dong Nai, South Vietnam	In use for operations
GCFL	Livestock mill (poultry feed)	Colombo, Sri Lanka	In use for operations

GCST	Aqua mill (shrimp feed)	Songkhla, Thailand	In use for operations
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Item 3. Legal Proceedings

AEV and its subsidiaries, associates and joint ventures are currently involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that none of the legal proceedings to which AEV or its subsidiaries, associates or joint ventures are subject will have a material effect on the Company's operations, financial position or results of operations.

The material pending legal proceedings involving the Company and its subsidiaries are as follows:

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.", Supreme Court; 19 December 2013

G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.", Supreme Court; 20 December 2013

G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; 8 January 2014

On 19 December 2013, Bayan Muna representatives filed a Petition for Certiorari against ERC and the MERALCO with the Supreme Court, questioning the alleged substantial increase in MERALCO's power rates for the billing period of November 2013.

These cases raised, among others: (a) the legality of Section 6, 29 and 45 of the EPIRA; (b) the failure of ERC to protect consumers from high prices of electricity; and (c) the alleged market collusion by the generation companies.

These cases were consolidated by the Supreme Court, which issued a TRO preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the Supreme Court for another 60 days, or until 22 April 2014. On 22 April 2014, the Supreme Court extended the TRO indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. The Supreme Court ordered all power industry participants (the DOE, ERC, PEMC, PSALM and the generation companies) to respond to MERALCO's counter-petition.

The Supreme Court set the consolidated cases for oral arguments on 21 January 2014 and 4 and 11 February 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

On March 31, 2020, petitioners in case no. G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of the date of this Offering Circular, these cases before the Supreme Court are still pending resolution and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs Therma Mobile, Inc., Supreme Court

CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila

SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City

PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated 4 August 2014"

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (“PEMC-ECO”) conducted an investigation on TMO for possible non-compliance with the Must-Offer- Rule for the period 26 October 2013 to 25 December 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 million.

TMO filed its letter request for reconsideration on 5 September 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated 30 January 2015, the PEMC Board of Directors (“**PEMC Board**”) denied TMO’s request for reconsideration and confirmed its earlier findings of 3,578 counts of breach of the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 million on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO’s rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO’s plant was confirmed during a dependable capacity testing conducted on 21 November 2013. At this period, TMO’s engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five years.

On 13 February 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On 16 February 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City Regional Trial Court (RTC). In its Order dated 24 February 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 million as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMCECO’s investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 million to answer for any damage that PEMC may suffer as a result of the Order. On 1 April 2015, the RTC rendered a Decision in favour of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals (“**CA**”) which sought to reverse and set aside the Decision of the RTC.

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

On 6 June 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the 14 December 2015 CA Decision. On 14 November 2016, TMO filed its Comment to PEMC’s Petition for Review. In its Motion for Leave to File Reply to Comment dated 9 December 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On 1 June 2017, TMO received the Supreme Court Notice dated 29 March 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO’s Comment and PEMC’s Reply.

As of March 31, 2020, PEMC’s Petition is still pending before the Supreme Court.

Consolidated Regulated Price Case (ERC vs. Various Generation Companies and PEMC) G.R. Nos. 246621-30, Petition for Review on Certiorari, Supreme Court;

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled “In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants” 28 March 2014

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated 3 March 2014 (the “ERC Order”), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

Pursuant to the ERC Order, on 18 March 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company’s affiliates and subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others.

The ERC, in its Order dated 15 October 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the “**Petitions**”) before the CA on 19 and 24 November and 1 and 4 December 2014, respectively. The CA ordered the consolidation of the Petitions on 9 October 2015.

On 7 November 2017, the CA granted the Petitions. The CA declared null and void ERC’s Orders dated 3 March 2014, 27 March 2014, 9 May 2014 and 15 October 2014 (the “**ERC Orders**”), and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and MERALCO filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated 29 March 2019, the CA denied the motions for reconsideration filed by the ERC and MERALCO, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

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

In September to October 2019, the SC issued Resolutions denying the Petitions for Review on Certiorari filed by several entities, including Calco Industries Inc., Paperland, Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan (AGHAM), Ateneo De Manila University, Citizenwatch, Riverbanks Dev’t. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated 7 November 2017 and Omnibus Resolution dated 29 March 2019.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to ERC’s Petition for Review on Certiorari. On January 28, 2020, TMO and TLI filed their Consolidated Comment

(to the Petition for Review on Certiorari dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated June 13, 2019) on February 11, 2020.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

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

The high and low stock prices of AEV's common shares for each quarter for the past two years and first quarter of 2019 were as follows:

	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	54.00	29.00	67.90	53.20	79.00	67.50
Second Quarter	N/A	N/A	60.95	46.70	69.85	53.95
Third Quarter	N/A	N/A	59.50	49.25	61.55	44.10
Fourth Quarter	N/A	N/A	56.60	48.95	56.90	44.85

The closing price of AEV common shares on March 31, 2020 is ₱37.70 per share.

(2) Holders

As of March 31, 2020, AEV has 8,377 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 5,630,225,457 shares.

The top 20 stockholders of AEV as of March 31, 2020 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.59%
2	PCD Nominee Corporation (Filipino)	Filipino	899,514,597	15.98%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	413,033,108	7.34%
5	Sanfil Management Corporation	Filipino	120,790,211	2.15%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	43,136,359	0.77%
9	Morefund Management & Development Corporation	Filipino	40,000,000	0.71%
10	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%
15	Parraz Development Corporation	Filipino	14,483,067	0.26%
16	Annabelle O. Aboitiz	Filipino	13,977,278	0.25%
17	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
18	Mary Anne Aboitiz Arculli	Filipino	10,767,556	0.19%

19	Arrayanes Corporation	Filipino	10,650,070	0.19%
20	UnionBank TISG For IMA#PH3Q201 692	Filipino	8,709,900	0.15%
	SUB-TOTAL		4,988,186,255	88.61%
	Other Stockholders		642,039,202	11.39%
	TOTAL SHARES		5,630,225,457	100.00%
	NET ISSUED AND OUTSTANDING SHARES		5,630,225,457	100.00%

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2020 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2020 (regular)	₱1.30	03/06/2020	₱7.32 bn	03/20/2020	04/03/2020
2019 (regular)	₱1.32	03/07/2019	₱7.44 bn	03/21/2019	04/05/2019
2018 (regular)	₱1.28	03/08/2018	₱7.21 bn	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 bn	03/21/2017	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 bn	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 bn	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least 1/3 of its previous year's earnings as cash dividends to its stockholders for subsequent years. There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 20, 2020.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

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

Item 6. Management's Discussion and Analysis or Plan of Action

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. and its Subsidiaries should be read in conjunction with the audited consolidated financial statements and accompanying disclosures set forth elsewhere in this report. The critical accounting policies section discloses certain accounting policies and management judgments that are material to the Company's results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three comparative sections: the year ended December 31, 2019 compared with the year ended December 31, 2018, the year ended December 31, 2018 compared with the year ended December 31, 2017, the year ended December 31, 2017 compared with the year ended December 31, 2016.

TOP FIVE KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of the registrant and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEEES

Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its associates and joint ventures for each reporting period subsequent to acquisition of said investment. This account reflects the result of the operating performance of an associate or a joint venture and indicates its contribution to the Group's consolidated net income.

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

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

The Company computes EBITDA as earnings before extra-ordinary 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 gives an indication of 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.

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

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2019	JAN-DEC 2018
EQUITY IN NET EARNINGS OF INVESTEEs	₱11,502,090	₱7,727,663
EBITDA	60,157,195	60,653,429
CASH FLOW GENERATED:		
Net cash flows from operating activities	42,757,046	38,417,349
Net cash flows used in investing activities	(39,883,146)	(30,762,254)
Net cash flows used in financing activities	(15,617,585)	(13,223,356)
Net Increase (Decrease) in Cash & Cash Equivalents	(12,743,685)	(5,568,261)
Cash & Cash Equivalents, Beginning	59,033,029	64,870,214
Cash & Cash Equivalents, End	46,424,663	59,033,029
	DEC 31, 2019	DEC 31, 2018
CURRENT RATIO	1.27	1.80
DEBT-TO-EQUITY RATIO	1.71	1.54

As can be gleaned from the resulting KPI values, profitability had been sustained and financial position remained liquid.

Consolidated EBITDA translated into substantial cash inflows coming from subsidiaries' operations and from dividend payments of associates and JVs. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With the debt growing while equity slightly decreased during the year, debt-to-equity ratio moved up to 1.71x (compared to end-2018's 1.54x). Current ratio declined to 1.27x (compared to end-2018's 1.80x) as current liabilities grew while current assets decreased.

RESULTS OF OPERATIONS

For the year ended December 31, 2019, AEV and its subsidiaries posted a net income attributable to the equity holders of parent ("Net Income to Equity Holders of AEV") ₱22.04 bn, a 1% year-on-year (YoY) decrease. This translated to earnings per share of ₱3.91 for the year in review. The Power Group still accounted for the bulk of income contribution at 57%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 30%, 7%, 4%, and 2%, respectively.

In 2019, the Group generated non-recurring gains of ₱515.5 mn (compared to ₱891.2 mn in non-recurring losses in 2018), representing net unrealized foreign exchange (forex) gains, and gains on reversal of impairment provisions. Without these one-off items, the Group's core net income for 2019 ₱21.52 bn, 7% lower than 2018. AEV recorded a 1% decrease in consolidated EBITDA for 2019 compared to 2018, declining from ₱60.65 bn to ₱60.16 bn.

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

Revenues

Sale of Power

The Group's revenue from sale of power decreased by 5% or ₱6.13 bn, from ₱130.73 bn in 2018 to ₱124.61 bn in 2019. The decrease was primarily attributable to Therma Marine, Inc.'s (Therma Marine) and Therma Mobile, Inc.'s (Therma Mobile) expiration of contracts with customers, and GNPowr Mariveles Coal Plant Ltd. Co.'s (GMCP) and Therma South, Inc.'s (TSI) lower plant availability owing to unplanned outages during the year. These decreases were partly offset by higher electricity sales of the distribution utilities and fresh revenue contributions from TVI and Hedcor Bukidnon. The Group's sale of power comprised 70% and 62% as a percentage of total revenues during 2018 and 2019, respectively.

Sale of Goods

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

Real Estate

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

Other Revenues

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

Costs and Expenses

Cost of Generated and Purchased Power

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

Cost of Goods Sold

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

Operating Expenses

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

Other Costs and Expenses

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

Operating Profit

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

Income Before Income Tax

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

Net Income

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

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

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Company's SBUs for the year ended December 31, 2019 compared to the year ended December 31, 2018. For further discussion on the Company's operating segments, please refer to Note 33 of the audited consolidated financial statements.

Power

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

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

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

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

Banking & Financial Services

The Financial Services SBU's contribution to Net Income to Equity Holders of AEV increased by 100% year-on-year, from ₱3.58 bn in 2018 to ₱7.15 bn in 2019.

On a stand-alone basis, Union Bank of the Philippines' (UnionBank) and its subsidiaries recorded a net income of ₱14.03 bn for 2019, an increase of 100% compared to 2018. The increase was primarily due to revenue growth from the increase in earning assets and improved margins, as well as from healthy trading gains during 2019.

Food

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

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

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. (Pilmico International) delivered a net income of ₱1.23 bn in 2019, recording an 88.1% increase compared to 2018. This was due to the full year income contribution of Gold Coin Management Holdings (Gold Coin) and Pilmico Vietnam Feeds' improved margins due to lower raw material cost and the increased contribution of higher margin segments. During 2019, the Food SBU's international subsidiaries reported a consolidated net income of ₱760.1 mn

from the ₱1.23 bn contribution of Pilmico International, which was offset by the ₱467.0 mn in financing costs related to the acquisition of Gold Coin.

Real Estate

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

Infrastructure

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

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

Assets

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

- The ₱6.94 bn combined growth in Property Plant and Equipment (PPE) and Investment Properties (IP) was mainly due to the following: 1.) ₱9.68 bn additions to AboitizPower from cost of power plant construction and distribution assets 2.) ₱1.90 bn additions to Food group; 3.) ₱896.5 mn additions to Real Estate; 4.) ₱1.92 bn recognition of right-of-use (ROU) assets on the AEV Parent's leases resulting from the adoption of PFRS 16; 5.) ₱1.83 bn fair valuation gain on revaluation of IP of the Real Estate group; and 6.) first-time consolidation of ₱545.7 mn IP of newly-acquired AboitizLand subsidiaries. This is decreased by ₱9.59 bn attributed to depreciation & amortization.
- The decline in Property Held for Sale (nil compared to ₱676 mn in 2018) was due to the sale of transmission assets to the NGCP in February 2019.
- Investments in and Advances to Associates and JVs increased by ₱33.39 bn (₱140.35 bn as of December 31, 2019 compared to ₱106.96 bn as of December 31, 2018) mainly due to AboitizPower's ₱27,591.1 bn acquisition of additional stake and additional infusions into GNPD, Aboitiz InfraCapital ₱240.2 mn additional acquisition of Balibago Waterworks System, Inc. (BWSI) shares, AboitizLand's ₱230.0 mn infusions into Cebu Homegrown, and the recording of ₱11.50 bn share in net earnings of associates and JVs. This increase was partially reduced by the ₱5.47 bn dividends from associates and JVs during the year, ₱505.5 mn decrease in the share of cumulative translation adjustment and ₱395.0 mn share in net unrealized actuarial losses.
- Land and Improvements increased by 10% (₱2.57 bn as of December 31, 2019 compared to ₱2.34 bn as of December 31, 2018) resulting from the land acquisitions of the Real Estate Group.
- Intangible Assets increased by 5% (₱66.80 bn as of December 31, 2019 compared to ₱63.78 bn as of December 31, 2018) mainly due to the capitalized costs incurred in the ongoing construction of the water treatment plant in Davao.
- Deferred Income Tax Assets increased by 35% (₱3.13 bn as of December 31, 2019 compared to ₱2.32 bn as of December 31, 2018) mainly due to deferred tax benefits recognized by subsidiaries on its net operating loss.

- Other Noncurrent Assets (ONCA) increased by 38% (₱14.13 bn as of December 31, 2019 compared to ₱10.21 bn as of December 31, 2018) primarily due to the recording of restricted cash by a power subsidiary upon its receipt of proceeds from a damage claim against its contractors, with such claim now under dispute. This was partly offset by the reclassification of VAT inputs to other current assets and reversal of prepaid rental against ROU Assets upon adoption of PFRS 16.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 21% (₱46.42 bn as of December 31, 2019 compared to ₱59.03 bn as of December 31, 2018) as the funds used for investment acquisitions, capital expenditures, dividend payments and debt servicing exceeded the funds generated from operations and debt availments.
- Inventories decreased by 6% (₱20.78 bn as of December 31, 2019 compared to ₱21.98 bn as of December 31, 2018). This was mainly due to the following lower raw materials inventory of the Food Group.
- Derivative Assets (current and non-current) decreased by 54% (₱133.46 mn as of December 31, 2019 compared to ₱292.8 mn as of December 31, 2018) mainly due to mark-to-market losses recognized on derivative instruments.

Liabilities

- Consolidated short-term bank loans decreased by 5% (₱25.72 bn as of December 31, 2019 compared to ₱26.98 bn as of December 31, 2018) mainly due to debt repayments made by Power and Food Groups. On the other hand, long-term debt, which includes both current and non-current portions, increased by 13% (₱239.78 bn compared to ₱211.65 bn as of December 31, 2018) due to the following: a.) issuance of retail bonds by the Company ₱5.00 bn, b.) additional ₱28.83 bn long-term loan availments by Power Group, and c.) additional ₱3.15 bn availment by Apo Agua. This was partly offset by the settlement of maturing loans.
- Trade and other payables, inclusive of noncurrent portion, increased by 16% as of end-2019 compared to ed-2018, from ₱37.57 bn to ₱43.65 bn, mainly due to Power Group's receipt of proceeds from a damage claim against contractors, with such claim now under dispute, partly offset by the settlement of the recorded payables related to the PSALM deferred adjustment and payables to contractors and trade suppliers
- Income tax payable increased by 45%, from ₱535.2 mn as of December 31, 2018 to ₱776.6 mn as of December 31, 2019, mainly due to increased tax payable in the Food Group.
- Derivative liabilities (current and non-current) increased from ₱161.6 mn as of December 31, 2018 to ₱2.47 bn as of December 31, 2019. This was mainly due to the Power Group's new foreign currency forward and commodity swap contracts, as well as fair value changes on these derivatives.
- Customers' deposits increased by 10% (₱6.72 bn as of December 31, 2019 compared to ₱6.13 bn as of December 31, 2018) mainly due to the growth in the customer base of the power group.
- Pension liability (₱639.2 mn), net of pension asset (₱190.2 mn), increased by 37.0%, from ₱327.7 mn as of December 31, 2018 to ₱448.9 mn as of December 31, 2019 mainly due to accrual of retirement expense during the year and actuarial losses for the year.
- Deferred Income Tax Liabilities (DTL) increased by 33% (₱2.58 bn as of December 31, 2019 compared to ₱1.94 bn as of December 31, 2018) mainly due to the recognition of the corresponding DTL on the unrealized fair valuation gains on investment properties.

Equity

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

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

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

Compared to the cash inflow in 2018, consolidated cash generated from operating activities in 2019 increased by ₱4.34 bn to ₱42.76 bn mainly due to lower working capital requirements despite the decline in earnings before interest, depreciation and amortization (EBIDA).

As of end-2019, ₱39.88 bn net cash was used in investing activities compared to ₱30.76 bn during 2018. This was mainly due to higher cash disbursed on additional investments in associates and ongoing plant constructions.

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

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

FINANCIAL RATIOS

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

Outlook for the Upcoming Year/ Known Trends, Events, Uncertainties which may have Material Impact on Registrant

Based on information provided by UnionBank's Economic Research Unit (ERU), Aboitiz Equity Ventures Inc. (the "Company" or "AEV") expects 2020 GDP growth to be impacted by the Covid-19 situation. Considering the revised government forecast, our ERU expects GDP to grow between 5.4% to 6.1% in 2020.

Despite current challenges posed by Covid-19, AEV believes that the Philippine economy will continue to be one of the faster growing economies of the world, and sustain the growth of its SBUs over the long-term.

Power SBU

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

Despite increased competition in the power generation market, the AboitizPower is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new power generation projects (see Part I Item 1.(B)(I)(i) on Principal Products and Services - Generation of Electricity on page 21 of this Annual Report), where target commercial operation dates for each project are discussed per business unit).

AboitizPower expects to exceed its target net attributable capacity of 4,000 MW by 2020 with the entry of GNPowder Dinginin.

AboitizPower's goal is to grow its capacity to more than 9,000 MW by 2029, which AboitizPower expects to come from a portfolio of renewables and selective baseload builds. In terms of renewable energy, AboitizPower aims to maximize opportunities coming from the implementation of the Renewable Portfolio Standards (RPS) by DOE starting this year. In line with DOE's aspirational goal of a 35% increase in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and RES to source an agreed portion of their energy supply from renewable energy facilities. AboitizPower will also continue to pursue its international aspirations with focus on renewable energy projects in Vietnam, Indonesia, and Myanmar. 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 energy mix at the end of this decade.

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

AboitizPower also expects that its existing distribution utilities will continue to realize modest growth. It continuously seeks efficiency and improvements in its distribution utilities' operations in order to maintain healthy margins.

AboitizPower, together with its partners, has allotted P41 bn for capital expenditures in 2020, almost 80% of which is for new businesses such as GNPowder Dinginin. The remaining balance is allocated mainly for operating and expansion initiatives.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's 2019 SEC Form 20-IS (e.g., for an extensive discussion on regulatory issues, see Part I Item 1.(B)(1)(x) on Effects of Existing or Probable Government Regulations on the Business on page 52 of this Annual Report).

Banking & Financial Services SBU

UnionBank of the Philippines, Inc. ("UnionBank" or the "Bank") believes it has progressed towards its goal of becoming one of the country's leading retail banks, requiring the Bank to increase its core earning asset base, attain a balanced source of revenue, and shift towards a recurring income business model as it fortifies its balance sheet. The majority of the Bank's revenues are already recurring in nature as its loan portfolios continues to grow. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank intends to leverage its core strengths to drive its performance. In order to provide stable returns and predictability in the growth of shareholder value, the Bank utilizes its capital as it shifts from trading to building recurring income by: (i) transforming its branches and building the competence of its sales force to cater to changing customer expectations; (ii) strengthening corporate relationships by providing innovative cash management solutions to anchor clients; (iii) improving processes specifically in building the foundation of the Bank's automation and digital transformation initiatives; (iv) building synergies with its partners in order to expand customer reach, products, and services; (v) leveraging on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities; and (vi) capitalizing on its subsidiaries, such as City Savings Bank (CitySavings), as avenues to further capture the underserved segment for inclusive prosperity.

UnionBank is also embarking on its Dual Transformation Strategy in order to improve its current and future competitive advantages. Through the use of the latest and emerging technology and platforms, the Bank intends to: (i) reposition itself as a Digital Bank - widening its scope into adjacent markets and acquire new skills in key segments; and (ii) search for new business models of the future where banking may become embedded in people's day-to-day lives - to integrate its financial services into ecosystems as part of the customer's digital experience, and not merely a transaction choice.

For 2020, the Bank seeks to sustain the continued growth of its lending business following five consecutive years of loan growth.

Moreover, due to the Bank's repricing efforts and supported by the more benign inflation environment which led to a series of policy rate and reserve requirement ratio (RRR) cuts, the Bank's margins have recovered. As of end-December 2019, margins are up by more than 110bps compared to the levels at the start of 2019. The same is true for CSB's margins which increased by 276bps from January to December 2019. Further margin improvements are expected, especially with the rate cut in February 2020 along with the expected gradual reduction of RRR to single digits in the future.

2020 continues the third phase of the Bank's digital transformation journey, which involves scaling up its digital customer touchpoints. This involved the launch of enhanced features in the UnionBank Online mobile app for retail customers and The Portal for corporate clients, the roll out of more Arks and self-service branches, and the launch of the Bank's SME Business Banking app for SME customers.

UBX, the Bank's innovation company and venture capital firm which focuses on fintech investments, providing tech services to our clients and building ecosystems and platforms, is also ramping up operations with its flagship platforms, namely: Project i2i (financial platform for rural banks), Sentro (an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants); and SeekCap (developed in partnership with OneConnect – Ping An's fintech arm – which is an SME lending marketplace that offers affordable financing options and faster approvals).

With the key channels and platforms in place, key focus of the Bank is to accelerate customer acquisition efforts, as well as deepen engagement across all digital channels, in order to realize the benefits of digital transformation for the Bank and its customers alike.

UnionBank has allotted ₱2 bn for capital expenditures in 2020.

Food SBU

Food Group, AEV's non-listed multinational food subsidiary, 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 also has a presence in the ASEAN and across the Asia-Pacific regions through Pilmico International and its Subsidiaries. Food Group remains one of the Philippines' top flour, feeds and farm market participants with a strong track record and nationwide reach.

The Food Group is strategically positioned in 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 creation of a portfolio of offerings that will serve both existing and future customers and markets. Similar to the Company's other business segments, the Food Group utilizes a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

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

2020 marks a new era for the Food Group under a new leadership. Hubert de Roquefeuil, the current President & CEO of Gold Coin Management Holdings, has taken the lead as the new President & CEO of the entire Food Group. He will be supported by the new President & CEO of Pilmico Foods Corporation, Tristan Roberto Aboitiz.

Starting 2020, Food Group will pursue a strategy of Balance, Optimize, and Develop or BOD. 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 business likewise intends to move forward in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

The Farms business has recalibrated the planned expansions in the Northern Luzon but has started exploration of farms opportunities in the Visayas and Mindanao regions. By exercising extreme caution on the spread of the African Swine Fever (ASF), risks of material losses will be avoided. Despite ASF challenges, the capacity is still expected to reach a sow-level of 50,000 heads by 2029. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain. In 2020, the Food Group will operationalize its meat fabrication and processing plant and the year is also expected to provide more stability in profitability through an increased focus on higher-margin products as compared to live hog selling. Meanwhile, the layers business will expand to house 1.3M ready-to-lay hens. This surge in layers capacity (8x from today's level) is expected to result in a monthly production of 27 million eggs by 2025.

Feeds Philippines will continuously expand its market position through additional feedmill capacity to be in place Visayas & Mindanao region in the next 5-years. In 2020, Feeds Philippines will operationalize its new feed mill capacity in Iligan which will serve the growing requirements of our Visayas and Mindanao customers. Strategic geographical and product positioning will be key in securing new and existing customers in the competitive market. The Food Group is also exploring the inclusion of Pet Food and Specialty Nutrition products as part of its portfolio. Moreover, Feeds Philippines employs platform improvements in logistics to provide operational agility and improve customer experience.

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

On the other hand, the Gold Coin Group has set forth a project pipeline with its growth-focus countries: China and Vietnam.

Gold Coin plans to execute a multi-specie strategy with focus on high-margin products. In 2020, countries where Gold Coin is present are seen to have higher spending of protein consumption driven by the rising population, GDP and middle-class populations. To cater the increasing demand in the market specifically in China, additional pellet lines in Dongguan and Zhangzhou which both have the capacity of 9TPH have commenced commercial operation in January 2020.

Furthermore, with increased opportunities in aquaculture production emerging, particularly Shrimp and Tilapia, Gold Coin will explore diversifying into the Shrimp and Aqua businesses in China, Vietnam, and Malaysia. There are two additional fish feed line located in Vietnam (Ha Nam, North Vietnam) and China (Dongguan, Southern China) which will bring an incremental 5TPH capacity and will both commence commercial operation in April 2020.

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

In terms of operations, the Food Group intends to harmonize Pilimico 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.

Pilimico has allotted ₱3 bn for capital expenditures in 2020.

Infrastructure SBU

I. Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

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

Airports and Other Infrastructure

Aboitiz InfraCapital is a member of the NAIA Consortium, which was granted Original Proponent Status by the Department of Transportation (DOTr) for its unsolicited proposal on September 10, 2018. The consortium looks forward to being able to provide the much-needed upgrades to the Ninoy Aquino International Airport (NAIA) and complement government efforts to enhance overall passenger experience and improve operational efficiency at the nation's primary gateway. Aboitiz InfraCapital, together with the other members of the consortium, will continue to work with the government through the next steps in the process of getting approval from the National Economic Development Authority (NEDA), in accordance with Republic Act No. 6957, also known as the BOT law.

Aboitiz InfraCapital was also granted Original Proponent Status by the DOTr for its unsolicited proposal to operate and maintain the new Bohol-Panglao International Airport (BPIA) on September 3, 2018. The new international airport located in the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. The airport was inaugurated last November 28, 2018 and has an estimated capacity of 2 mn passengers per annum. On November 6, 2019, Aboitiz InfraCapital received Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approval on the proposal for BPIA. On November 29, 2019, Aboitiz InfraCapital obtained approval of the NEDA Board. Aboitiz InfraCapital is now working with the government on final steps before commencing Swiss Challenge.

On August 10, 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the operations, maintenance, and expansion of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor (NMDC). On February 26, 2019, Aboitiz InfraCapital was granted Original Proponent Status by the Civil Aviation Authority of the Philippines for its unsolicited proposal on Laguindingan Airport. The proposal involves the operations and maintenance, including the much-needed upgrade works, of the Laguindingan Airport. The airport has been operating since 2013 with a design capacity of 1.6 mn passengers per annum. In 2018, passengers are estimated to have already reached 2 mn. On December 20, 2019, Aboitiz InfraCapital received Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approval on the proposal for Laguindingan Airport. The next step is to get NEDA Board Approval.

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

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding (MOU) with the Department of Information and Communications Technology (DICT). The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. To date, Aboitiz InfraCapital has signed separate MOUs with both Globe Telecom and Smart Communications to initiate discussions and negotiations on the lease of build-to-suit tower sites and other passive telecommunications infrastructure.

Water

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 a minimum contracted annual volume of 109.5 mn cubic meters (equivalent to 300 mn liters per day) of treated bulk water to Davao City over a 30-year period.

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

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

In February 2019, physical construction has commenced on major project sites such as the hydroelectric power plant and the water treatment plant, the intake facilities in Tamugan River and the raw water pipelines.

On September 29, 2019, Apo Agua celebrated 1 million safe man-hours together with the EPC contractor. It reached two million safe man-hours in February 2020.

In January 2020, initial works for the treated water pipelines commenced.

Apo Agua expects to start commercial operations by 2021, allowing it to provide Davao City with a sustainable and much-needed water supply.

LiMA Water Corporation (LWC)

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

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.

II. Republic Cement and Building Materials, Inc. (Republic)

Strong growth in cement demand is expected in 2020, driven by favorable macroeconomic fundamentals and the government's infrastructure program. The industry is expected to remain competitive due to new production capacities coming on stream and the continued presence of imported cement in certain markets.

Republic 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.

Republic has benefitted from investments made in recent years. Completed in 2019, the debottlenecking of the kilns is expected to yield higher clinker output, improve delivered cost position and improve environmental performance.

Coming on stream in early 2020, the new state-of-the-art cement mills in Luzon and Mindanao are expected to result in the continued supply of cement for the local construction sector, which further supports the current administration's Build Build Build infrastructure program and the foreseen strong demand for cement in the residential and non-residential segments.

The infrastructure group has allotted ₱16 bn for capital expenditures in 2020 across all its businesses.

Land SBU

Aboitiz Land, Inc. (AboitizLand)

AboitizLand is firmly committed to building and nurturing thriving communities and intends to capitalize on the growth of its industrial businesses through the continued acquisition of land in key geographic corridors and the development of complementary recurring businesses and residential communities within these areas. Through this approach, AboitizLand not only looks to expand its industrial footprint but also create thriving townships in the future.

In 2019, AboitizLand launched two residential projects in Luzon, The Villages at Lipa and Ajoya Pampanga. AboitizLand believes that through these new and upcoming projects, it will maintain its growth trajectory and expand its foothold in key geographical corridors through repeatable and well-crafted products.

2019 also saw the opening of the newest commercial addition to Lima's New Industry City concept, Lima Exchange. Complementing the upcoming residential community at The Villages, Lima Exchange features a supermarket, transport hub, fast food, and more. Furthermore, The Outlets at Lipa continues to demonstrate strong momentum as occupancy rates increase. Through these, AboitizLand aims to continuously maximize the value footprint in our industrial park while concurrently servicing the needs of the community in Lipa.

In 2019, AboitizLand entered into strategic partnerships to mark its footprint into Metro Manila and Cebu space with:

- A 50/50 partnership with 78 Point Blue Inc. (Point Blue) to design, develop, and operate integrated microstudio apartment units within the immediate proximity of major business districts in Metro Manila. Four micro-studio buildings already in operation and twenty more on the horizon
- A new joint venture agreement with Cebu Landmasters, Inc. to develop a mid-market, mixed-use, multi-tower condominium development in Mandaue City. The planning of the first project is underway, with the launch of the first residential condo targeted for later in 2020.

AboitizLand has allotted ₱11 bn for capital expenditures in 2020.

REVIEW OF JAN-DEC 2018 OPERATIONS COMPARED TO JAN-DEC 2017

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2018	JAN-DEC 2017
EQUITY IN NET EARNINGS OF INVESTEEES	₱7,727,663	₱9,503,733
EBITDA	60,653,429	56,977,228
CASH FLOW GENERATED:		
Net cash flows from operating activities	38,417,349	32,237,312
Net cash flows used in investing activities	(30,762,254)	(11,304,774)
Net cash flows used in financing activities	(13,223,356)	(19,458,941)
Net Increase (Decrease) in Cash & Cash Equivalents	(5,568,261)	1,473,597
Cash & Cash Equivalents, Beginning	64,870,214	63,857,528
Cash & Cash Equivalents, End	59,033,029	64,870,214
	DEC 31, 2018	DEC 31, 2017
CURRENT RATIO	1.80	1.61
DEBT-TO-EQUITY RATIO	1.54	1.56

In 2018, the Company's KPI evidenced its strong operating performance and financial stability. Profitability was sustained and financial position remained strong and liquid.

With the fresh contributions during 2018 from the newly operating plants of Pagbilao Energy Corporation (PEC) and Hedcor Bukidnon, Inc. (Hedcor Bukidnon), as well as from the newly acquired feeds business of Gold Coin Management Holdings Limited (GCMH), consolidated EBITDA increased by 6.5% during the year. Meanwhile, Associates and Joint Ventures (JV) continued to generate substantial earnings and enhance the consolidated bottomline despite the 19% decline in their income contribution to the Group.

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations and from dividend payments of Associates and JVs. Internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With equity growing more than debt during 2018, debt-to-equity ratio declined slightly to 1.54x (versus end-2017's 1.56x). Simultaneously, current ratio improved to 1.80x (versus end-2017's 1.61x) as the growth in current assets outpaced the growth of current liabilities.

RESULTS OF OPERATIONS

For the year ended December 31, 2018, AEV and its Subsidiaries posted a consolidated net income of ₱22.23 bn, a 3% YoY increase. This translated to earnings per share of ₱3.95 for the year in review. In terms of income contribution, the Power Group accounted for 73%, followed by the Banking and Financial Services, Food, Real Estate, and Infrastructure Groups at 16%, 7%, 3%, and 1%, respectively.

In 2018, the Group generated non-recurring losses of ₱891 mn (compared to ₱2.30 bn of non-recurring losses in 2017), consisting of net unrealized forex losses and asset impairment costs. Without these one-off items, the Group's core net income for the year was ₱23.12 bn, 3% lower YoY. AEV recorded a 6.5% increase in consolidated EBITDA, from ₱56.98 bn in 2017 to ₱60.66 bn in 2018.

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

Revenues

Sale of Power

The Group's revenue from sale of power increased by 10.1% or ₱11.98 bn, from ₱118.76 bn in the year ended December 31, 2017 to ₱130.73 bn in the year ended December 31, 2018. The increase was primarily attributable to the fresh revenue contributions of PEC and Hedcor Bukidnon which started commercial operations in 2018, and the higher sales recorded by Therma Luzon, Inc. and the Company's two largest distribution utilities. As a percentage of total revenues, the Group's sale of power comprised 79.0% and 69.9% in the years ended December 31, 2017 and December 31, 2018, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 100.5% or ₱23.93 bn, from ₱23.82 bn in the year ended December 31, 2017 to ₱47.75 bn in the year ended December 31, 2018. The increase was primarily attributable to the fresh ₱18.16 bn revenue contribution of Gold Coin, and the higher sales recorded by the Philippine-based subsidiaries owing to higher average selling prices of Flour and Farms and growth in sales volume of Feeds and Farms. As a percentage of total revenues, the Group's revenue from sale of goods comprised 15.8% and 25.5% in the years ended December 31, 2017 and December 31, 2018, respectively.

Real Estate

The Group's revenue from real estate increased by 8.6% or ₱311.9 mn, from ₱3.61 bn in the year ended December 31, 2017 to ₱3.93 bn in the year ended December 31, 2018. The increase was primarily attributable to higher industrial lot sales. As a percentage of total revenues, the Group's revenue from real estate comprised 2.4% and 2.1% in the years ended December 31, 2017 and December 31, 2018, respectively.

Other Revenues

The Group's revenue from fair value of swine, service fees and other sources increased by 7.1% or ₱302.1 mn, from ₱4.23 bn in the year ended December 31, 2017 to ₱4.53 bn in the year ended December 31, 2018. The increase was primarily attributable to higher revenue generated by Lima Water Corporation. As a percentage of total revenues, the Group's other revenues comprised 2.8% and 2.4% in the years ended December 31, 2017 and December 31, 2018, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power increased by 12.1% or ₱7.73 bn, from ₱63.95 bn in the year ended December 31, 2017 to ₱71.68 bn in the year ended December 31, 2018. The increase was primarily attributable to the 25% increase in cost of generated power as fuel costs rose during the year. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 56.2% and 48.5% in the years ended December 31, 2017 and December 31, 2018, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 101.4% or ₱21.99 bn, from ₱21.70 bn in the year ended December 31, 2017 to ₱43.69 bn in the year ended December 31, 2018. The increase was primarily attributable to the fresh costs of goods sold contribution of Gold Coin and the higher cost of raw materials of the Feeds business in the Philippines. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 19.1% and 29.6% in the years ended December 31, 2017 and December 31, 2018, respectively.

Operating Expenses

The Group's operating expenses increased by 15.8% or ₱4.14 bn, from ₱26.26 bn in the year ended December 31, 2017 to ₱30.40 bn in the year ended December 31, 2018. The increase was primarily attributable to higher depreciation, general and administrative expenses as PEC and Hedcor Bukidnon power plants started operating in 2018, and the fresh operating expense contribution of Gold Coin. As a percentage of total costs and expenses, the Group's operating expenses comprised 23.1% and 20.6% in the years ended December 31, 2017 and December 31, 2018, respectively.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 3.5% or ₱68.5 mn, from ₱1.94 bn in the year ended December 31, 2017 to ₱2.01 bn in the year ended December 31, 2018. The increase was primarily attributable to higher cost of real estate sales and overhead costs incurred by AEV Aviation. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1.7% and 1.4% in the years ended December 31, 2017 and December 31, 2018, respectively.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 7.1% or ₱2.59 bn, from ₱36.58 bn in the year ended December 31, 2017 to ₱39.16 bn in the year ended December 31, 2018.

Income Before Income Tax

The Group's income before income tax increased by 3.8% or ₱1.28 bn, from ₱33.86 bn in the year ended December 31, 2017 to ₱35.14 bn in the year ended December 31, 2018. The increase was primarily attributable to higher operating profit and higher amounts of income from collection of settlements with AboitizPower's suppliers, which was partially offset by lower share in net earnings of associates and joint ventures and higher net interest expense.

Net Income

As a result of the foregoing, Net Income to Equity Holders of AEV increased by 2.9% or ₱624.3 mn, from ₱ 21.61 bn in the year ended December 31, 2017 to ₱22.23 bn in the year ended December 31, 2018.

Net income attributable to non-controlling interests increased to ₱ 9.01 bn from ₱ 7.67 bn in 2017, substantially due to the increase in consolidated net income of AboitizPower, and recognition of the net income after tax share of Gold Coin's minority shareholders.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Group's SBUs for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Power

AboitizPower ended 2018 with a contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, for the year of ₱16.69 bn, recording a 6.3% increase from the previous year's contribution of ₱15.70 bn.

With the fresh income contributions during 2018 from the operations of Pagbilao Unit 3 and Hedcor Bukidnon, the Power Generation segment and RES and Others business contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, increased by 11.9% from ₱13.71 bn in 2017 to ₱15.35 bn in 2018.

Before elimination of transactions within the Group, the Power Generation segment capacity sold for the year was flat year-on-year, from 3,167 MW in 2017 to 3,152 MW in 2018.

The Power Distribution segment's contribution to Net Income to Equity Holders of AEV for 2018 decreased by 5.2% year-on-year from ₱3.29 bn in 2017 to ₱3.12 bn in 2018. This increase was mainly attributable to electricity sales, which increased by 5.0% year-on-year to 5,540 GWh, as a result of increased consumption across all customer segments.

Food

Contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, from the Food SBU decreased by 8.4% to ₱1.56 bn in 2018, compared to ₱1.70 bn in 2017. The decrease was due to increased raw materials costs, which negatively affected profit margins of the Feeds segment in the Philippines, and the lower biological asset revaluation gains, which affected the Farms segment. This decrease was partly offset by the growth in Pilmico International's net earnings, primarily due to the fresh income contribution of Gold Coin resulting in an expansion in one of the Food Group's core feed milling businesses.

Financial Services

The contribution to Net Income to Equity Holders of AEV from the Financial Services SBU decreased by 13.1% year-on-year, from ₱4.12 bn in 2017 to ₱3.58 bn in 2018.

On a stand-alone basis, UnionBank and its subsidiaries recorded a net income of ₱7.32 bn for 2018, a decrease of 13.0% compared to the ₱8.41 bn earned in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank, which recorded lower loan releases to teachers.

Real Estate

The contribution of AboitizLand to the Group's Net Income to Equity Holders of AEV, before elimination of transactions within the Group, for 2018 amounted to ₱645.0 mn, a decrease of 13.3% from ₱744.2 mn in 2017. This decrease was due to the absence during 2018 of fair valuation gains on investment properties.

Infrastructure

The Republic Cement Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, decreased by 68.2%, from ₱670.6 mn in 2017 to ₱213.1 mn in 2018. This was mainly due to significantly higher fuel and power costs, which offset the improvement in sales volume and prices attributable to government infrastructure spending and stable private sector demand.

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

Assets

Compared to its year-end 2017 level, consolidated assets increased by 13% to ₱554.49 bn as of December 31, 2018, due to the following:

- Trade and other receivables, inclusive of noncurrent portion, increased by 56% (₱38.54 bn in 2018 compared to ₱24.77 bn as of December 31, 2017) mainly due to the first-time consolidation of Gold Coin's ₱3.93 bn accounts receivable, and the higher level of the Power Group's receivables resulting from the take-up of PSALM deferred adjustments in the books of Davao Light and Visayan Electric. The recorded receivables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be recovered from customers or to be collected from PSALM.
- Inventories and Land and Improvements increased by 51% (₱24.32 bn in 2018 compared to ₱16.14 bn as of December 31, 2017). The ₱9.32 bn rise in Inventories was mainly due to the following: (i) first-time consolidation of Gold Coin's ₱5.74 bn inventory; (ii) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and (iii) higher coal inventory of the Power Group. This increase was partly offset by the ₱1.35 bn decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.
- Gross of depreciation expense, the ₱19.92 bn combined growth in Property Plant and Equipment (PPE), Property Held for Sale and Investment Properties (IP) in 2018 was mainly due to the following: (i) ₱4.86 bn on-going construction of AboitizPower's power plants; (ii) ₱8.94 bn various capex of Power, Food and Real Estate groups; (iii) ₱4.78 bn first-time consolidation of Gold Coin PPE; and (iv) ₱1.0 bn upward translation adjustment by power subsidiaries using US Dollar as functional currency and fair valuation gains on investment properties. Property Held for Sale (₱676 mn in 2018 compared to nil in 2017) refers to transmission assets that will be transferred and sold to the NGCP in the next 12 months, and have been reclassified from PPE.
- Investments in and Advances to Associates and JVs increased by 17% (₱106.96 bn in 2018 compared to ₱91.61 bn as of December 31, 2017) mainly due to: (i) the ₱5.38 bn additional acquisition of UnionBank shares; (ii) AboitizPower's ₱2.50 bn capital infusion into GNPD; (iii) ₱3.33 bn reversal of share of mark-to-market (MTM) losses on AFS investments of an associate; (iv) ₱924 mn share of retained earnings adjustment of an associate resulting from the adoption of PFRS 9; (v) ₱464 mn share of associates' cumulative translation adjustments; and (vi) recording of ₱7.73 bn share in net earnings of associates and JVs. This increase was partially offset by the ₱5.14 bn cash dividends received from associates and JVs during the period.
- Intangible Asset - service concession right increased by 24% (₱3.79 bn in 2018 compared to ₱3.06 bn as of December 31, 2017) mainly due to capitalized repairs done during the year.

- Other Current Assets (OCA) rose by 47% (₱18.29 bn in 2018 compared to ₱12.44 bn as of December 31, 2017) mainly due to: (i) Therma South, Inc.'s ₱2.65 bn increase in restricted cash representing the cash reserve to be maintained in compliance with the covenants of its project debt; and (ii) Therma Visayas, Inc.'s ₱1.72 bn advances receivable from NGCP related to the construction of a transmission line.
- Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱454 mn in 2018 from ₱189 mn as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the year.
- Deferred Income Tax Assets increased by 52% (₱2.32 bn in 2018 compared to ₱1.53 bn as of December 31, 2017), mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses and asset impairment provision recorded by the Power Group during the year.
- Goodwill increased by 36% (₱56.36 bn in 2018 compared to ₱41.31 bn as of December 31, 2017) due to the new ₱15.62 bn goodwill generated following the acquisition of Gold Coin during the year, which was partly offset by the de-consolidation of the ₱524 mn goodwill resulting from the disposal of PETNET.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 9% (₱59.03 bn as of end-2018 compared to ₱64.87 bn as of end-2017) as the funds used in investment acquisitions and repayment of maturing obligations exceeded the funds generated from operations and long-term loan availment.
- Derivative Assets, net of Derivative Liabilities (current and non-current) decreased by 55% (₱131 mn in 2018 compared to ₱294 mn as of December 31, 2017) mainly due to MTM losses recognized on existing swap and forward contracts of the Power Group.
- Investments in Financial Assets at Fair Value to Profit or Loss (FVTPL) and at FV to Other Comprehensive Income (FVOCI), formerly classified as Available-for-sale (AFS) Investments, decreased by 25% (₱579 mn as of end-2018 compared to ₱773 mn as of December 31, 2017) mainly due to disposals made during 2018.

Liabilities

Consolidated short-term bank loans increased by 14% (₱26.98 bn as of end-2018 compared to ₱23.70 bn as of December 31, 2017) mainly due to the first-time consolidation of Gold Coin's ₱2.35 bn in bank loans and the ₱7.31 bn in loan availments of the Power and Real Estate Groups, which were partly offset by ₱6.26 bn loan repayment made by Food Group.

Long-term debt likewise increased by 8% (₱258.54 bn as of end-2018 compared to ₱238.54 bn as of December 31, 2017) substantially due to the following: (i) AEV International's availment of a ₱11.79 bn loan; (ii) AboitizPower's retail bond issuance of ₱10.2 bn; (iii) GMCP's availment of a ₱9.04 bn loan; (iv) a total of ₱6.20 bn in loan availments by other Power Group companies; (v) first-time consolidation of Gold Coin's ₱2.37 bn loan; and (vi) a ₱4.54 bn non-cash upward movement due to amortization of deferred financing costs and forex differential. These increases were partly offset by the prepayment by Therma Power, Inc. (TPI) of its ₱15.10 bn loan, the ₱6.70 bn settlement of maturing loans, and a ₱2.33 bn decrease in finance lease obligation due to amortizations paid.

Trade and other payables, inclusive of non-current portion, increased by 48% during the year, from ₱25.42 bn as of end-2017 to ₱37.57 bn as of end-2018, mainly due to the first-time consolidation of Gold Coin's ₱9.13 bn trade payables and the take-up of the PSALM deferred adjustments at DLP and VISAYAN ELECTRIC. The recorded payables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be remitted to PSALM or refunded to customers.

Income tax payable decreased by 24%, from ₱703 mn in 2017 to ₱535 mn in 2018, mainly due to lower income tax liability of the Power Group for the year.

Asset retirement obligation (ARO) increased by 24% from P2.96 bn in 2017 to P3.68 bn in 2018 due to the upward revaluation adjustment recognized during the year on this future obligation.

Pension liability, net of pension asset, increased by 47%, from ₱223 mn in 2017 to ₱328 mn in 2018, mainly due to the decline in the fair value of the investment in traded equity securities owned by the retirement fund of the Company. This was attributable to the decline in market prices of these securities at the end of 2018.

Deferred Income Tax Liabilities (DTL) increased by 20% (₱1.94 bn as of end- 2018 compared to ₱1.62 bn as of December 31, 2017) mainly due to the first-time consolidation of GMCH's ₱600 mn DTL.

Equity

Equity attributable to equity holders of the parent increased by 13% from the year-end 2017 level of ₱154.70 bn to ₱174.69 bn as of end-2018 mainly due to: (i) the ₱22.23 bn net income recorded during the year; (ii) the ₱3.33 bn reversal of share of MTM losses on AFS investments of UBP; (iii) the ₱921 mn increase in cumulative translation adjustment; and (iv) the ₱497 mn retained earnings adjustment related to first-time adoption of PFRS 9 and 15. These increases were partly offset by the ₱7.21 bn in cash dividends paid during 2018.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF THE REGISTRANT

For the year ended December 31, 2018, 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 2017, consolidated cash generated from operating activities in 2018 increased by ₱6.18 bn to ₱38.42 bn in 2018, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA), and was partly offset by higher working capital requirements.

As of end-2018, ₱30.76 bn was recorded as net cash used in investing activities compared to ₱11.30 bn from 2017. This was mainly due to the acquisition of Gold Coin and higher cash disbursed on additional investments in associates.

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

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

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio improved from year-end 2017's 1.61x to 1.80x at the end of 2018 as the growth in current assets outpaced the increase in current liabilities. Debt-to-equity ratio likewise improved from year- end 2017's 1.56:1 to 1.54:1 at the end of 2018.

REVIEW OF JAN-DEC 2017 OPERATIONS VERSUS JAN-DEC 2016

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2017	JAN-DEC 2016
EQUITY IN NET EARNINGS OF INVESTEEES	9,053,733	9,651,787

EBITDA	56,977,228	48,127,754
CASH FLOW GENERATED:		
Net cash flows from operating activities	32,237,312	32,013,422
Net cash flows used in investing activities	(11,304,774)	(84,668,374)
Net cash flows from financing activities	(19,458,941)	52,848,445
Net Increase in Cash & Cash Equivalents	1,473,597	193,493
Cash & Cash Equivalents, Beginning	63,857,528	63,581,884
Cash & Cash Equivalents, End	64,870,214	63,857,528
	DEC. 31, 2017	DEC. 31, 2016
CURRENT RATIO	1.61	2.51
DEBT-TO-EQUITY RATIO	1.56	1.68

DISCUSSION OF KEY PERFORMANCE INDICATORS:

All the KPI values were within management's expectation during the year in review.

Management teams of the different business units continued to effectively handle their respective operations and financial requirements. As a result, profitability was sustained and the Group's financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the Group's consolidated bottomline despite the 6% decline in their income contribution to the Group during the period in review. Consolidated EBITDA, which increased by 18% during 2017, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. These internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With substantial long-term debt prepayments and growth in equity during 2017, debt-to-equity ratio moved down to 1.56x (versus end-2016's 1.68x). Meanwhile, the end-2017 current ratio stood at 1.61x (versus end-2016's 2.51x) as current liabilities grew more than current assets.

RESULTS OF OPERATIONS

For the year ended December 31, 2017, AEV and its Subsidiaries posted a consolidated net income of ₱21.61 bn, a 4% YoY decrease. This translates to an earnings per share of ₱3.84 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 69%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 18%, 7%, 3% and 3%, respectively.

The Group generated a non-recurring net loss of ₱2.30 bn during 2017 (compared to a ₱347 mn loss in 2016) mainly from the Power Group's asset impairment and debt prepayment costs, which were partially reduced by a one-off recognition of lower interest expense from an acquired loan. Stripping out these one-off items, the Group's core net income for the year amounted to ₱23.91 bn, 5% higher than last year. AEV recorded an 18% increase during 2017 in consolidated earnings before interest, tax, depreciation and amortization (EBITDA), from ₱48.13 bn to ₱56.98 bn.

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

Revenues

Sale of Power

The Group's revenue from sale of power increased by 34.1% or ₱30.17 bn, from ₱88.59 bn in the year ended December 31, 2016 to ₱118.76 bn in the year ended December 13, 2017. The increase was primarily attributable to the following: (i) full-year consolidation of the revenues of GMCP which mainly accounted for the increase in the power generation group's revenue; (ii) higher revenues of the hydro units due to more

favorable hydrological conditions in 2017; and (iii) increase in contracted capacities resulting from RES companies entering into contracts throughout 2017 in anticipation of the commercial operations of PEC and TVI in 2018. As a percentage of total revenues, the Group's sale of power comprised 76.1% and 79.0% in the years ended December 31, 2016 and December 31, 2017, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 9.0% or ₱1.97 bn, from ₱21.85 bn in the year ended December 31, 2016 to ₱23.82 bn in the year ended December 31, 2017. The increase was primarily attributable to higher sales of Farms and Feeds Vietnam. For Farms, the increase in sales was due to recovery in live hog selling prices. For Feeds Vietnam, the increase was due to growth of commercial and export product lines. As a percentage of total revenues, the Group's sale of goods comprised 18.8% and 15.8% in the years ended December 31, 2016 and December 31, 2017, respectively.

Real Estate

The Group's revenue from real estate increased by 48.0% or ₱1.17 bn, from ₱2.44 bn in the year ended December 31, 2016 to ₱3.61 bn in the year ended December 31, 2017. The increase was primarily attributable to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. As a percentage of total revenues, the Group's revenue from real estate comprised 2.1% and 2.4% in the years ended December 31, 2016 and December 31, 2017, respectively.

Other Revenues

The Group's combined revenue from fair value of swine, service fees and other sources increased by 19.5% or ₱689.9 mn, from ₱3.54 bn in the year ended December 31, 2016 to ₱4.23 bn in the year ended December 31, 2017. The increase was primarily attributable to higher fair value of swine resulting from an increase in number of units and higher average market selling prices at valuation date. As a percentage of total revenues, the Group's other revenues comprised 3.0% and 2.8% in the years ended December 31, 2016 and December 31, 2017, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power increased by 38.3% or ₱17.72 bn, from ₱46.23 bn in the year ended December 31, 2016 to ₱63.95 bn in the year ended December 31, 2017. The increase was primarily attributable to the following: (i) full-year consolidation of the cost of generated power of GMCP which accounted for a substantial portion of the total increase in this account in 2017; (ii) higher cost of steam at APRI and higher fuel costs at the thermal companies due to the coal and oil price increases in 2017; and (iii) increase in cost of purchased power in 2017 by RES companies to serve their new contracts. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 52.8% and 56.2% in the years ended December 31, 2016 and December 31, 2017, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 14.9% or ₱2.81 bn, from ₱18.89 bn in the year ended December 31, 2016 to ₱21.70 bn in the year ended December 31, 2017. The increase was primarily attributable to higher cost of raw materials of Feeds Philippines. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 21.6% and 19.1% in the years ended December 31, 2016 and December 31, 2017, respectively.

Operating Expenses

The Group's operating expenses increased by 23.9% or ₱5.07 bn, from ₱21.19 bn in the year ended December 31, 2016 to ₱26.26 bn in the year ended December 31, 2017. The increase was primarily attributable to higher depreciation, maintenance, general and administrative expenses in 2017 as a result

of the full-year consolidation of GMCP's expenses. As a percentage of total costs and expenses, the Group's operating expenses comprised 24.2% and 23.1% in the years ended December 31, 2016 and December 31, 2017, respectively.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 62.4% or ₱745.0 mn, from ₱1.19 bn in the year ended December 31, 2016 to ₱ 1.94 bn in the year ended December 31, 2017. The increase was primarily attributable to higher cost of real estate sales. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1.4% and 1.7% in the years ended December 31, 2016 and December 31, 2017, respectively.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 26.5% or ₱7.66 bn, from ₱28.92 bn in the year ended December 31, 2016 to ₱36.58 bn in the year ended December 31, 2017.

Income Before Income Tax

The Group's income before income tax increased by 2.8% or ₱919.3 mn, from ₱32.94 bn in the year ended December 31, 2016 to ₱33.86 bn in the year ended December 31, 2017. The increase was primarily attributable to higher operating profit, which was partially offset mainly by higher net interest expense, AboitizPower's impairment of its investment in Aseagas and refinancing costs.

Net Income

As a result of the foregoing and higher net income to non-controlling interests, Net Income to Equity Holders of AEV decreased by 3.8% or ₱864.8 mn, from ₱22.47 bn in the year ended December 31, 2016 to ₱21.61 bn in the year ended December 31, 2017.

Net income attributable to non-controlling interests increased to ₱7.67 bn from ₱6.18 bn in 2016, substantially due to the full-period recognition of the net income after tax share of GMCP's minority shareholders.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Group's SBUs for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Power

AboitizPower's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, for 2017 was ₱15.70 bn, a 2.1% increase from the contribution in 2016 of ₱15.38 bn.

Before elimination of transactions within the Group, the Power Generation segment and RES business contribution to Net Income to Equity Holders of AEV grew 11.5% during 2017 from ₱12.30 bn to ₱13.71 bn. This improvement was substantially attributed to the strong performance of the Power Generation segment's hydro units and the full-period income contributed by the Mariveles Project, which was acquired in December 2016.

The Power Generation segment capacity sold during 2017 increased by 41.0% year-on-year, from 2,223 MW to 3,124 MW, mainly driven by the additional capacity of the Mariveles Project, higher generation of its hydro units, and an increase in capacities contracted.

Before elimination of transactions within the Group, the Power Distribution segment's contribution to Net Income to Equity Holders of AEV increased by 16.4% during 2017 from ₱2.82 bn to ₱3.29 bn as a result of growth in demand for electricity and higher profit margins. Attributable electricity sales of 5,288 GWh

increased by 4.0% during 2017. Gross margin per kWh for 2017 increased to ₱1.73 from ₱1.59 in 2016. The improved margins resulted from adequate power supply, better supply mix, and recoveries on purchased power costs.

Food

Contribution to Net Income to Equity Holders of AEV from PFC, before elimination of transactions within the Group, decreased by 1.7% during 2017 to ₱1.70 bn from ₱1.73 bn the previous year. For 2017, Feeds Philippines and Flour both reported decreases in income contribution while Farms and Feeds Vietnam both showed increases. The decline in net earnings of Feeds Philippines and Flour was largely due to higher raw material and operating costs. On the other hand, Feeds Vietnam reported an increase in net income during 2017 due to growth of commercial and export product lines and some foreign exchange gains. For Farms, the recovery during 2017 in live hog selling prices resulted in improved profits.

Financial Services

The contribution to Net Income to Equity Holders of AEV from the Financial Services SBU declined by 16.0%, from ₱4.91 bn in 2016 to ₱4.12 bn in 2017.

On a stand-alone basis, UnionBank and its subsidiaries recorded a net income of ₱8.41 bn for 2017, 16.7% lower compared to the ₱10.09 bn earned in 2016. The decline was primarily due to a one-off trading gain booked in the third quarter of 2016 despite the increase in UnionBank's net income in 2017 compared to 2016.

PETNET Inc. contributed ₱20.0 mn to Net Income to Equity Holders of AEV during 2017 from a loss of ₱1.7 mn in 2016.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, during 2017 amounted to ₱744.2 mn, up 295.2% from ₱188.3 mn in 2016. This growth was mainly attributed to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. AboitizLand also recognized fair valuation gains on investment properties in 2017.

Infrastructure

The Republic Cement Group posted a contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, of ₱670.6 mn in 2017, down 56.9% from ₱1.55 bn in 2016. Cement demand grew modestly in 2017, offset by lower prices and increased fuel and power costs.

CHANGES IN THE COMPANY'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2016 level, consolidated assets increased 6% to ₱492.24 bn as of December 31, 2017, due to the following:

- Trade and other receivables, inclusive of noncurrent portion, increased by 13% (₱24.77 bn end-2017 compared to ₱22.01 bn as of December 31, 2016) mainly due to higher level of receivables of the Power and Food Groups.
- Inventories increased by 22% (₱12.45 bn as of end-2017 compared to ₱10.22 bn as of December 31, 2016) mainly due to increase in raw materials inventory of the Food Group and coal inventory of the Power Group.

- Gross of depreciation expense, the combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) as of December 31, 2017 was mainly due to the following: (i) ₱12.70 bn for on-going construction of AboitizPower's power plants; (ii) ₱6.07 bn in various capital expenditures of Power, Food and Real Estate Groups, (iii) ₱2.99 bn first-time consolidation of San Carlos Sun Power, Inc. (Sacasun) assets; and (iv) ₱862 mn gain recognized on the re-appraisal of certain investment properties. This was partly reduced by the ₱2.66 bn impairment of Aseagas' biomass plant during 2017.
- Investments in and Advances to Associates as of December 31, 2017 increased by 6% (₱91.92 bn compared to ₱86.95 bn as of December 31, 2016) mainly due to AboitizPower's ₱1.25 bn capital infusion into GN Power Dinginin Ltd. Co. (GNPD) and ₱244 mn capital infusion into RP Energy, the ₱275 mn acquisition of BWSI shares by Aboitiz InfraCapital, the recording of ₱9.05 bn share in net earnings of associates, and the ₱703 mn share of a banking associate's MTM gains on its AFS investments during the year. This increase was partially offset by the ₱6.16 bn cash dividends received from associates during 2017.
- Other current assets increased by 30% as of December 31, 2017 (₱12.44 bn compared to ₱9.58 bn as of December 31, 2016) mainly due to the rise in prepaid insurance and prepaid taxes of the Power Group.
- Available-for-sale (AFS) Investments increased by 37% (₱773 mn as of December 31, 2017 compared to ₱564 mn as of December 31, 2016) mainly due to additional acquisitions made during the year.
- Held-to-maturity (HTM) Investments increased to ₱189 mn as of December 31, 2017 from nil as of December 31, 2016. This was mainly due to new acquisitions made of this type of financial product during the year.
- Derivative Assets (current and non-current) increased by 17% (₱342 mn as of December 31, 2017 compared to ₱292 mn as of December 31, 2016) mainly due to MTM gains recognized on existing forward contracts of the Power Group.
- The above increases during 2017 were offset by the 19% decrease in Deferred Income Tax Assets (DTA), (₱1.52 bn as of December 31, 2017 compared to ₱1.89 bn as of December 31, 2016), mainly due to the reversal of DTA set up in previous periods on the unrealized forex losses on loan restatement related to the prepayment of GMCP's loan.

Liabilities

Consolidated short-term bank loans increased by 187% as of end-2017 (₱23.70 bn compared to ₱8.26 bn as of December 31, 2016) mainly due to availments made by Food Group, Power Group, PETNET, and AboitizLand to fund working capital requirements. On the other hand, long-term debt decreased by 4% (₱238.84 bn as of December 31, 2017 compared to ₱249.46 bn as of December 31, 2016) substantially due to the prepayment of ₱15.93 bn in Therma Power, Inc. and ₱2.43 bn in Aseagas loans, and the ₱6.72 bn settlement of maturing loans and finance lease amortization. This was partly offset by the following: (a) AboitizPower's ₱3.0 bn bond issuance; (b) GMCP's ₱3.17 bn loan; (c) the combined ₱8.29 bn additional loan availment of Therma Visayas, Inc., Hedcor Bukidnon, and Pagbilao Electric Corporation (PEC) to finance on-going plant constructions; and (d) the ₱1.38 bn non-cash movement from foreign exchange differential and deferred financing costs.

Trade and other payables, inclusive of noncurrent portion, increased by 12%, from ₱22.67 bn as of end-2016 to ₱25.42 bn as of end-2017, mainly due to higher level of payables to suppliers and contractors resulting from the on-going plant construction by the Power Group.

Customers deposits decreased by 11%, from ₱7.04 bn as of end-2016 to ₱6.27 bn as of end-2017 as special deposits were refunded by distribution utilities to its customers during 2017.

Asset retirement obligation (ARO) increased by 62% from ₱1.82 bn as of end-2016 to ₱2.96 bn as of end-2017 due to incremental provisions recorded during 2017.

Derivative liabilities (current and non-current) decreased by 87% as of end-2017 (₱48 mn compared to ₱361 mn as of December 31, 2016) mainly due to the derecognition of the derivative liability related to GMCP's loan, which was prepaid during 2017.

Equity

Equity attributable to equity holders of the parent increased by 11% from the year-end 2016 level of ₱140.28 bn to ₱155.01 bn as of end-2017 mainly due to the ₱21.61 bn net income recorded during 2017 and AEV's ₱709 mn share in UBP's unrealized MTM gains recognized on its AFS investments, reduced by ₱7.49 bn cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF THE COMPANY

For the year ended December 31, 2017, the Group continued to support its liquidity mainly from cash generated from operations, additional short-term loan availments, and dividends received from associates.

Compared to 2016, consolidated cash generated from operating activities in 2017 increased by ₱669 mn to ₱32.68 bn, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the year.

AEV ended 2017 with ₱11.75 bn net cash used in investing activities compared to ₱84.67 bn in 2016. This was mainly due to lower amounts spent for ongoing plant construction and investments in associates.

Net cash used in financing activities in 2017 was ₱19.46 bn compared to ₱52.85 bn generated in 2016. This was largely attributed to long-term loan repayments made during 2017 compared to higher loan availments and the sale of treasury shares during 2016.

For 2017, net cash inflows surpassed cash outflows, resulting in a 2% increase in cash and cash equivalents from ₱63.86 bn as of year-end 2016 to ₱64.87 bn as of December 30, 2017.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.56x as of end-2017 from 2.51x at the start of the year, since current liabilities grew more than current assets. Debt-to-Equity ratio stood at 1.56:1 as of end-2017 (compared to year-end 2016's 1.68:1). This was mainly due to the growth in total equity coupled with substantial prepayment of long-term debt during 2017.

Item 7. Financial Statements

The audited consolidated financial statements of AEV are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this SEC Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

AEV has engaged the services of SyCip Gorres Velayo & Co. (SGV) during the two most recent fiscal years. There were no disagreements with SGV on accounting and financial disclosure.

Information on Independent Public Accountant

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been AEV's Independent Public Accountant for the last 24 years. Ms. Maria Veronica Andresa R. Pore is AEV's current audit partner, and has served as such starting 2017. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There was no event in the past 24 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Representatives of SGV will be present during the 2020 Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

(A) External Audit Fees and Services

The following table sets out the aggregate fees paid by the Registrant for professional fees rendered by SGV:

Fee Type	Year ended December 31, 2019	Year ended December 31, 2018
Audit Fees		
Audit Fees	₱511,952.00	₱511,952.00
Audit-Related Fees	6,276,700.00	P9,000.00
Total	₱6,788,652.00	₱520,952.00
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	0	0
Total		
Total Audit and Non-Audit Fees	₱6,788,652.00	₱520,952.00

Aside from audit services, the Company also engaged SGV in 2019 to provide financial advisory services for ongoing business development projects.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of external auditors for the years 2019 and 2018 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The overall management and supervision of the Company is undertaken by its board of directors (the “Board”). The Company’s executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company’s business operations, financial condition and results of operations for its review.

(a) (1) Directors for 2019-2020

The Company currently has nine directors, three of whom are Independent Directors. Below is the profile of the directors, for 2019-2020, with their corresponding positions, offices, and business experience held for the past five years. The directors assumed their directorship during AEV’s Annual Stockholders’ Meeting in 2019 for a term of one year, and until their successors are duly elected and qualified.

ENRIQUE M. ABOITIZ

Chairman - Board of Directors
Chairman - Board Risk and Reputation Management Committee
Member - Board Corporate Governance Committee
- Board Executive Committee

Mr. Enrique M. Aboitiz, 66 years old, Filipino, was appointed Chairman of the Board on December 11, 2018. He has served as a director of the Company since May 9, 1994, and has been the Chairman of the Board Risk and Reputation Management Committee since February 11, 2009, and a member of the Board Corporate Governance Committees since December 11, 2018, and of the Executive Committee since May 21, 2018. He was also a member of the Board Audit Committee from December 11, 2018 to January 28, 2020.

He also served as the Vice Chairman of the Board of Directors of Aboitiz Power Corporation (AboitizPower), a publicly listed company, until December 31, 2019, and is currently Vice-Chairman of Aboitiz & Company, Inc. (ACO). Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

MIKEL A. ABOITIZ

Vice Chairman - Board of Directors
Member - Board Risk and Reputation Management Committee
- Board Executive Committee

Mr. Mikel A. Aboitiz, 65 years old, Filipino, was appointed Vice Chairman of the Board on December 11, 2018. He has served as a director of the Company since May 15, 2017 and was formerly Senior Vice President of the Company from 2004 to 2015. He was a member of the Company’s Board Corporate Governance Committee from May 2017 to December 31, 2019, and Board Audit Committee from May 2017 to January 28, 2020. He is also a member of the Executive Committee since May 21, 2018 and of the Board Risk and Reputation Management Committee since December 11, 2018.

He has been a director of AboitizPower since February 13, 1998, and was its Chairman of the Board of Directors of AboitizPower from September 1, 2018 to December 31, 2020, and Vice Chairman since January 1, 2020. He is currently the Chairman of ACO and a trustee and Vice Chairman of Ramon Aboitiz Foundation, Inc. (RAFI). He was formerly Vice Chairman of the Board of City Savings Bank, Inc. (CitySavings) from 2015 to 2016 and President and CEO of Board of City Savings Bank from 2001 to 2014. He holds a degree in Bachelor of Science, Major in Business Administration, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

SABIN M. ABOITIZ

Director/ President & Chief Executive Officer
Chairman - Board Executive Committee

- Member - Board Corporate Governance Committee
- Board Risk and Reputation Management Committee

Mr. Sabin M. Aboitiz, 55 years old, Filipino, was elected director of the Company on May 21, 2018 and has been the Company's President and Chief Executive Officer and Chairman of the Board Executive Committee since January 1, 2020. He has been a member of the Board Risk and Reputation Management Committee since May 21, 2018 and a member of the Board Corporate Governance Committee since January 1, 2020. He was First Vice President of the Company from May 2014 to May 2015, Senior Vice President from May to December 2015 and was Executive Vice President and Chief Operating Officer from December 13, 2015 to December 31, 2019.

Mr. Aboitiz is the Chairman of Aboitiz Foundation, Inc., Aboitiz InfraCapital, Inc, Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Gold Coin Management Holdings, Ltd. ; Director and President of AEV CRH; Director of UnionBank, a publicly listed company, ACO, RCBM, Republic Cement Services, Inc., CRH Aboitiz Holdings, Inc., Apo Agua Infraestructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., and Pilmico International; Alternate Director of AboitizPower International Pte. Ltd. and AEV International Pte. Ltd.

He holds a degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.

ERRAMON I. ABOITIZ

Director

- Member - Board Executive Committee
- Board Audit Committee
- Board Risk and Reputation Management Committee

Mr. Erramon I. Aboitiz, 63 years old, Filipino, has served as President and Chief Executive Officer of the Company from January 5, 2009 to December 31, 2019. He has been a director of the Company since May 9, 1994, a member of the Board Risk and Reputation Management Committee since May 18, 2015, a member of the Board Audit Committee since January 1, 2020, and was Chairman of the Executive Committee from May 21, 2018 to December 31, 2019 and its Vice Chairman since January 1, 2020. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of the Company from 1994 to December 2008.

Mr. Aboitiz is also Chairman of the Board of Directors of the following companies: Manila-Oslo Renewable Enterprise, Inc. (MORE), San Fernando Electric Light and Power Co., Inc. (SFELAPCO), and CRH Aboitiz Holdings, Inc. (CRH Aboitiz). He is Vice Chairman of Republic Cement and Building Materials, Inc. (RCBM) and of Union Bank of the Philippines (UnionBank), a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nominations Committee. He is Director of AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation. He is Director of ACO, AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation.

Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year, both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.

ANA MARIA A. DELGADO

Director

- Member - Board Audit Committee

Ana Maria A. Delgado, 39, Filipino, was elected director of the Company on December 11, 2018, and has been a member of the Board Audit Committee since January 28, 2020.

She also holds the position of Senior Vice President, Center Head of Consumer Finance and Chief Customer Experience Officer of UnionBank. Ms. Delgado started her career with UnionBank as a Product Manager under the Retail Banking Center, and has previously held the positions of SME Banking Business Head and Cards

Business Head. Prior to joining UnionBank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008.

Ms. Delgado graduated with a Bachelor of Arts degree in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any government agency or instrumentality.

EDWIN R. BAUTISTA

Director

Member - Board Executive Committee

Edwin R. Bautista, 59 years old, Filipino, was elected director of the Company on September 1, 2018 and was appointed as member of the Executive Committee on the same date. He is also currently a Director and the President and CEO of UnionBank, a publicly-listed company, the Chairman of the Board of Directors of CitySavings, and a Director in Union Properties, Inc. (now known as "UBP Investments Corporation"), First Union Plans, Inc., and First Union Direct Corp. Prior to joining the Company as director, Mr. Bautista also served UnionBank in various capacities: as Chief Operating Officer from January 1, 2016 to December 31, 2017, Senior Executive Vice President from 2011 to 2015, Executive Vice President from 2001 to 2011, and Senior Vice President from 1997 to 2001.

Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advance Management Program at the Harvard Business School, U.S.A. He is not connected with any government agency or instrumentality.

RAPHAEL P.M. LOTILLA

Lead Independent Director

Chairman - Board Corporate Governance Committee

Member - Board Audit Committee

- Board Risk and Reputation Management Committee

- Board Related Party Transactions Committee

Mr. Raphael P.M. Lotilla, 61 years old, Filipino, has served as an Independent Director of the Company since May 21, 2012 and was elected as Lead Independent Director of the Company on May 15, 2017. He has been a member of the Board Audit Committee and Chairman of the Board Corporate Governance Committee since December 11, 2018, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017.

Mr. Lotilla is also an Independent Director of ACE Enxox Inc., a publicly listed company, Petron Foundation, Inc., and First Metro Investment, Inc. He is also the Chairman of the Board of Trustees of the Center for the Advancement of Trade Integration and Facilitation, and The Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla previously served the Philippine government in various capacities – Secretary of Energy; President and Chief Executive Officer of Power Sector Assets and Liabilities Management Corporation; Deputy Director-General of the National Economic and Development Authority; Coordinator of the Philippine Council for Sustainable Development; Chairman of the Philippines National Oil Company; Vice Chairman of the National Power Corporation and the National Transmission Corporation, among others. He later served as Regional Programme Director of a GEF-UNDP regional project for the Sustainable Development of the East Asian Seas.

He obtained his Bachelor of Laws degree from the University of the Philippines where he became a Professor of Law, and holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies and the Advisory Committee for the Ateneo University Professional Schools.

JOSE C. VITUG

Independent Director

Chairman - Board Audit Committee

Member - Board Corporate Governance Committee

- Board Risk and Reputation Management Committee

- Board Related Party Transactions Committee

Justice Jose C. Vitug (ret.), 85 years old, Filipino, has served as an Independent Director of the Company since May 16, 2005. He is Chairman of the Board Audit Committee of the Company since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017.

Mr. Vitug is also an Independent Director of ABS-CBN Holdings Corporation, a publicly listed company. He is currently a Board Trustee and Law Dean of the Angeles University Foundation, the Chairman of the Board of Trustees of Angeles University Foundation Medical Center, a Graduate Professor of the College of Law of San Beda College, a Professorial Lecturer of the Philippine Judicial Academy, and a member of the Philippine National Group of Judges of the Permanent Court of Arbitration at the Hague, Netherlands since 18 August 2017 for a term of seven years.

Mr. Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. He graduated cum laude from the Manuel L. Quezon University with a Bachelor's Degree in Law. He holds a Master of Laws degree from the same university and a Master's Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation.

He is not connected, either as an officer or as an employee, to a government agency or instrumentality.

MANUEL R. SALAK III

Independent Director

Chairman - Board Related Party Transactions Committee

Member - Board Corporate Governance Committee

- Board Audit Committee

- Board Risk and Reputation Management Committee

Mr. Manuel R. Salak III, 60 years old, Filipino, was elected as an Independent Director of the Company on May 21, 2018. On the same date, he was appointed as Chairman of the Board Related Party Transactions Committee, and member of the Board Corporate Governance Committee, Board Audit Committee and Board Risk and Reputation Management Committee.

Mr. Salak is the Founder and Managing Director of AlphaPrimus Advisors Inc., a Philippine based firm providing advice on mergers and acquisitions activities as well as capital raising for Philippine and Philippine based clients. He is an independent director at Maxicare Philippines, and a Trustee of World Surgical Foundation Philippines. Mr Salak is an adviser for special projects at the Asian Institute of Management and is a board director of the Ateneo Center for Economic Research Department. Mr. Salak previously served as the Managing Director, Head of Asia for Clients Coverage and Corporate Finance – ING Bank N.V., based in Singapore and covering 14 countries from 2008 to 2017, Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2008, and Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000.

Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master's degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the Institut Européen d'Administration des Affaires (INSEAD) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School, U.S.A.

He is not connected with any government agency or instrumentality.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code ("SRC Rule 38"), AEV's Amended By-Laws, and AEV's Guidelines for the Nomination and Election of Independent Directors approved by the Board of Directors on March 23, 2017 (the "Guidelines").

In accordance with Section C(1) of the Guidelines, the period for nominations for independent directors is from January 1, 2020 until February 15, 2020, unless the Board Corporate Governance Committee unanimously agrees to extend the deadline for meritorious reasons. The Board Corporate Governance Committee unanimously agreed to extend the period for nominations of independent directors until March 6, 2020.

On March 6, 2020, the Chairman of the Board Corporate Governance Committee submitted to the Corporate Secretary the Final List of Nominees. In approving the nominations for independent directors, the Board Corporate Governance Committee considered the guidelines on the nominations of independent directors prescribed in SRC Rule 38, the Amended Guidelines, and AEV's Revised Manual on Corporate Governance dated January 31, 2019 (the "Revised Manual"). The Board Corporate Governance Committee performs the functions of the Board Nominations and Compensation Committee. In 2019, Mr. Raphael P.M. Lotilla, Lead Independent Director, was the Chairman of the Board Corporate Governance Committee. The other voting members of the committee are Messrs. Sabin M. Aboitiz, Enrique M. Aboitiz, Manuel R. Salak III, and Justice Jose C. Vitug (ret.), while the ex-officio non-voting members are Mr. Manuel Alberto R. Colayco, and Ms. Susan V. Valdez.

No nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, independent directors shall be elected at the stockholders' meeting during which other members of the Board are to be elected.

Justice Jose C. Vitug (ret.), Mr. Manuel R. Salak III, and Mr. Raphael P. M. Lotilla are the nominees for independent directors of AEV for the 2020 ASM. They are neither officers nor employees of the Company or any of its Affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director.

AEV stockholders, Ms. Remeliza Zapanta Villanueva, Ms. Jovy Tan, and Ms. Viva Torre, have nominated Justice Jose C. Vitug (ret.), Mr. Manuel R. Salak III, and Mr. Raphael P.M. Lotilla, respectively, as the Company's independent directors. None of the nominating stockholders have any relation to the respective independent director they are nominating.

Other Nominees for Election as Members of the Board of Directors

As the Board Corporate Governance Committee conveyed to the Corporate Secretary on March 6, 2020, the following were also nominated and qualified as candidates to the AEV Board of Directors for the ensuing year 2020-2021:

Enrique M. Aboitiz
Mikel A. Aboitiz
Erramon I. Aboitiz
Sabin M. Aboitiz
Edwin R. Bautista
Ana Maria A. Delgado

Pursuant to Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board other than Independent Directors for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the Annual Stockholders' Meeting on April 27, 2020 or not later than April 6, 2020.

All other information regarding the positions and offices held by the above-mentioned nominees are integrated in Item 9 (a) (1) above.

(2) Officers for 2019-2020

ENRIQUE M. ABOITIZ

Chairman - Board of Directors

Refer to Item 9 (a) (1) for the profile for Mr. Enrique M. Aboitiz

MIKEL A. ABOITIZ

Vice Chairman - Board of Directors

Refer to Item 9 (a) (1) for the profile for Mr. Mikel A. Aboitiz

SABIN M. ABOITIZ

Director/ President and Chief Executive Officer

Refer to Item 9 (a) (1) for the profile for Mr. Sabin M. Aboitiz

ERRAMON I. ABOITIZ

Director

Refer to Item 9 (a) (1) for the profile for Mr. Erramon I. Aboitiz

MANUEL R. LOZANO

Senior Vice President/Chief Financial Officer/Corporate Information Officer

Ex-officio Member - Board Risk and Reputation Management Committee

Mr. Manuel R. Lozano, 49 years old, Filipino, has been Senior Vice President, Chief Financial Officer and Chief Corporate Information Officer of the Company since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015, and of the Executive Committee since May 21, 2018. Mr. Lozano is currently Senior Vice President – Finance of ACO, and Treasurer of Aboitiz Construction, Inc. (ACI); Trustee and Treasurer of Aboitiz Foundation; Chief Financial Officer and Treasurer of Apo Agua; Chairman of the Board and Chief Executive Officer of Lima Water Corporation; Director, Treasurer of Aboitiz InfraCapital, Inc.; Director and Vice President of AEV Aviation; Director and Treasurer of AEV CRH, CFO and Treasurer of Archipelago Insurance; Director of PANC, Pilmico, RCBM, UnionBank; and Alternate Director of AEV International, Pilmico International Pte. Ltd. (Pilmico International) and AboitizPower International. Mr. Lozano was First Vice President, Chief Financial Officer and Corporate Information Officer of AboitizPower from 2014 to 2015; and was First Vice President – Chief Financial Officer of AboitizPower Generation from 2008 to 2013.

Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance and Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming and CLSA.

He earned his Bachelor of Science in Business Administration degree from the University of the Philippines – Diliman and his Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.

SUSAN V. VALDEZ⁶

Senior Vice President and Chief Corporate Services Officer

Ex-officio Member - Board Corporate Governance Committee

Ms. Susan V. Valdez, 59 years old, Filipino, has been the Chief Corporate Services Officer of the Company since January 2, 2020. She has held various executive positions at the Company for the past seven years, namely:

⁶ Effective January 2, 2020, Ms. Susan V. Valdez, Senior Vice President and Chief Human Resources Officer, took on an expanded role as Chief Corporate Services Officer.

Senior Vice President and Chief Corporate Services Officer, Chief Reputation and Risk Management Officer and Chief Reputation Officer. She is currently an Ex-Officio member of the Company's Board Corporate Governance Committee. Before joining the Company in September 2011, she held various executive positions for 15 years in Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc., a publicly listed company), as Chief Finance Officer, Chief Information Officer and Chief Operating Officer of its freight and supply chain business units.

Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa's College with a degree of Bachelor of Science in Commerce, majoring in Accounting. She earned her Master's degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School, U.S.A. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.

ROBERT MCGREGOR

Executive Director – Chief Investments Officer

Mr. Robert McGregor, 60 years old, British, is Executive Director – Chief Investments Officer of the Company since October 3, 2018. He is concurrently Executive Director – Chief Investments Officer of AboitizPower, a publicly listed company, a position he has held since June 1, 2018. He joined the Company as Senior Vice President – Chief Strategy Officer in May 2014 before his appointment as Executive Director – Chief Investments Officer in 2018. Mr. McGregor brings with him a wealth of experience in management, investment banking and private equity investing with almost 39 years of experience in energy markets. He has extensive experience in corporate strategy, marketing and business planning in oil, gas and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up partnership in Actis, an emerging-market private equity firm. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation as an investment banker.

Mr. McGregor completed his Honours Degree in Applied Chemistry from The University of Strathclyde, United Kingdom and obtained his Master's Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

CHRISTOPHER P. BESHOURI

Executive Director – Chief Strategy Officer

Mr. Christopher P. Beshouri, 57 years old, American, was appointed Executive Director – Chief Strategy Officer on October 3, 2018. He brings to the Group his experience in corporate strategy, business planning, strategic partnership and investments, and performance management. He has almost three decades of experience in banking, energy, telecommunications, retail, and business process outsourcing across multiple jurisdictions in Asia. Before joining the Company, Mr. Beshouri headed the VICSAL Development Corporation from 2013 to 2018. He was Independent Director of GT Capital Holdings, Inc. from 2013 to 2017. He also held various top management positions at McKinsey and Company as President and Chief Executive Officer for Philippines from 2005 to 2013, Chief of Staff for Asia from 2004 to 2005, and Associate Principal from 1997 to 2004. He also served in the United States Treasury as a Senior Financial Economist and Director from 1989 to 1997, focusing on financial markets and banking regulations, and he also taught financial markets and banking at Georgetown University, U.S.A.

Mr. Beshouri earned his Bachelor of Arts degree (Dual Major in Economics and Public Policy) from the Michigan State University, U.S.A and his Master's degree in Public Affairs from Princeton University, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

LUIS MIGUEL O. ABOITIZ

Senior Vice President

Mr. Luis Miguel O. Aboitiz, 55 years old, Filipino, is Senior Vice President of the Company, a position which he has held since May 18, 2015. He joined the Company in 1995 as Vice President and was appointed First Vice President from 2004 to May 2015.

He is concurrently Executive Vice President – Chief Strategy Officer of AboitizPower on May 21, 2018. Prior to this, he served as Director from September 2018 to December 2019, Executive Vice President and Chief Operating Officer – Corporate Business Group from 2016 to 2018, and as Senior Vice President-Power Marketing and Trading from 2009 to 2015.

He also serves as Director and President of MORE; and Director of Abovant, ARI, APX1, APX2, TPI, Pilmico Animal Nutrition Corporation (PANC), TSI, TLI, Aboitiz InfraCapital, Inc., Sacasun, STEAG Power, and UnionBank, a publicly-listed company. He is also Chairman of UnionBank's Technology Steering Committee and member of the Audit Committee and Operations Risk Management Committee, and alternate member of the Executive Committee. Mr. Aboitiz is also a member of the Board of Trustees of the Philippine Independent Power Producers Association, Inc. (PIPPA).

Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master's degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.

JOJO S. GUINGAO

Senior Vice President and Chief Digital Officer

Mr. Jojo S. Guingao, 55 years old, Filipino, was appointed Senior Vice President and Chief Digital Officer of the Company on October 1, 2018. He joined the Company as First Vice President for Digital Management on July 18, 2016. Mr. Guingao has experience in software development, IT consulting and strategy, enterprise implementation, project management and professional services. He has over 20 years of experience working for software companies in the Silicon Valley building global technology services organization. Before joining the Company, Mr. Guingao was Vice President of Customer Success at Navagis Inc., a Google Cloud Partner in San Francisco CA. He also held senior management positions in various global software companies including Critigen LLC, Environmental Systems Research Institute and Autodesk Inc.

Mr. Guingao graduated from Mapua Institute of Technology with a Bachelor's Degree in Electronics and Communications Engineering. He completed his Master's Degree in Business Administration from the California State University-East Bay, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.

DAVID JUDE L. STA. ANA

Senior Vice President and Chief External Affairs Officer

Ex-officio Member - Board Risk and Reputation Management Committee

Mr. David Jude L. Sta. Ana, 53 years old, Filipino, was appointed Senior Vice President and Chief External Affairs Officer on October 1, 2018. Prior to his appointment, he was the First Vice President for Government Relations since September 1, 2016.

Mr. Sta. Ana brings to the Group his experience in broadcast, digital and print media, with focus on major news coverage, crisis management, planning and operations. Prior to joining the Company, he was the Head for News Operations of TV5 Network, Inc. where he handled the day to day operations of the Philippines' third largest television network, including news gathering and content generation for its television, radio and digital platforms. Mr. Sta. Ana also served as news director handling the control, operational and administrative responsibilities for news gathering for two of the country's major broadcast organizations, namely ABS-CBN Broadcasting Corporation and GMA Network, Inc., a publicly listed company.

Mr. Sta Ana earned his Bachelor's Degree in Journalism from the University of the Philippines – Diliman. He also completed the Newsroom Operation and Newsroom Management Training conducted by the U.S. Radio and Television News Directors Association in Los Angeles, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.

MANUEL ALBERTO R. COLAYCO

Senior Vice President - Chief Legal Officer/Corporate Secretary/Chief Compliance Officer

Ex-officio Member - Board Corporate Governance Committee

Mr. Manuel Alberto R. Colayco, 50 years old, Filipino, was appointed as the Company's Corporate Secretary and Chief Compliance Officer on March 1, 2018. Concurrently, he is Senior Vice President and Chief Legal Officer of the Company since October 1, 2019, and Corporate Secretary of AboitizPower since March 1, 2018.

Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher & Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc & De Los Angeles from 1996 to 2000.

Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from the New York University School of Law, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.

MARIA VERONICA C. SO

First Vice President - Group Treasurer

Ms. Maria Veronica C. So, 48 years old, Filipino, has been the Company's First Vice President – Group Treasurer since January 1, 2020. She joined the Company as Vice President – Treasury Services in 2017 and was promoted to First Vice President – Deputy Group Treasurer under Treasury Services Group on April 1, 2019. She is also Group Treasurer of AboitizPower, a publicly listed company, since January 1, 2020. Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017. Ms. So holds a Masters degree in Business Management from the Asian Institute of Management and a Bachelor of Science degree in Business Management from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

SANTANINA APOLINARIA B. CASTRO

First Vice President – Risk Management

Ex-officio – Board Risk and Reputation Management Committee

Ms. Santanina Apolinaria B. Castro, 44 years old, Filipino, has been the Company's First Vice President – Risk Management since January 1, 2020. She performs the functions of the Company's Chief Risk Officer. Ms. Castro first joined the Aboitiz Group as Vice President for Corporate Strategy and Business Development of Pilimco Foods Corporation. Prior to joining the Aboitiz Group, she was Corporate Planning Manager of ABS-CBN Corporation from 2007 to 2011, Senior Planning Analyst at San Miguel Purefoods Company from 2002 to 2007, and Senior Associate at Arthur Andersen (SGV&Co) – Corporate Finance from 1996 to 2002. She holds a Masters degree in Business Administration from the University of the Philippines Diliman and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

RICARDO F. LACSON, JR.

Vice President - Data Privacy Officer

Mr. Ricardo F. Lacson, Jr., 58 years old, Filipino, was appointed as the Data Privacy Officer of the Company, effective February 1, 2019. Prior to his appointment, he was Vice President for Strategy of the Company since June 2014. Prior to joining the Company, he was the Vice President for Administration and Customer Services at the Visayan Electric Company, Inc., from August 2009 to May 2014. Before joining the Aboitiz Group, Mr. Lacson held several senior management positions including director at ZMG Ward Howell, Country Manager of SAP SuccessFactors, President of Motorola Communications Philippines, Inc., Vice President of Software Ventures International, Corp. and General Manager of Systematics Technology Services, Inc. (now Metrobank Technology, Inc.). He began his career in the field of IT, handling large corporate accounts as well as being the airlines specialist for IBM Philippines, Inc. He taught at the Ateneo de Manila University from 1984 – 1994. Mr. Lacson

earned his Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University, graduating Magna Cum Laude and receiving the Departmental Award. He also completed the Advance Bank Management Program of the Asian Institute of Management and the Leading Innovative Change Program of the University of California, Berkeley, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

MARIA LOURDES Y. TANATE

Group Internal Audit Head

Ms. Maria Lourdes Y. Tanate, 54 years old, Filipino, has been Vice President and Group Internal Audit Head since January 2016. She joined the Company in November 2011. Prior to joining the Company, Ms. Tanate was Chief Audit Executive of ATS Consolidated (ATSC), Inc. (formerly Aboitiz Transport System (ATSC) Corporation) (now 2GO Group, Inc., a publicly listed company). She also served as Assistant Vice President for Finance and Senior Manager of ATS. She has extensive experience in internal audit, financial and investment analysis and corporate finance, with focus on budgeting, financial planning and control. She graduated cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman) and subsequently obtained her Masters in Business Administration from the same school. She earned her Masters in Engineering and Technology Management from the University of Queensland, Australia. She is not connected with any government agency or instrumentality. She is also not a director of any publicly listed company.

MAILENE M. DE LA TORRE

Assistant Vice President - Assistant Corporate Secretary

Ms. Mailene M. de la Torre, 38 years old, Filipino, was appointed Assistant Corporate Secretary on November 24, 2016 and Assistant Vice President – Governance and Compliance of the Company effective January 1, 2018. She was previously Senior Associate General Counsel for Governance and Compliance of the Company beginning in November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group. She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment to that role on November 24, 2016. Ms. de la Torre has experience in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member of good standing in the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.

SAMMY DAVE A. SANTOS

Assistant Corporate Secretary

Mr. Sammy Dave A. Santos, 35 years old, Filipino, has been Assistant Corporate Secretary since November 5, 2019. He joined the Company as Associate General Counsel for the Governance and Compliance Team in 2017. He is also Assistant Corporate Secretary of AboitizPower, a publicly listed company, a position he has held since November 5, 2019. He is also Corporate Secretary of various Subsidiaries of the Aboitiz Group, and Assistant Corporate Secretary of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). Prior to joining the Aboitiz Group, he was Legal Counsel for Alliance Select Foods International, Inc., a publicly listed company, from 2016 to 2017. He was also Counsel for the Privatization Group and Office of Special Concerns of the Department of Finance in 2016. He was a Junior Associate at the Law Firm of Quiason Makalinta Barot Torres Ibarra Sison & Damaso from 2014 to 2016. Mr. Santos holds a Juris Doctor degree from the Ateneo Law School in 2013. He also holds a degree of Master of Science in Industrial Economics from the University of Asia and the Pacific. He is a member of good standing in the integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year.

Term of Office of a Director

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

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

(3) Significant Employees

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

(4) Family Relationships

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

(5) Involvement in Certain Legal Proceedings as of March 31, 2020

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until March 31, 2020, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(6) Parent Company

AEV's parent company is Aboitiz & Company, Inc. (ACO). As of March 31, 2020, ACO owns 48.59% of the voting shares of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned nor declined to stand for re-election to the Board since the date of AEV's last Annual Stockholders' Meeting because of a disagreement with AEV on matters relating to its operations, policies and practices.

Item 10. Executive Compensation

(1) Summary of Compensation Table

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

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS				
1. ERRAMON I. ABOITIZ* Director				
2. SABIN M. ABOITIZ* President and Chief Executive Officer				
3. ROBERT MCGREGOR Executive Director - Chief Investments Officer				
4. LUIS MIGUEL O. ABOITIZ Senior Vice President				
5. SUSAN V. VALDEZ** Senior Vice President and Chief Corporate Services Officer				
All above named officers as a group	Actual 2019	₱127,928,123.00	₱16,249,280.00	₱15,697,222.00
	Actual 2018	₱151,310,578.00	₱15,910,000.00	₱14,200,726.00
	Projected 2020	₱113,416,475.00	₱14,574,208.00	₱13,724,090.00
All other directors and officers as a group unnamed	Actual 2019	₱139,201,104.00	₱17,479,740.00	₱39,845,400.00
	Actual 2018	₱132,493,978.00	₱16,090,252.00	₱46,311,988.00
	Projected 2020	₱153,121,214.00	₱19,227,714.00	₱43,829,940.00

* Effective January 1, 2020, Mr. Sabin M. Aboitiz, Chief Operating Officer, took on the role of the Company's President and Chief Executive Officer, a position previously held by Mr. Erramon I. Aboitiz until his retirement on December 31, 2019.

** Effective January 2, 2020, Ms. Susan V. Valdez, Chief Human Resources Officer, took on an expanded role as Chief Corporate Services Officer.

The 2014 Amended By-Laws of the Company as approved by the Securities and Exchange Commission on May 26, 2014 defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; Chief Operating Officer(s); the Treasurer, the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board of Directors. For the year 2019, the Company's Summary of Executive Compensation covers the compensation of officers as reported under Item 9 (a)(1) of this Annual Report.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

(2) Compensation of Directors

(i) Standard Arrangements

Following the April 22, 2019 Annual Stockholders' Meeting, the directors receive a monthly allowance of ₱150,000.00 while the Chairman of the Board receives a monthly allowance of ₱200,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

Type of Meeting	Committee Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2019 is as follows:

Name of Director	Total Compensation Received by Director ⁷
ENRIQUE M. ABOITIZ <i>Chairman of the Board</i>	₱4,510,000.00
MIKEL A. ABOITIZ <i>Vice Chairman of the Board</i>	₱3,600,000.00
ERRAMON I. ABOITIZ* <i>Director</i>	₱3,240,000.00
SABIN M. ABOITIZ* <i>President and Chief Executive Officer</i>	₱3,240,000.00
ANA MARIA A. DELGADO* <i>Director</i>	₱2,410,000.00
EDWIN R. BAUTISTA* <i>Director</i>	₱3,140,000.00
RAPHAEL P.M. LOTILLA <i>Lead Independent Director</i>	₱5,000,000.00
JUSTICE JOSE C. VITUG (ret.) <i>Independent Director</i>	₱5,030,000.00
MANUEL R. SALAK III <i>Independent Director</i>	₱4,750,000.00

*A portion of the monthly allowances was paid to their nominating company.

(ii) Other Arrangements

Other than payment of the directors' per diem and monthly allowance, there are no standard arrangements pursuant to which directors of the Company are compensated or are to be compensated, directly or indirectly, for any services provided as a director.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

⁷ Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period January 1 to December 31, 2019.

(4) Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of March 31, 2020

Title of Class of Shares	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	1. Aboitiz & Company, Inc. (ACO) ⁸ Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO ⁹	Filipino	2,735,600,915 (Record and Beneficial)	48.59%
Common	2. PCD Nominee Corporation ¹⁰ (Filipino) 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers. ¹¹	Filipino	899,514,597 (Record)	15.98%
Common	4. Ramon Aboitiz Foundation, Inc. (RAFI) ¹² 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	3. PCD Nominee Corporation ¹³ (Foreign) 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers. ¹⁴	Non-Filipino	413,033,108 (Record)	7.34%

⁸ ACO, the major shareholder of Aboitiz Equity Ventures Inc., is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

⁹ Mr. Sabin M. Aboitiz, ACO President and Chief Executive Officer, will vote for the shares of ACO in AEV in accordance with the directive of the Board of Directors of ACO.

¹⁰ PCD Nominee Corporation (Filipino and Foreign) is not related to AEV. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

¹¹ Each beneficial owner of shares through a PCD participant is the beneficial owner of such number of shares he owns in his account with the PCD participant. AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) are to be voted. Of the 899,514,597 shares held by PCD Nominee Corporation (Filipino), at least 406,687,971 shares or 7.22% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

¹² Mr. Mikel A. Aboitiz, will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

¹³ *Supra* Note 3.

¹⁴ *Supra* Note 4.

(2) Security Ownership of Management as of March 31, 2020 (Record and Beneficial)

Name of Owners and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Enrique M. Aboitiz Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		1,534,500	Indirect		0.03%
Mikel A. Aboitiz Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		95,152,412	Indirect		1.69%
Erramon I. Aboitiz Director	Common	1,001,000	Direct	Filipino	0.02%
		77,023,082	Indirect		1.37%
Sabin M. Aboitiz Director/President and Chief Executive Officer	Common	14,415,651	Direct	Filipino	0.26%
		10,961,764	Indirect		0.19%
Ana Maria A. Delgado Director	Common	500	Direct	Filipino	0.00%
		26,358,285	Indirect		0.47%
Edwin R. Bautista Director	Common	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Raphael P. M. Lotilla Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Manuel R. Salak III Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/Corporate Information Officer	Common	171,028	Direct	Filipino	0.00%
		163,987	Indirect		0.00%
Susan V. Valdez Senior Vice President and Chief Corporate Services Officer	Common	769,926	Direct	Filipino	0.01%
		170,637	Indirect		0.00%
Robert McGregor Executive Director – Chief Investments Officer	Common	65,776	Direct	British	0.00%
		136,624	Indirect		0.00%
Christopher P. Beshouri Executive Director – Chief Strategy Officer	Common	27,000	Direct	American	0.00%
		3,704	Indirect		0.00%
Luis Miguel O. Aboitiz Senior Vice President	Common	26,139,565	Direct	Filipino	0.46%
		11,047,211	Indirect		0.20%
Jojo S. Guingao Senior Vice President and Chief Digital Officer	Common	23,103	Direct	Filipino	0.00%
		40,222	Indirect		0.00%
David Jude L. Sta. Ana Senior Vice President and Chief External Affairs Officer	Common	10,637	Direct	Filipino	0.00%
		18,519	Indirect		0.00%
Manuel Alberto R. Colayco Senior Vice President – Chief Legal Officer/Corporate Secretary/Chief Compliance Officer	Common	45,087	Direct	Filipino	0.00%
		19,630	Indirect		0.00%
Maria Veronica C. So First Vice President – Group Treasurer	Common	0	Direct	Filipino	0.00%
		9,617	Indirect		0.00%

Santanina Apolinaria B. Castro First Vice President – Risk Management	Common	0	Direct	Filipino	0.00%
		13,414	Indirect		0.00%
Ricardo F. Lacson, Jr. Vice President – Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		120,486	Indirect		0.00%
Maria Lourdes Y. Tanate Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		15,784	Indirect		0.00%
Mailene M. de la Torre Assistant Vice President – Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Sammy Dave A. Santos Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		265,538,481			4.72%

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

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

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

ACO and certain associates are leasing office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of three years.

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

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

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

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

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

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

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

In October 2019, the Board of Directors approved the Revised Related Party Transactions (RPT) Policy in compliance with the SEC Memorandum Circular No. 10 series of 2019. The new rule focuses and regulates only material RPTs or RPTs amounting to ten percent (10%) or higher of a company's total assets. The new rule also specified an approval process for material RPTs and mandates publicly listed companies to notify the SEC of their RPTs that breach the threshold. AEV's RPT Committee has the mandate to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary. The Company's current revised RPT Policy continues to ensure that RPTs are conducted at arms-length and at market prices, and underwent the appropriate approval process.

The Company is considering further revisions its current RPT Policy in order to align it with best corporate governance practices.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to Memorandum Circular No. 15, Series of 2017 issued by the Securities and Exchange Commission (SEC), the Company's 2019 Integrated Annual Corporate Governance Report (IACGR) will be filed with the SEC on or before May 30, 2020. The 2019 IACGR will also be available in the Company's website at www.aboitiz.com. Other reports such as the Company's Annual Corporate Governance Reports and the 2018 IACGR are also available at the Company's website.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits.

None

(b) Reports on SEC Form 17-C

Reports filed by the AEV on SEC Form 17-C from April 2019 – March 2020 are as follows:

Date Reported	Disclosure Details
April 22, 2019	Results of the 2019 Annual Stockholders' Meeting
April 22, 2019	Results of the 2019 Organizational Meeting
May 2, 2019	First Quarter 2019 Financial and Operating Results
May 2, 2019	Press Release: 'AEV posts P3.5 billion net income for Q1 2019'
May 3, 2019	Receipt of "PRS Aaa" Rating from the Philippine Rating Services Corporation for the First Tranche of ₱30 bn Bonds, equivalent to ₱ 3 bn with an oversubscription option of up to ₱2 bn.
May 8, 2019	Revised Press Release: 'Aboitiz donates over half a billion for new innovation school at AIM'
May 8, 2019	Press Release: 'Aboitiz funds P500-million new innovation school at AIM'
May 28, 2019	Acquisition of 25% equity stake in Gold Coin Management Holdings Limited
June 3, 2019	Receipt of the Certificate of Permit to Offer Securities for Sale from the SEC in relation to the Company's Application for the Issuance of the Third Tranche of the ₱30 bn Fixed-Rate Retail Bonds
June 18, 2019	Listing with the Philippine Dealing and Exchange Corporation of the Third Tranche of the Php30 billion debt securities program, equivalent to ₱ 3 bn with an oversubscription option of up to ₱2 bn.
June 20, 2019	Press Release: "Aboitiz, Frontier Towers Sign Cooperation Agreement for Common Towers Project"
July 2, 2019	Press Release: "Globe, Aboitiz-Frontier Towers sign common tower deal to improve connectivity in Cebu, Davao and Subic"
July 25, 2019	Appointment of Officer
July 31, 2019	Second Quarter 2019 Financial and Operating Results
July 31, 2019	Press Release: "AEV ends first half with ₱9 bn net income"
August 14, 2019	Acquisition of the Remaining 15% of Pilmico Vietnam Feeds Joint Stock Company (Formerly: Pilmico VHF Joint Stock Company)
October 1, 2019	Promotion of Officer
October 7, 2019	Update of Company's Contact Details
October 28, 2019	Resignation of Officer
November 5, 2019	Matters Approved by the Board of Directors
November 6, 2019	Third Quarter 2019 Financial and Operating Results
November 6, 2019	Press Release: "Aboitiz Equity Ventures earns ₱15.7 bn in the first 9 months of 2019"
December 19, 2019	Press Release: "Singlife and Aboitiz partner to disrupt Philippine life insurance market"
December 26, 2019	Changes in Officers
January 2, 2020	Changes in Designation of Officer
January 3, 2020	AEV International Issuance of US-Dollar Denominated Bonds
January 10, 2020	AEV International Raises \$ 400 mn Notes
January 20, 2020	Press Release: 'AEV raises \$400M for offshore expansion in maiden dollar bond issue'
January 28, 2020	Appointment of Ms. Ana Maria Delgado as Member of the Board Audit Committee
March 6, 2020	Amendment of Articles of Incorporation
March 6, 2020	Amendment of By-Laws
March 6, 2020	Matters Approved by the Board during its March 6, 2020 Board Meeting
March 6, 2020	Declaration of Regular Cash Dividends
March 6, 2020	Notice and Agenda of AEV's Annual Stockholders' Meeting on April 27, 2020

Date Reported	Disclosure Details
March 6, 2020	Nominees to the Board of Directors for 2020-2021
March 10, 2020	Full Year 2019 Financial and Operating Results
March 10, 2020	Press Release: "AEV earns P22 billion net income in 2019"
March 13, 2020	AEV purchase of UnionBank of the Philippines and Aboitiz Power Corporation Shares
March 13, 2020	Buy Back of AEV Shares
March 16, 2020	AEV purchase of UnionBank of the Philippines Shares
March 16, 2020	Buy Back of AEV Shares
March 16, 2020	AEV Response to COVID-19
March 19, 2020	Revised Notice and Agenda of AEV's Annual Stockholders' Meeting on April 27, 2020
March 19, 2020	AEV purchase of UnionBank of the Philippines and Aboitiz Power Corporation Shares
March 19, 2020	Buy Back of AEV Shares

(c) Sustainability Report - Please refer to Annex C (Reporting Template for Sustainability Report).

The 2019 Aboitiz Group Annual Report and Sustainability Report (the "2019 Integrated Annual Report") is available for download at the Company's website at <https://abotiz.com/investor-relations/latest-annual-report/>

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, AEV has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Taguig on April 14, 2020.

By:



SABIN M. ABOITIZ

Principal Executive Officer and Principal Operating Officer



MANUEL R. LOZANO

Principal Financial Officer



MANUEL ALBERTO R. COLAYCO

Corporate Secretary



MARLITA M. VILLACAMPA

Controller/Principal Accounting Officer

Before me, a notary public in and for the city named above, personally appeared:

NAME	PASSPORT / DRIVER'S LICENSE NO.	DATE/PLACE OF ISSUE	CTC NO.	DATE/PLACE OF ISSUE
SABIN M. ABOITIZ	P2003168A	02.23.2017/ DFA Manila	12179230	01.29.2019/ Cebu City
MANUEL R. LOZANO	P7066571A	05.06.2018/ DFA Manila	29715449	02.10.2019/ Taguig City
MANUEL ALBERTO R. COLAYCO	PhilHealth ID No. 01-052187303-0	-	29689098	01.08.2019/ Taguig City
MARLITA M. VILLACAMPA	P0892463A	11.13.2016/ DFA NCR SOUTH	-	-

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

Witness my hand and seal this _____.

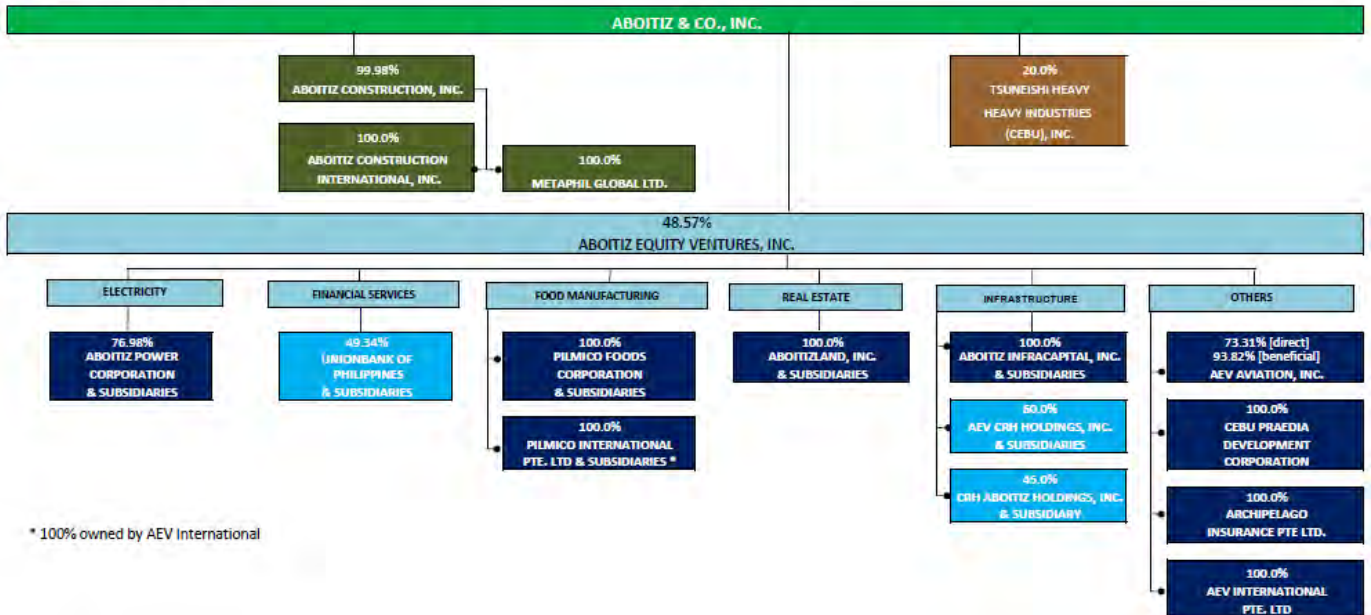
Doc. No.: ____;
Page No. ____;
Book No. ____;
Series of 2020.

ANNEX "A"

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES CONGLOMERATE MAPPING As of December 31, 2019

Legend:

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

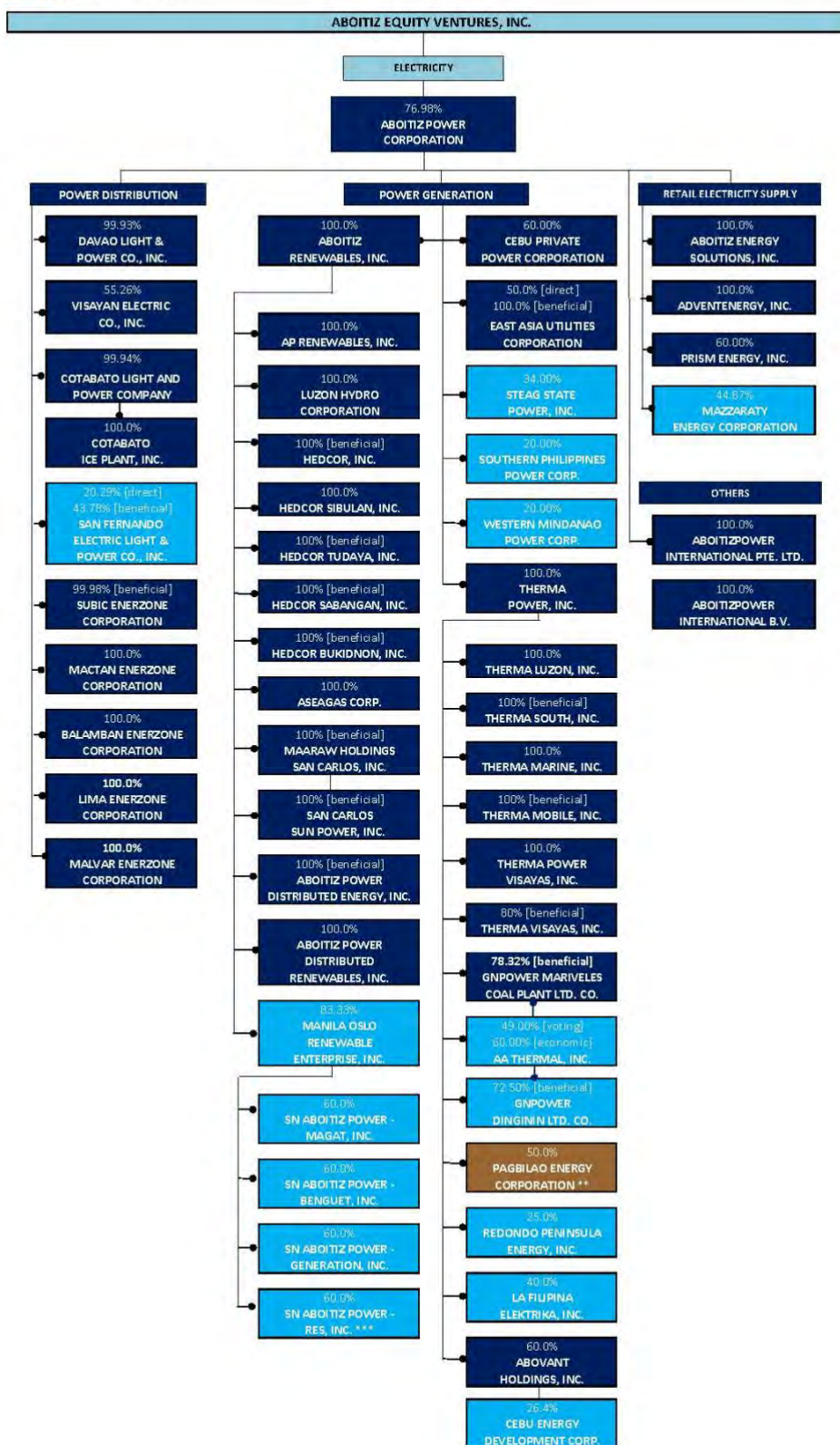


* 100% owned by AEV International

ABOITIZ EQUITY VENTURES, INC. - ELECTRICITY
CONGLOMERATE MAPPING
As of December 31, 2019

Legend:

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



** Joint Operations

*** Engages in retail electricity supply business

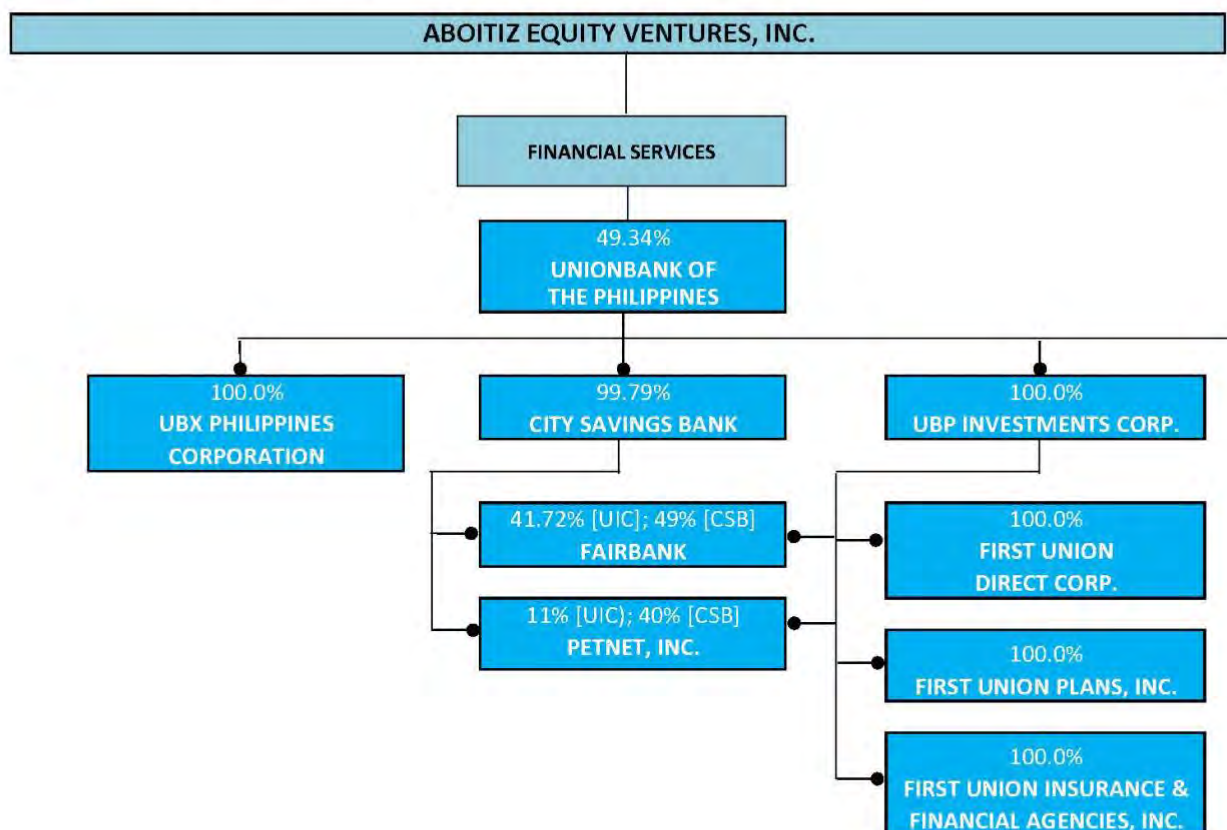
ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES

CONGLOMERATE MAPPING




As of December 31, 2019

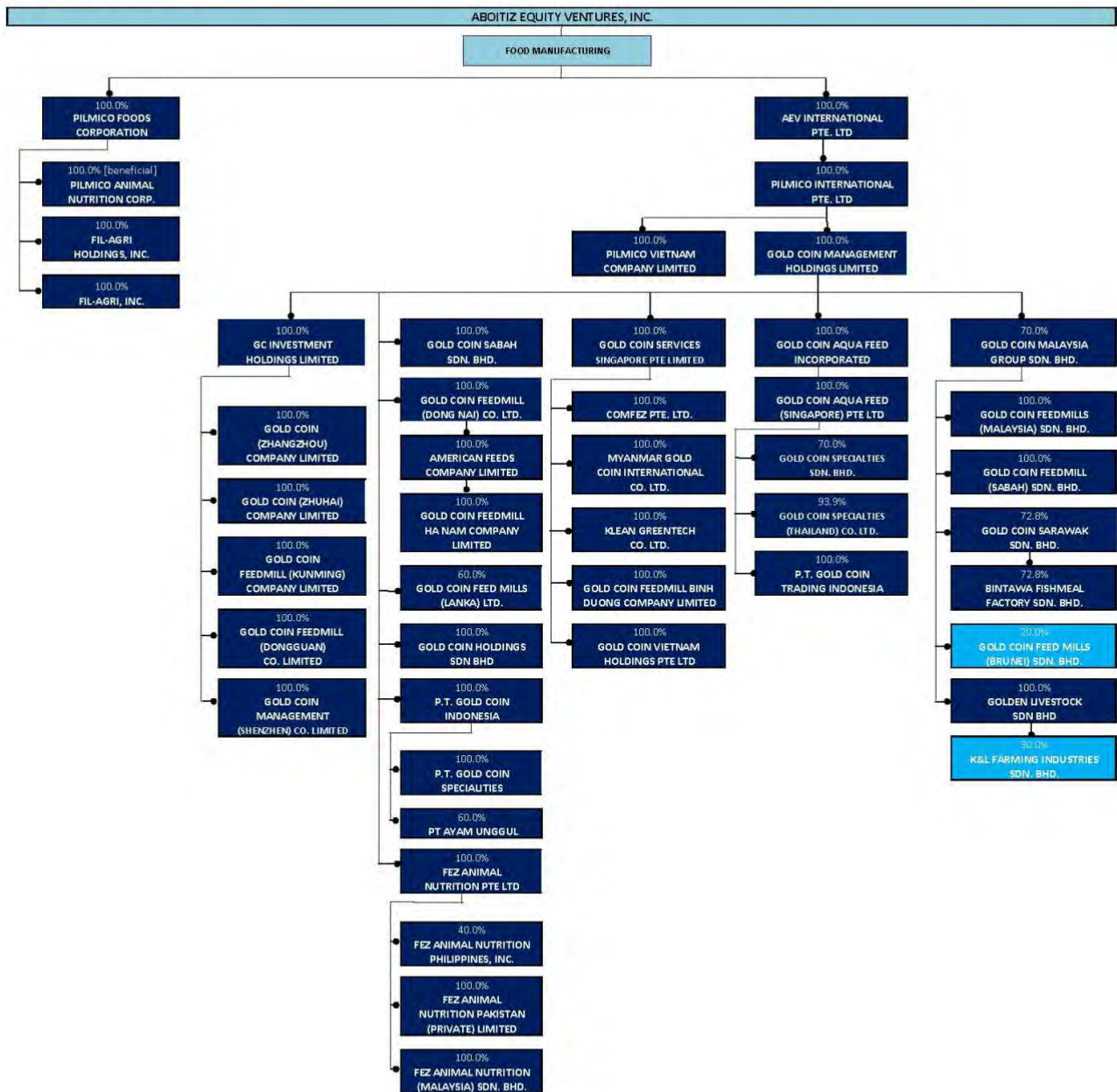
Legend:

	Reporting Company
	Subsidiary
	Associate or Joint Venture



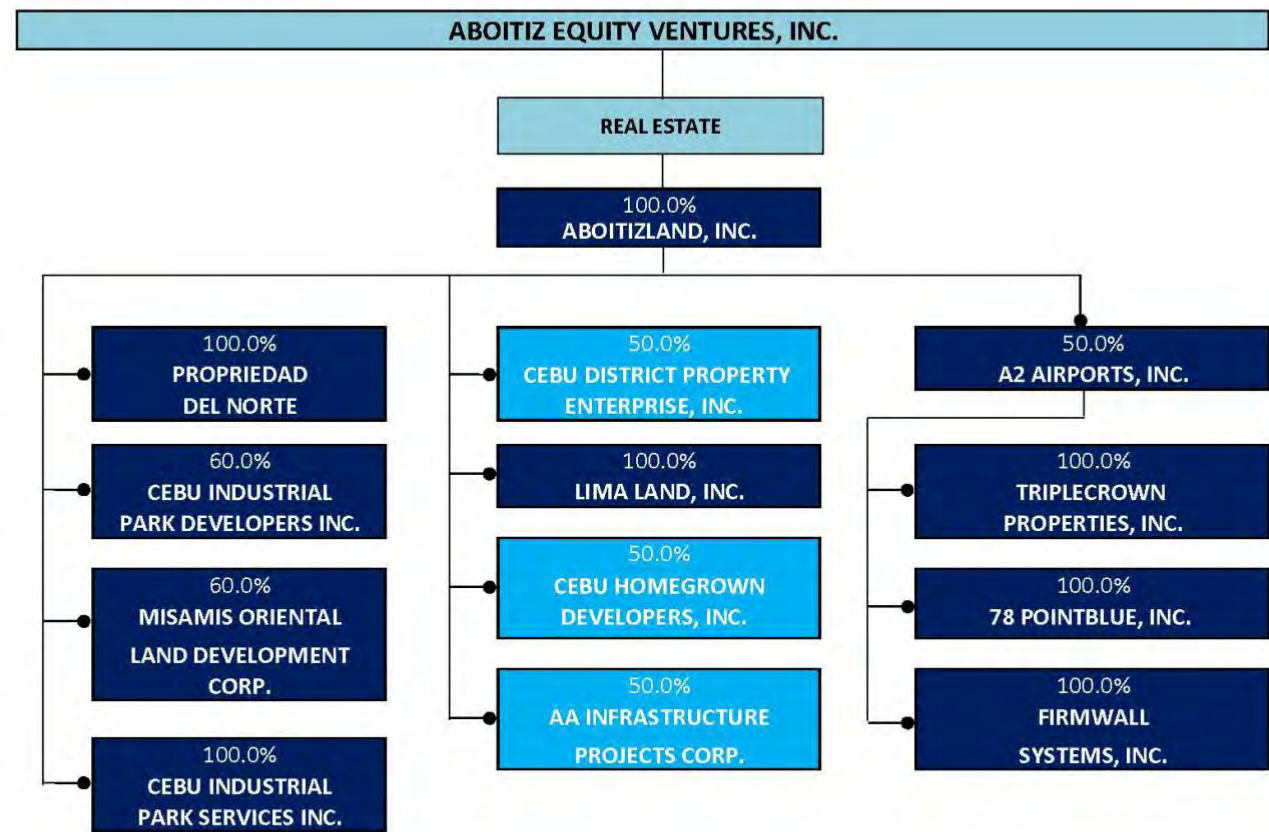
ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING
CONGLOMERATE MAPPING
As of December 31, 2019

Legend:
 Reporting Company
 Subsidiary
 Associate or Joint Venture



ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING
 As of December 31, 2019

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



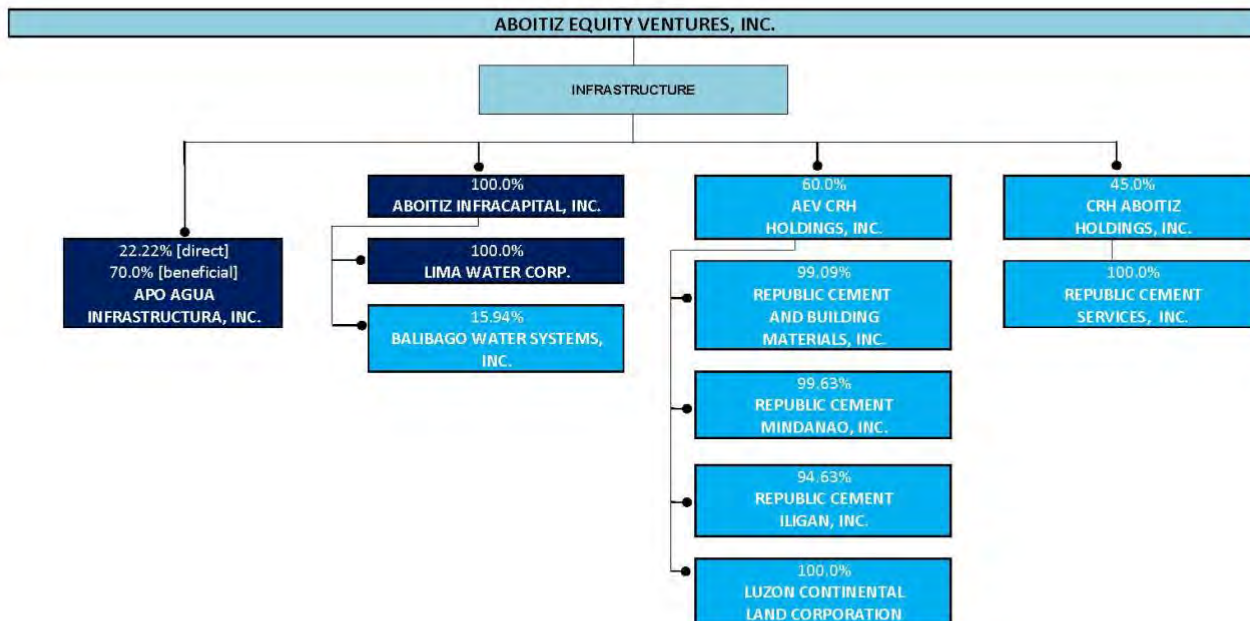
ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE

CONGLOMERATE MAPPING

As of December 31, 2019

Legend:

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



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	E	O	2	5	3	6			
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COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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																

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

-	N	A	-
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COMPANY INFORMATION

Company's Email Address

www.aboitiz.com

Company's Telephone Number

(032) 411-1800

Mobile Number

N/A

No. of Stockholders

8,893

Annual Meeting (Month / Day)

April 27

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Timothy Joseph P. Abay

Email Address

timothy.abay@aboitiz.com

Telephone Number/s

(02) 8886-2496

Mobile Number

Not available

CONTACT PERSON'S ADDRESS

c/o Aboitiz Equity Ventures, Inc. - 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of **Aboitiz Equity Ventures, Inc. (Parent)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

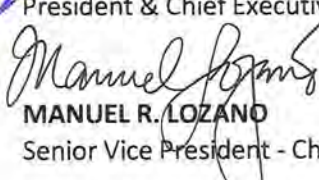
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

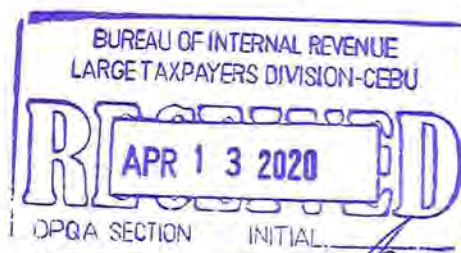
Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


ENRIQUE M. ABOITIZ JR.
Chairman of the Board


SABIN M. ABOITIZ
President & Chief Executive Officer


MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 6th day of March, 2020.



Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz Jr.	P6213075A	February 28, 2018, Manila
	11046923	January 24, 2020, Cebu City
Sabin M. Aboitiz	P2003168A	February 23, 2017, Manila
	11079533	January 29, 2020, Cebu City
Manuel R. Lozano	P7066571A	May 6, 2018, Manila
	00859193	January 16, 2020, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this MAR 06 2020 day of _____ 2020.

Doc. No. 100 ;
Page No. 93 ;
Book No. III ;
Series of 2020.



Atty. Stella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 2020
NAC Tower, 32nd St Bonifacio Global City, Taguig City
PTR No. A-4208020 January 7 2019 Taguig City
IBP Lifetime OR No. 061321
Roll No. 63289
MCLE Compliance No VI 0011090



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street Bonifacio Global City
Taguig City, Metro Manila
Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Equity Ventures, Inc. (the Company), which comprise the parent company balance sheets as at December 31, 2019 and 2018, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Aboitiz Equity Ventures, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

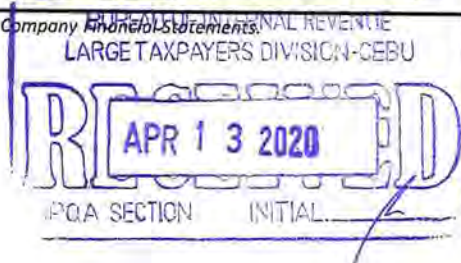
March 6, 2020



ABOITIZ EQUITY VENTURES, INC.
PARENT COMPANY BALANCE SHEETS

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 10)	₱1,840,190,228	₱5,673,114,129
Trade and other receivables (Notes 5 and 10)	1,321,583,179	1,275,835,947
Other current assets (Note 6)	1,170,652,426	1,070,325,529
Total Current Assets	4,332,425,833	8,019,275,605
Noncurrent Assets		
Investments and advances (Notes 7 and 8)	81,591,256,773	70,821,225,135
Due from subsidiaries - net of current portion (Notes 5 and 10)	590,000,000	600,000,000
Property and equipment (Note 11)	369,087,342	263,343,459
Financial assets at fair value through profit or loss (FVTPL) (Note 21)	78,615,200	182,359,711
Debt investments at amortized cost	80,031,287	154,132,317
Deferred income tax assets (Note 19)	26,053,853	46,741,034
Other noncurrent assets	107,327,684	148,826,328
Total Noncurrent Assets	82,842,372,139	72,216,627,984
TOTAL ASSETS	₱87,174,797,972	₱80,235,903,589
LIABILITIES AND EQUITY		
Current Liability		
Current portion of long-term debts	₱16,615,481,570	₱-
Current portion of lease liabilities	51,205,778	-
Accounts payable and accrued expenses (Notes 9 and 12)	561,888,899	327,965,885
Total current liabilities	17,228,576,247	327,965,885
Noncurrent Liabilities		
Long-term debts (Note 12)	20,240,217,388	31,862,218,676
Lease liabilities	132,643,670	-
Pension liability (Note 18)	31,484,462	91,214,778
Total Noncurrent Liabilities	20,404,345,520	31,953,433,454
Equity		
Capital stock (Note 13)	5,694,599,621	5,694,599,621
Additional paid-in capital (Note 13)	12,693,153,652	12,693,153,652
Actuarial losses on defined benefit plan (Note 18)	(108,087,306)	(157,056,073)
Retained earnings (Notes 14 and 22)		
Appropriated	4,200,000,000	4,200,000,000
Unappropriated	27,627,456,181	26,089,052,993
Treasury stock at cost (Note 13)	(565,245,943)	(565,245,943)
Total Equity	49,541,876,205	47,954,504,250
TOTAL LIABILITIES AND EQUITY	₱87,174,797,972	₱80,235,903,589

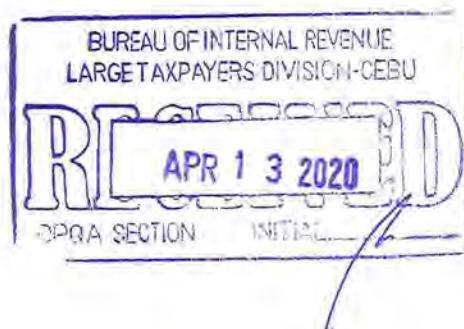
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Dividend income	₱10,922,347,563	₱9,657,906,755	₱9,636,257,603
Management, professional and technical fees (Note 10)	1,197,135,035	1,417,777,041	1,244,040,769
	12,119,482,598	11,075,683,796	10,880,298,372
COST OF SERVICES (Note 15)	884,258,674	604,807,742	627,716,924
GROSS PROFIT	11,235,223,924	10,470,876,054	10,252,581,448
General and administrative expenses (Note 16)	(838,922,704)	(978,194,226)	(785,520,131)
Interest income (Notes 4, 5 and 10)	229,539,882	451,058,879	407,715,480
Interest expense (Note 12)	(1,731,329,470)	(1,553,541,680)	(1,553,541,680)
	(2,340,712,292)	(2,080,677,027)	(1,931,346,331)
OTHER INCOME (CHARGES)			
Foreign exchange gain (loss) - net	(19,716,376)	554,617,061	(68,159,678)
Gain (loss) on sale of:			
Investment in subsidiaries (Note 7)	-	166,868,871	-
Property and equipment	486,031	(578,669)	258,864
Service income (Note 10)	80,981,757	92,069,354	100,125,637
Reversal of impairment on (write-off of) investments and advances, project costs and other assets (Note 7)	(39,398,842)	(37,410,453)	(63,732,281)
Rent income (Note 10)	6,621,514	5,496,983	8,630,434
Unrealized mark-to-market gain (loss) on financial assets at FVTPL	1,343,841	(3,035,402)	-
Others (Note 10)	159,813,398	186,204,971	165,178,640
	190,131,323	964,232,716	142,301,616
INCOME BEFORE INCOME TAX	9,084,642,955	9,354,431,743	8,463,536,733
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	35,217,671	151,739,405	(28,669,728)
NET INCOME	₱9,049,425,284	₱9,202,692,338	₱8,492,206,461
EARNINGS PER SHARE (Note 14)			
Basic and diluted, for net income for the year	₱1.607	₱1.634	₱1.508

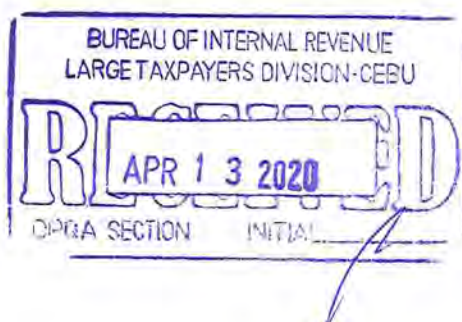
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱9,049,425,284	₱9,202,692,338	₱8,492,206,461
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified subsequently to parent company statements of income:			
Net unrealized mark-to-market gains on AFS investments	-	-	5,603,383
Item that will not be reclassified to parent company statements of income:			
Actuarial gains (losses) on defined benefit plan (Note 18)	69,955,381	(103,753,703)	148,885,760
Income tax effect	(20,986,614)	31,126,111	(44,665,728)
	48,968,767	(72,627,592)	104,220,032
TOTAL COMPREHENSIVE INCOME	₱9,098,394,051	₱9,130,064,746	₱8,602,029,876

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Net Unrealized Market-to-Market Gains on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings		Treasury Stock (Note 13)	Total
					Appropriated (Note 14)	Unappropriated (Note 14)		
Balances at January 1, 2017	P5,694,599,621	P12,693,153,652	P1,973,813	(P188,648,513)	P2,717,000,000	P24,573,775,572	(P521,131,543)	P44,970,722,602
Net income for the year	-	-	-	-	-	8,492,206,461	-	8,492,206,461
Other comprehensive income	-	-	5,603,383	104,220,032	-	-	-	109,823,415
Total comprehensive income (loss) for the year	-	-	5,603,383	104,220,032	-	8,492,206,461	-	8,602,029,876
Reversal of appropriation during the year (Note 14)	-	-	-	-	(1,095,000,000)	1,095,000,000	-	-
Cash dividends - P1.33 per common share (Note 14)	-	-	-	-	-	(7,492,944,101)	-	(7,492,944,101)
Balances at December 31, 2017	P5,694,599,621	P12,693,153,652	P7,577,196	(P84,428,481)	P1,622,000,000	P26,668,037,932	(P521,131,543)	P46,079,808,377
Balances at January 1, 2018, as previously reported	P5,694,599,621	P12,693,153,652	P7,577,196	(P84,428,481)	P1,622,000,000	P26,668,037,932	(P521,131,543)	P46,079,808,377
Effects of adoption of new accounting standard	-	-	(7,577,196)	-	-	7,577,196	-	-
Balances at January 1, 2018, as restated	5,694,599,621	12,693,153,652	-	(84,428,481)	1,622,000,000	26,675,615,128	(521,131,543)	46,079,808,377
Net income for the year	-	-	-	-	-	9,202,692,338	-	9,202,692,338
Other comprehensive income	-	-	-	(72,627,592)	-	-	-	(72,627,592)
Total comprehensive income (loss) for the year	-	-	-	(72,627,592)	-	9,202,692,338	-	9,130,064,746
Purchase of treasury shares (Note 13)	-	-	-	-	-	-	(44,114,400)	(44,114,400)
Reversal of appropriation (Note 14)	-	-	-	-	(1,622,000,000)	1,622,000,000	-	-
Appropriation during the year (Note 14)	-	-	-	-	4,200,000,000	(4,200,000,000)	-	-
Cash dividends - P1.28 per common share (Note 14)	-	-	-	-	-	(7,211,254,473)	-	(7,211,254,473)
Balances at December 31, 2018	P5,694,599,621	P12,693,153,652	P-	(P157,056,073)	P4,200,000,000	P26,089,052,993	(P565,245,943)	P47,954,504,250
Balances at January 1, 2019	P5,694,599,621	P12,693,153,652	P-	(P157,056,073)	P4,200,000,000	P26,089,052,993	(P565,245,943)	P47,954,504,250
Effects of adoption of new accounting standard (PFRS 16)	-	-	-	-	-	(75,735,921)	-	(75,735,921)
Balances at January 1, 2019, as restated	5,694,599,621	12,693,153,652	-	(157,056,073)	4,200,000,000	26,013,317,072	(565,245,943)	47,878,768,329
Net income for the year	-	-	-	-	-	9,049,425,284	-	9,049,425,284
Other comprehensive income	-	-	-	48,968,767	-	-	-	48,968,767
Total comprehensive income (loss) for the year	5,694,599,621	12,693,153,652	-	(108,087,306)	4,200,000,000	35,062,742,356	(565,245,943)	56,977,162,380
Cash dividends - P1.32 per common share (Note 14)	-	-	-	-	-	(7,435,286,175)	-	(7,435,286,175)
Balances at December 31, 2019	P5,694,599,621	P12,693,153,652	P-	(P108,087,306)	P4,200,000,000	P27,627,456,181	(P565,245,943)	P49,541,876,205

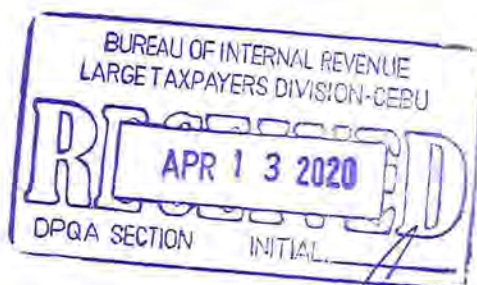
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱9,084,642,955	₱9,354,431,743	₱8,463,536,733
Adjustments for:			
Interest expense (Note 12)	1,731,329,470	1,553,541,680	1,553,541,680
Unrealized foreign exchange loss	30,481,045	59,819,987	273,497,146
Depreciation and amortization (Note 11)	109,356,708	58,214,384	59,332,022
Write-off of investments and advances, project costs and other assets (Note 7)	39,398,842	37,410,453	63,732,281
Amortization of computer software (Notes 15 and 16)	4,464,660	4,211,882	1,502,629
Unrealized mark-to-market (gain) loss on financial assets at FVTPL	(1,343,841)	3,035,402	—
Loss (gain) on sale of:			
Property and equipment	(486,032)	578,669	(258,863)
Investment in subsidiaries (Note 7)	—	(166,868,871)	—
Interest income (Notes 4 and 10)	(229,539,882)	(451,058,879)	(407,715,480)
Operating income before working capital changes	10,768,303,925	10,453,316,450	10,007,168,148
Decrease (increase) in:			
Trade and other receivables	(105,739,393)	(332,004,293)	2,861,331,529
Other operating assets	(100,326,897)	(134,850,306)	(143,864,109)
Increase (decrease) in:			
Accounts payable and accrued expenses	224,292,036	24,989,832	(202,232,870)
Other operating liabilities	(59,730,317)	149,836,991	(88,676,990)
Net cash flows generated from operations	10,726,799,354	10,161,288,674	12,433,725,708
Income and final taxes paid	(35,517,104)	(80,545,382)	(58,536,412)
Net cash flows from operating activities	10,691,282,250	10,080,743,292	12,375,189,296
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	245,954,932	541,595,369	309,503,071
Proceeds from redemption of preferred shares by a subsidiary (Note 7)	14,664,866	220,292,000	24,191,000
Proceeds from sale of:			
Investment in subsidiaries (Notes 7)	—	1,170,553,281	—
Property and equipment	5,509,861	2,196,090	8,343,986
Decrease (increase) in:			
Investments and advances (Note 7)	(68,045)	(22,301)	(22,815)
Financial assets at FVTPL and Debt investments at amortized cost (2018); AFS and HTM investments (2017)	179,189,383	(29,676,555)	(189,215,830)
Other noncurrent assets	96,703,323	(350,757,345)	57,666,632

(Forward)



	Years Ended December 31		
	2019	2018	2017
Acquisitions of:			
Investments (Notes 7 and 8)	(P10,784,628,459)	(P12,401,890,071)	(P1,274,692,300)
Property and equipment (Note 11)	(45,669,751)	(89,274,673)	(65,338,134)
Net cash flows used in investing activities	(10,288,343,890)	(10,936,984,205)	(1,129,564,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on common shares (Note 14)	(7,435,286,175)	(7,211,254,473)	(7,492,944,101)
Net proceeds from long-term debt	5,000,000,000	-	-
Payment of lease liabilities	(58,391,532)	-	-
Payment of Interest	(1,711,703,509)	(1,553,583,669)	(1,553,456,690)
Disposal (acquisition) of treasury shares (Note 13)	-	(44,114,400)	-
Net cash flows used in financing activities	(4,205,381,216)	(8,808,952,542)	(9,046,400,791)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,802,442,856)	(9,665,193,455)	2,199,224,114
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(30,481,045)	(59,819,987)	(273,497,146)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,673,114,129	15,398,127,571	13,472,400,603
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P1,840,190,228	P5,673,114,129	P15,398,127,571

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was incorporated in the Republic of the Philippines on September 11, 1989. It is registered with the Philippine Securities and Exchange Commission (SEC) and is the publicly listed holding and management company of the Aboitiz Group of Companies. Through its subsidiaries and associates, it is engaged in various business activities, mainly in the Philippines, including electricity generation and distribution, banking and financial services, food manufacturing, real estate development and infrastructure. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO), a company incorporated in the Philippines.

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

The parent company financial statements of the Company were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for investments in certain debt and equity securities which are measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest peso except as otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

Statement of Compliance

The accompanying parent company financial statements, which are prepared for submission to the Philippine SEC and the Bureau of Internal Revenue (BIR), have been prepared in compliance with PFRSs.

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, 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



The Company applied PFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but did not have any significant impact on the parent company financial statements:

- PFRS 16, *Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information.

The Company has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

The effects of adoption on the parent company financial statements are as follows:

	As of January 1, 2019
Increase (decrease) in parent company balance sheets:	
Property and equipment	₱174,454,669
Other noncurrent assets	(17,944,592)
Total Assets	<u>₱156,510,077</u>
Lease liabilities	₱232,245,998
Retained earnings	(75,735,921)
Total Liabilities and Equity	<u>₱156,510,077</u>

Prior to adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the



leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent was recognized under "Other current assets" or "Other noncurrent assets".

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application (short-term leases).

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as of December 31, 2018	₱262,465,278
Incremental borrowing rate as of January 1, 2019	6.02%
Lease liabilities as of January 1, 2019	₱232,246,999

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

This amendment does not have an impact on the parent company financial statements.

- *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event



- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

Since the Company's current practice is in line with these amendments, these amendments do not have any effect on its parent company financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests. The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

Since the Company does not have such long-term interests in associates and joint ventures, the amendments do not have an impact on its parent company financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all



related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the parent company financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments are currently not applicable to the Company but may apply to future transactions.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.



- Amendments to PAS 23, *Income Tax Consequences of Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Company's current practice is in line with these amendments, these amendments do not have any effect on its parent company financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2019

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its parent company financial statements.

Effective beginning on or after January 1, 2020

- 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.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.



Effective beginning on or after January 1, 2021

- *PFRS 17, Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is



consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business model

The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the parent company statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the parent company statement of income.

The Company's debt financial assets as of December 31, 2019 and 2018 consist of cash in banks, cash equivalents, trade and other receivables and due from subsidiaries in the parent company balance sheet. The Company assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these debt financial assets to be measured at amortized cost.

Financial assets at FVOCI

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses



or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

Financial assets at FVTPL

Financial assets at FVTPL are measured at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2019 and 2018.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate
- contingent consideration recognized by an acquirer in accordance with PFRS 3



A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. The Company's financial liabilities measured at amortized cost as of December 31, 2019 and 2018 include accounts payable and accrued expenses, long-term debts and lease liabilities (see Note 20).

Reclassifications of financial instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at FVTPL.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Company also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.



'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the parent



company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the parent company statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the parent company statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the parent company statement of income when liabilities are derecognized, as well as through amortization process.



Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.



In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model. The Company recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.



ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.



An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade receivables. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Guarantee Contracts and Loan Commitments

Financial guarantees are contracts issued by the Company that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the parent company financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model; and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Company are measured as the amount of the loss allowance. The Company has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Company cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the parent company balance sheet.

Investments and Advances

Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Control is presumed to



exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are carried at cost less any impairment in value.

Business combination of entities under common control is accounted for using a method similar to pooling of interest. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associates is accounted for using the cost method of accounting.

The Company's investments in subsidiaries and associates are accounted for under the cost method of accounting in the parent company financial statements. These investments are carried in the parent company balance sheet at cost less any impairment in value. The Company recognizes income from the investments only to the extent that the Company receives distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Investments in joint ventures

Investments in joint ventures are investments in shares of stock of a joint arrangement where the parent company exercises joint control with two or more parties. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Investments in joint ventures are carried at cost, net of allowance for any substantial and presumably permanent decline in value.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.



Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Number of Years
Transportation equipment	5
Office equipment, furniture and fixtures	3-5
Leasehold improvements	5
Computer equipment	3

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Leases (prior to adoption of PFRS 16)

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Building	5-10

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the parent company statement income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.



Computer Software Development Cost

Costs incurred in the development of computer software are capitalized, included under "Other noncurrent assets" and amortized using the straight-line method over a period of two to three years.

The carrying value of computer development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that carrying value may not be recoverable.

Impairment of Nonfinancial Assets

Investments and advances, property and equipment, computer software development costs, other current assets and noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be



measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Company's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Foreign Currency Transactions

The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency based on the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences arising from settlement or restatement are taken to the parent company statement of income.

Revenue Recognition

Revenue from contracts with customers under PFRS 15 is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under PAS 18, Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The following specific recognition criteria must also be met before revenue is recognized.

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.

Rendering of services

Management, professional and technical fees are recognized when the related services are rendered.

Interest income

Interest income is recognized as it accrues taking into account the effective yield on the asset.



Costs and expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability is recognized as expense in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.



Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, VAT from sales of goods and/or services (output VAT) is recognized as payable, while VAT passed on from purchases of goods or services (input VAT) is recognized as an asset in the parent company balance sheet.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Company. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Company does not have dilutive common stock equivalents.



3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures of contingent liabilities. However, uncertainty about these assumptions 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 Company based its assumptions and estimates on parameters available when the parent company 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 Company. 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 parent company financial statements, except for those that relate to the adoption of PFRS 16.

Judgments

In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the parent company financial statements.

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

Contractual cash flows assessment

For each financial asset, the Company assesses the contractual terms to identify whether the instrument is consistent with the concept of Solely Payments of Principal and Interest (SPPI).

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).



The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed follow:

Estimating allowance for impairment losses on investments in and advances

Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2019 and 2018 based on management's assessment. The carrying amounts of the investments and advances amounted to ₱81.6 billion and ₱70.8 billion as of December 31, 2019 and 2018, respectively (see Notes 7 and 8).

Measurement of expected credit losses under PFRS 9, applicable in 2019 and 2018

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.



- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the EIR.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

The Company leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.
- *Loss given default*
LGD represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.
- *Exposure at default*
EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to



the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables under PFRS 9, applicable in 2019 and 2018

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9, applicable in 2019 and 2018

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out



stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Company's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2019 and 2018, the Company has no allowance for ECL. Trade and other receivables amounted to ₱1.3 billion as of December 31, 2019 and 2018 (see Note 5).

Assessing impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each reporting date. These nonfinancial assets (property and equipment, other current assets, computer software development costs and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its parent company financial statements. Future events could cause the Company to conclude that the property and equipment, other current assets, computer software development costs and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the parent company balance sheets and parent company statements of income. The aggregate carrying values of these assets as of December 31 are as follows:

	2019	2018
Property and equipment (see Note 11)	₱369,087,342	₱263,343,459
Other current assets (see Note 6)	1,170,652,426	1,070,325,529
Computer software development costs	12,113,107	11,022,155
Other noncurrent assets	95,214,577	137,804,173
	₱1,647,067,452	₱1,482,495,316



Recognition of deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Company has deferred income tax assets amounting to ₱46.3 million and ₱67.3 million as of December 31, 2019, and 2018, respectively (see Note 19).

The Company did not recognize deferred income tax assets on NOLCO in 2019 and 2018 amounting to ₱2.9 billion and ₱3.6 billion, respectively, and on MCIT in 2019 and 2018 amounting to ₱78.5 million and ₱70.3 million, respectively (see Note 19).

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the parent company balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 21 for further disclosures.

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the parent company financial statements as of December 31, 2019 and 2018.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱212,244,148	₱322,526,758
Short-term deposits	1,627,946,080	5,350,587,371
	₱1,840,190,228	₱5,673,114,129

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 Company, and earn interest at the respective short-term deposit rates. Interest income earned on cash and cash equivalents amounted to ₱167.4 million in 2019, ₱386.1 million in 2018 and ₱325.9 million in 2017.



5. Trade and Other Receivables

	2019	2018
Trade receivables (see Note 10)	₱690,487,591	₱471,261,176
Due from affiliates (see Note 10)	1,197,620,000	1,359,960,000
Interest receivable (see Notes 4 and 10)	10,775,929	27,190,980
Recoverable deposits	4,308,825	3,548,825
Dividends receivable from a subsidiary	-	4,031,856
Others	8,390,834	9,843,110
	1,911,583,179	1,875,835,947
Less noncurrent portion of due from affiliates (see Note 10)	590,000,000	600,000,000
	₱1,321,583,179	₱1,275,835,947

Trade receivables are non-interest bearing and are normally on 30-60 days' term. Accounts due from affiliates are interest-bearing and either on-demand or long-term advances extended by the Company. Other receivables mainly represent unsettled claims due from various third parties.

6. Other Current Assets

	2019	2018
Prepaid income tax	₱1,155,277,309	₱1,050,415,057
Input VAT	10,032,618	3,511,582
Prepaid expenses	5,342,499	16,398,890
	₱1,170,652,426	₱1,070,325,529

7. Investments in Subsidiaries

	Nature of Business	Percentage of Ownership			
		2019		2018	
		Direct	Indirect	Direct	Indirect
AEV Properties, Inc. (API)*	Real Estate	100.00	-	100.00	-
AEV International Pte. Ltd (AEV International) **	Holding	100.00	-	100.00	-
Archipelago Insurance Pte. Ltd (AIPL)**	Insurance	100.00	-	100.00	-
AboitizLand, Inc. (AboitizLand)	Real Estate	100.00	-	100.00	-
Propiedad del Norte, Inc.	Real Estate	-	100.00	-	100.00
Pilmico Foods Corporation (PILMICO)	Food Manufacturing	100.00	-	100.00	-
Cebu Praedia Development Corporation (CPDC)***	Real Estate	100.00	-	100.00	-
Aboitiz Power Corporation (AP)	Power	76.98	-	76.98	-
AEV Aviation, Inc. (AVI)***	Service	73.31	26.69	73.31	26.69
Apo Agua Infraestructura, Inc. (Apo Agua)*	Supply of Treated Bulk Water	21.76	47.78	21.76	47.78
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Infrastructure	100.00	-	100.00	-
Weather Solutions, Inc. (WSI)***	Services	100.00	-	100.00	-
Therma Batangas Gas, Inc. (TBGI)		100.00	-	-	-

* No commercial operations.

** Incorporated in Singapore. All other companies are incorporated in the Philippines.

*** The 2019 and 2018 financial statements of these subsidiaries were audited by other independent auditors. All other companies were audited by the principal auditors.



The details of the Company's investments in subsidiaries are as follows:

	2019	2018
AP	₱11,393,072,837	₱11,393,072,837
AEV International	14,672,456,163	7,974,627,703
AboitizLand	8,615,000,000	5,991,000,000
PILMICO	1,658,885,002	1,658,885,002
CPDC	1,276,546,023	1,266,546,023
Aboitiz Infracapital	2,000,000,000	774,720,000
Propriedad del Norte, Inc.	650,000,000	650,000,000
AVI	450,202,134	464,867,000
Apo Agua	104,750,100	104,750,100
API	25,000,000	25,000,000
AIPL	21,739,130	21,739,130
WSI	10,000,000	2,500,000
TBGI	25,020,000	-
	40,902,671,389	30,327,707,795
Advances from subsidiaries	(25,690,955)	(25,758,999)
	₱40,876,980,434	₱30,301,948,796

Capital infusion to AEV International

On various dates in 2019 and 2018, the Company made additional capital infusions to AEV International amounting to ₱6.7 billion each year.

Capital infusion to AboitizLand

On various dates in 2019, the Company infused additional capital amounting to ₱2.6 billion to AboitizLand.

Capital infusion to CPDC

On December 11, 2019, the Company infused additional capital amounting to ₱10 million to CPDC.

Capital infusion to Aboitiz Infracapital

In 2019 and 2018, the Company infused capital to Aboitiz Infracapital amounting to ₱1.2 billion and ₱103.7 million, respectively. Aboitiz Infracapital is the Group's investment vehicle for all future infrastructure-related investments.

Redemption of preferred shares

On March 21, 2019 and January 22, 2018, AVI redeemed portions of its preferred shares amounting to ₱14.5 million and ₱220.3 million, respectively.

Capital infusion to WSI

In 2019, the Company infused capital to WSI amounting to ₱7.5 million.

Capital infusion to TBGI

On various dates in 2019, the Company infused capital amounting to ₱25 million to TBGI.



Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UBP), respectively. UnionBank is a banking associate of AEV. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

This acquisition by CitySavings and UPI was payable in cash, and required both approvals of the Philippine Competition Commission (PCC) and the Bangko Sentral ng Pilipinas (BSP). On May 8, 2018, the PCC granted its approval.

After securing the BSP approval on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion. A gain on sale of investment in PETNET amounting to ₱166.9 million was reported in the parent company statement of income.

8. Investments in Associates and a Joint Venture

	Nature of Business**	Percentage of Ownership	
		2019	2018
AEV CRH Holdings, Inc. (AEV CRH)	Holding	60.00	60.00
Cebu District Property Enterprise, Inc. (CDPEI)*	Real Estate	50.00	50.00
UBP	Banking	49.34	49.36
CRH Aboitiz Holdings, Inc. (CRH Aboitiz)	Holding	45.00	45.00
Singapore Life (Philippines) Inc. (SLPI)	Insurance	15.00	—

* The Company owns 50% of the non-voting, participating and non-cumulative preferred shares of CDPEI.

** All companies are incorporated in the Philippines.

The details of the Company's investments in and advances to associates and a joint venture are as follows:

	2019	2018
AEV CRH	₱23,573,714,090	₱23,573,714,090
UBP	15,426,506,118	15,426,506,118
CDPEI	1,350,000,000	1,350,000,000
CRH ABOITIZ	169,056,131	169,056,131
SLPI	195,000,000	—
	₱40,714,276,339	₱40,519,276,339

Investment in AEV CRH and CRH ABOITIZ

The Company holds 60% of the equity shares of AEV CRH. Management assessed that since the Company does not have the ability to direct the relevant activities which most significantly affect the returns of the subsidiaries of AEV CRH, it cannot consolidate AEV CRH group. This is a result of the contractual arrangements that give the other partner the power to direct the relevant non-nationalized activities of these companies. Consequently, the Company recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements of



the Company. AEV owns 45% of the outstanding shares of CRH ABOITIZ, and likewise treats it as an investment in an associate.

Acquisition of UBP shares

In 2nd quarter of 2019, 0.46 million shares were issued under UBP employee stock plan decreasing its ownership in UBP from 49.36% in 2018 to 49.34% in 2019.

In September 2018, the Company purchased, through stock rights offer, 80.8 million shares at ₱62.97 per share in UBP for a total consideration of ₱5.1 billion. Additional shares were acquired at various dates in 2018 for 3.2 million shares for a total consideration of ₱289.9 million. As a result, its ownership in UBP increased from 48.83% in 2017 to 49.36% in 2018.

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱34.7billion and ₱38.4 billion as of December 31, 2019 and 2018, respectively.

Investment in SLPI

In December 2019, the company purchased secondary shares from Singapore Life Pte Ltd and Di-Firm Capital Pte Ltd, a total of 1.95 million shares at ₱100 per share in Singapore Life (Philippines) Inc. for a total consideration of ₱195 million.

9. Accounts Payable and Accrued Expenses

	2019	2018
Accrued expenses	₱295,035,888	₱69,016,069
Accrued interest (see Note 12)	203,890,567	194,259,588
Withholding taxes payable	41,683,104	32,592,206
VAT output payable	19,305,474	30,571,073
Others	1,973,866	1,526,949
	₱561,888,899	₱327,965,885

Accrued expenses include payroll, travel and transportation expenses and subscription liabilities.

10. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Company enters into transactions with related parties, principally consisting of the following:

- a. Interest-bearing short-term and long-term advances granted to certain affiliates. Annual interest rates, which are determined on arm's length basis, range from 2.68% - 6.43% in 2019, 2.62% - 6.43% in 2018, and 2.50% - 6.43% in 2017.



- b. Management and other professional and technical fees charged to related parties at arm's length basis.
- c. Rentals paid at current market rates to CPDC for the use of CPDC's properties by the Company's officers and employees.
- d. Aviation service fees paid at an arm's length basis to AVI for the use of aircraft during travel of the Company's officers and employees.
- e. Cash deposits and money market placements with UBP. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱48.3 million, ₱146.9 million and ₱90.2 million in 2019, 2018 and 2017, respectively. Outstanding balances amounted to ₱247.4 million and ₱2.8 billion as of December 31, 2019 and 2018, respectively.

The above transactions are settled in cash.

The parent company balance sheets and statements of income include the following accounts resulting from these related party transactions (amounts in thousands):

Due from Affiliates

	Interest Income			Outstanding Balance			
	2019	2018	2017	2019	2018	Terms	Conditions
Subsidiaries							
Davao Light & Power Corporation (DLP)	₱—	₱—	₱49,519	₱—	₱—	On demand; interest-bearing	Unsecured; no impairment
CPDC	2,197	5,914	18,352	—	70,000	Payable in 7 years; interest-bearing	Unsecured; no impairment
PFC	18,907	18,907	5,284	290,000	290,000	Payable in 5 years; interest-bearing	Unsecured; no impairment
Advent Energy, Inc.	16,539	12,937	6,125	300,000	300,000	Payable in 5 years; interest-bearing	Unsecured; no impairment
Therma Power, Inc.	20,054	9,452	—	607,620	630,960	On demand; interest-bearing	Unsecured; no impairment
Cotabato Light & Power Corporation (CLP)	—	—	1,122	—	—	On demand; interest-bearing	Unsecured; no impairment
Apo Agua	—	14,849	—	—	—	On demand; interest-bearing	Unsecured; no impairment
Co-subsidiary							
Aboitiz Construction, Inc.	682	2,889	1,426	—	69,000	On demand; interest-bearing	Unsecured; no impairment
	₱58,379	₱64,948	₱81,828	₱1,197,620	₱1,359,960		

Revenues - Management, Professional and Technical Fees

	Revenue		Accounts Receivable (Payable)				
	2019	2018	2017	2019	2018	Terms	Conditions
Parent Company							
ACO	₱11,274	₱10,536	₱10,867	₱245,619	₱126	30-day; interest-free	Unsecured; no impairment
Subsidiaries							
PILMICO	340,215	349,441	286,536	44,000	1,437	30-day; interest-free	Unsecured; no impairment
Visayan Electric Co., Inc.	102,356	129,548	103,876	74,817	78,899	30-day; interest-free	Unsecured; no impairment
AP	81,290	55,310	88,603	3,281	5,859	30-day; interest-free	Unsecured; no impairment
DLP	85,482	50,699	35,599	11,739	2,142	30-day; interest-free	Unsecured; no impairment

(Forward)



	Revenue			Accounts Receivable (Payable)		Terms	Conditions
	2019	2018	2017	2019	2018		
AboitizLand, Inc.	₱61,524	₱49,456	₱28,812	₱4,624	₱16,395	30-day; interest-free	Unsecured; no impairment
Therma Visayas, Inc.	31,829	16,972	21,827	18,473	3,382	30-day; interest-free	Unsecured; no impairment
Therma South, Inc.	35,036	29,479	22,579	19,783	1,692	30-day; interest-free	Unsecured; no impairment
Therma Luzon, Inc.	57,205	47,345	5,699	18,424	7,557	30-day; interest-free	Unsecured; no impairment
Hedcor, Inc.	20,869	13,370	7,109	5,030	2,860	30-day; interest-free	Unsecured; no impairment
Pilmico Animal Nutrition Corporation	16,474	13,883	13,724	6,922	940	30-day; interest-free	Unsecured; no impairment
Aseagas	—	372	2,391	397	397	30-day; interest-free	Unsecured; no impairment
Hedcor Sibulan, Inc.	3,257	8,171	3,449	1,394	2,770	30-day; interest-free	Unsecured; no impairment
Therma Mobile, Inc.	8,926	7,075	3,852	891	130	30-day; interest-free	Unsecured; no impairment
Therma Marine, Inc.	19,408	17,641	7,908	6,418	2,904	30-day; interest-free	Unsecured; no impairment
Therma Power, Inc.	1,561	1,941	1,071	567	—	30-day; interest-free	Unsecured; no impairment
PETNET	—	2,554	5,061	—	1,488	30-day; interest-free	Unsecured; no impairment
AVI	3,829	2,462	2,066	510	—	30-day; interest-free	Unsecured; no impairment
AP Energy Solutions, Inc.	1,285	1,414	2,315	4	75	30-day; interest-free	Unsecured; no impairment
Apo Agua	8,009	5,759	3,145	283	3,585	30-day; interest-free	Unsecured; no impairment
Aboitiz Infracapital, Inc.	25,793	32,645	11,249	6,156	24,460	30-day; interest-free	Unsecured; no impairment
Luzon Hydro Corporation	4,106	3,330	1,947	983	289	30-day; interest-free	Unsecured; no impairment
CPDC	2,659	2,556	2,195	510	—	30-day; interest-free	Unsecured; no impairment
WSI	3,119	—	—	4,752	—	30-day; interest-free	Unsecured; no impairment
Aboitiz Renewables, Inc.	1,518	1,529	2,097	98	—	30-day; interest-free	Unsecured; no impairment
AP Renewables, Inc.	33,850	30,141	1,995	(15,914)	2,724	30-day; interest-free	Unsecured; no impairment
Subic Enerzone Corporation	2	24	—	696	529	30-day; interest-free	Unsecured; no impairment
Mactan Enerzone Corporation	—	15	65	213	45	30-day; interest-free	Unsecured; no impairment
<i>Associates and Joint Ventures</i>							
AEV CRH Holdings, Inc.	—	—	—	3	3	30-day; interest-free	Unsecured; no impairment
Republic Cement and Building Materials, Inc.	88,833	322,284	298,609	58,852	108,954	30-day; interest-free	Unsecured; no impairment
Republic Cement Mindanao, Inc.	18,600	75,312	69,780	11,377	25,457	30-day; interest-free	Unsecured; no impairment
Republic Cement Iligan, Inc.	12,106	49,019	45,418	7,405	16,569	30-day; interest-free	Unsecured; no impairment
SN Aboitiz Power - Magat, Inc.	5,861	5,121	3,651	961	1,050	30-day; interest-free	Unsecured; no impairment
SN Aboitiz Power - Benguet, Inc.	5,848	5,414	2,025	737	1,071	30-day; interest-free	Unsecured; no impairment
Manila-Oslo Renewable Enterprise, Inc.	4,400	2,527	2,810	350	122	30-day; interest-free	Unsecured; no impairment
UBP	11,101	1,060	981	3,227	10	30-day; interest-free	Unsecured; no impairment
<i>Other Related Parties</i>	89,510	73,372	59,595	12,153	7,533	30-day; interest-free	Unsecured; no impairment
	₱1,197,135	₱1,417,777	₱1,244,041	₱555,735	₱321,454		



Rental and Aviation Services (see Notes 15 and 16)

	Expense			Accounts Payable		Terms	Condition
	2019	2018	2017	2019	2018		
<i>Subsidiaries</i>							
AVI	₱51,539	₱53,374	₱25,363	₱1,602	₱—	30-day; interest-free	Unsecured
CPDC	9,141	9,356	7,607	69	—	30-day; interest-free	Unsecured
	₱60,680	₱62,730	₱32,970	₱1,671	₱—		

Cash Deposits and Placements

	Interest Income			Outstanding Balance		Terms	Condition
	2019	2018	2017	2019	2018		
UBP	₱48,250	₱146,937	₱90,206	₱247,396	₱2,807,527	90 days or less; interest-bearing	No impairment
CSB	56,465	87,071	122,337	1,092,133	2,550,000	90 days or less; Interest-bearing	No impairment

The Company's retirement benefit fund (the Fund) is in the form of a trust being maintained and managed by ACO under the supervision of the Board of Trustees (BOT) of the plan.

The Fund has a carrying amount and a fair value of ₱492.0 million and ₱643.0 million as of December 31, 2019 and 2018, respectively (see Note 18). The assets and investments of the Fund are as follows (amounts in thousands):

	2019	2018
Equity investments at FVTPL	₱947,470	₱601,262
Financial assets at amortized cost	(472,091)	26,100
Debt investments at FVOCI	16,488	15,594
	₱491,867	₱642,956

Fixed-income investments represent money market placements and investment in bonds and preferred shares with maturities ranging from less than a year up to five years. Investment in debt and equity securities mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2019 and 2018 and the gains of the Fund arising from such investments for the years then ended are as follows (amounts in thousands):

	2019		2018	
	Carrying Value	Loss	Carrying Value	Gain
AEV common shares	₱295,023	₱19,286	₱75,135	(₱19,724)
AP common shares	411,559	3,203	300,436	(43,461)

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.



Compensation of Key Management Personnel

	2019	2018	2017
Short-term benefits	₱309,496,001	₱332,370,080	₱305,641,866
Post-employment benefits	20,144,868	17,657,442	20,260,738
	₱329,640,869	₱350,027,522	₱325,902,604

11. Property and Equipment

December 31, 2019

	Transportation Equipment	Office Equipment, Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Right-of-Use Asset	Total
Cost:						
At January 1	₱74,587,423	₱128,159,944	₱211,086,174	₱199,644,969	₱—	₱613,478,510
Adoption of PFRS 16 (see Note 2)	—	—	—	—	174,454,669	174,454,669
At January 1, as restated	74,587,423	128,159,944	211,086,174	199,644,969	174,454,669	787,933,179
Additions	21,181,187	4,417,384	1,604,766	18,466,414	—	45,669,751
Disposals	(20,760,117)	(1,925,766)	(169,768)	(9,798,077)	—	(32,653,728)
At December 31	75,008,493	130,651,562	212,521,172	208,313,306	174,454,669	800,949,202
Accumulated Depreciation and Amortization:						
At January 1	44,035,031	86,090,840	66,456,158	153,553,022	—	350,135,051
Depreciation and amortization	14,019,249	14,891,246	13,260,778	26,137,278	41,048,157	109,356,708
Disposals	(16,139,064)	(1,900,163)	(141,362)	(9,449,310)	—	(27,629,899)
At December 31	41,915,216	99,081,923	79,575,574	170,240,990	41,048,157	431,861,860
Net Book Value	₱33,093,277	₱31,569,639	₱132,945,598	₱38,072,316	₱133,406,512	₱369,087,342

December 31, 2018

	Transportation Equipment	Office Equipment, Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Total
Cost:					
At January 1	₱72,057,568	₱98,895,413	₱190,461,453	₱200,227,016	₱561,641,450
Additions	13,818,025	32,797,967	22,426,947	20,231,734	89,274,673
Disposals	(11,288,170)	(3,533,436)	(1,802,226)	(20,813,781)	(37,437,613)
At December 31	74,587,423	128,159,944	211,086,174	199,644,969	613,478,510
Accumulated Depreciation and Amortization:					
At January 1	39,312,282	74,598,064	63,012,876	149,660,299	326,583,521
Depreciation and amortization	14,396,596	14,352,097	4,935,662	24,530,029	58,214,384
Disposals	(9,673,847)	(2,859,321)	(1,492,380)	(20,637,306)	(34,662,854)
At December 31	44,035,031	86,090,840	66,456,158	153,553,022	350,135,051
Net Book Value	₱30,552,392	₱42,069,104	₱144,630,016	₱46,091,947	₱263,343,459

As of December 31, 2019 and 2018, no property and equipment are used to secure the Company's long-term debts (see Note 12).

As of December 31, 2019 and 2018, there are no fully depreciated property and equipment in use.



12. Long-term Debts

2019 Retail Bonds - ₱5.0 billion

In June 2019, the Company issued a total of ₱5.0 billion bonds, broken down into ₱3.4 billion 5-year and ₱1.6 billion 10-year bonds at fixed interest rates ranging from 6.02% to 6.32%.

2015 Retail Bonds - ₱24.0 billion

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at fixed interest rates ranging from 4.47% to 6.02%.

2013 Retail Bonds - ₱8.0 billion

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation.

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

As of December 31, 2019 and 2018, deferred financing costs amounted to ₱144.3 million and ₱137.8 million, respectively.

The loan agreements on long-term debt of the Company provide for certain restrictions with respect to, among others, incurrence of additional debts, payment of dividends, investment and guaranties, mergers or consolidations or other material changes in ownership, corporate set-up or management, disposition of mortgage of assets and maintenance of financial ratios.

These restrictions and requirements were complied with by the Company as of December 31, 2019 and 2018.

13. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000



Outstanding capital stock is as follows:

	Number of Shares	
	2019	2018
Common shares issued	5,694,599,621	5,694,599,621
Less treasury shares	61,807,064	61,807,064
Balance at end of year	5,632,792,557	5,632,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against “Additional paid-in capital” in the parent company balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the Company has 8,893 and 8,921 shareholders, respectively.

Treasury Shares

In November 2018, the Company purchased 1 million treasury shares amounting to ₱44.1 million. As of December 31, 2019 and 2018, treasury shares held by the Company totaled 61.8 million, with corresponding acquisition cost of ₱565.2 million.

14. Retained Earnings and Earnings per Common Share

On March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.44 billion) to all stockholders of record as of March 21, 2019. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2019, and were paid on April 5, 2019.

On March 8, 2018, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends were taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.



- b. Appropriation of ₱4.20 billion of the retained earnings as of December 31, 2018 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infraestructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infraestructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

- c. Reversal of ₱1.62 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua.

On March 7, 2017, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.
- b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,095,000

As mentioned in Note 12, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income	₱9,049,425,284	₱9,202,692,338	₱8,492,206,461
b. Weighted average number of common shares issued and outstanding	5,632,792,557	5,632,792,557	5,632,792,557
c. Earnings per common share (a/b)	₱1.607	₱1.634	₱1.508

There are no dilutive potential common shares as of December 31, 2019, 2018 and 2017.



15. Cost of Services

	2019	2018	2017
Salaries and wages (see Note 17)	₱601,511,691	₱425,719,148	₱433,478,987
Depreciation and amortization (see Note 11)	78,141,855	29,834,102	34,632,335
Repairs and maintenance	76,161,533	25,641,056	20,083,682
Employees' benefits (see Notes 17 and 18)	46,032,296	26,856,632	38,545,800
Professional fees	38,127,900	43,277,856	48,103,124
Communication, light and water	28,363,317	14,984,574	13,864,658
Rent (see Note 10)	8,412,022	32,145,032	32,459,440
Office supplies	4,317,796	4,190,808	5,671,808
Amortization of computer software	3,190,264	2,158,534	877,090
	₱884,258,674	₱604,807,742	₱627,716,924

16. General and Administrative Expenses

	2019	2018	2017
Salaries and wages (see Note 17)	₱240,282,225	₱404,973,795	₱309,156,045
Transportation and travel (see Note 10)	105,681,158	94,667,049	67,391,849
Bank charges	76,233,879	53,619,912	48,227,274
Outside services	65,020,682	60,436,296	30,760,845
Training and development	55,355,552	40,152,547	40,606,775
Entertainment, amusement and recreation	35,066,349	31,057,491	18,887,957
Employees' benefits (see Notes 17 and 18)	33,319,670	41,658,714	39,407,635
Insurance	31,971,739	31,098,409	31,054,986
Depreciation and amortization (see Note 11)	31,214,853	28,380,282	24,699,687
Repairs and maintenance	30,423,785	24,391,563	14,323,628
Taxes and licenses	29,894,729	11,380,475	11,197,594
Communication, light and water	23,109,694	20,632,585	16,203,300
Professional fees	15,230,721	41,168,920	34,307,019
Advertising	9,129,953	2,736,844	7,126,066
Rent (see Note 10)	3,360,300	30,578,600	23,149,985
Office supplies	1,724,804	3,986,589	4,045,118
Amortization of computer software	1,274,396	2,053,348	625,539
Donations and contributions	20,000	30,000	30,000
Others	50,608,215	55,190,807	64,318,829
	₱838,922,704	₱978,194,226	₱785,520,131



“Others” include books and periodicals, freight and handling, and miscellaneous expenses that do not have specific account classification.

17. Personnel Expenses

	2019	2018	2017
Salaries and wages (see Notes 15 and 16)	₱841,793,916	₱830,692,943	₱742,635,032
Employees’ benefits (see Notes 15 and 16)	79,351,966	68,515,346	77,953,435
	₱921,145,882	₱899,208,289	₱820,588,467

18. Pension Benefit Plan

Under the existing regulatory framework, Republic Act (RA) 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company has a funded, noncontributory, defined benefit pension plan (“Plan”) covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This Fund is in the form of a trust being maintained and managed by ACO, under the supervision of the BOT of the Plan. The BOT, whose members are also officers of the Company, is responsible for the investment of the Fund assets. Taking into account the Plans’ objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the Plan.

Net benefit expense

	2019	2018	2017
Retirement expense recognized in the parent company statements of income:			
Service cost	₱52,042,258	₱49,096,470	₱58,570,785
Net interest cost (income)	4,688,440	(3,013,182)	1,637,985
	₱56,730,698	₱46,083,288	₱60,208,770



	2019	2018	2017
Remeasurement effects recognized in the parent company statements of comprehensive income:			
Actuarial gains on defined benefit plan	₱11,721,916	₱ –	₱100,483,565
Return (loss) on assets excluding amount included in net interest cost	58,233,465	(103,753,703)	48,402,195
	₱69,955,381	(₱103,753,703)	₱148,885,760

Pension liability

	2019	2018
Present value of obligation	₱523,351,726	₱734,170,527
Fair value of plan assets	(491,867,264)	(642,955,749)
Pension liability	₱31,484,462	₱91,214,778

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	₱734,170,527	₱713,211,994
Net benefit costs in parent company statements of income:		
Current service costs	52,042,258	49,096,470
Interest cost	37,736,366	36,659,096
	89,778,624	85,755,566
Benefits paid	(284,391,487)	(71,164,851)
Transfers	(4,484,022)	6,367,818
Remeasurements in other comprehensive income:		
Actuarial loss due to experience adjustments	9,090,462	–
Actuarial gain due to changes in demographic and financial assumptions	(20,812,378)	–
	(11,721,916)	–
At December 31	₱523,351,726	₱734,170,527

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	₱642,955,749	₱771,834,207
Interest income included in net interest cost	33,047,926	39,672,278
Actual return excluding amount included in net interest cost	58,233,465	(103,753,703)
Actual contributions	46,505,633	–
Benefits paid	(284,391,487)	(71,164,851)
Transfers	(4,484,022)	6,367,818
At December 31	₱491,867,264	₱642,955,749



Changes in pension liability (asset) recognized in the parent company balance sheets are as follows:

	2019	2018
At January 1	₱91,214,778	(₱58,622,213)
Retirement expense for the year	56,730,698	46,083,288
Actuarial loss (gain) recognized for the year	(69,955,381)	103,753,703
Contribution to retirement fund	(46,505,633)	—
At December 31	₱31,484,462	₱91,214,778

The fair value of plan assets by each class at the end of the reporting period are as follows:

	2019	2018
Cash and fixed-income investments	₱93,028,924	₱113,643,159
Financial assets at FVOCI	16,488,497	15,594,051
Equity instruments:		
Power	411,558,624	300,436,059
Holding	295,023,039	75,134,983
Financial institution	26,078,289	9,464,219
Others	214,810,198	216,226,257
Liabilities of the fund	(565,120,307)	(87,542,979)
Fair value of plan assets	₱491,867,264	₱642,955,749

All equity instruments held have quoted prices in the active market. The remaining plan assets do not have quoted market prices in active market.

The principal assumptions as of December 31, 2019, 2018 and 2017 used in determining the net pension liability for the Company's plan are shown below:

	2019	2018	2017
Discount rate	4.88%	5.14%	5.14%
Salary increase rate	6.00%	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

		2019	2018
	Increase (decrease) in basis points	Effect on defined benefit obligation	Effect on defined benefit obligation
Discount rates	100 (100)	(₱25,355,695) 28,981,586	(₱18,595,984) 21,751,912
Future salary increases	100 (100)	₱30,567,122 (27,302,208)	₱32,388,856 (29,074,362)

The Company expects to contribute ₱45.1 million to the retirement fund in 2020.



The average duration of the defined benefit obligation as of December 31, 2019 and 2018 is 12.06 years.

The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group (to which the Company belongs) also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

19. Income Tax

The provision for (benefit from) income tax consists of:

	2019	2018	2017
Current:			
Corporate income tax	₱13,169,975	₱31,922,802	₱25,179,797
Final tax	22,347,129	48,622,580	33,356,616
	35,517,104	80,545,382	58,536,413
Deferred	(299,433)	71,194,023	(87,206,141)
	₱35,217,671	₱151,739,405	(₱28,669,728)

The current provisions for income tax in 2019, 2018 and 2017 represent MCIT.

The net deferred income tax asset represent the tax effects of the following:

	2019	2018
Deferred income tax asset recognized as other comprehensive income on pension liability	₱46,323,132	₱67,309,746
Deferred income tax liability recognized in parent company statements of income on pension liability	(20,269,279)	(20,568,712)
	₱26,053,853	₱46,741,034

In computing for deferred income tax asset and liability as of December 31, 2019 and 2018, the rate used was 30%, which is the rate expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled.

As of December 31, 2019, the Company has the following NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deduction against future income tax liabilities:



NOLCO

Period of Recognition	Availment Period	Amount	Expired	Balance
2016	2017-2019	₱1,087,461,544	₱1,087,461,544	₱-
2017	2018-2020	966,340,684	-	966,340,684
2018	2019-2021	802,825,261	-	802,825,261
2019	2020-2022	1,861,955,438	-	1,861,955,438
		₱4,718,582,927	₱1,087,461,544	₱3,631,121,383

MCIT

Period of Recognition	Availment Period	Amount	Expired	Balance
2016	2017-2019	₱21,446,199	₱21,446,199	₱-
2017	2018-2020	25,179,797	-	25,179,797
2018	2019-2021	31,922,802	-	31,922,802
2019	2020-2022	13,169,975	-	13,169,975
		₱91,718,773	₱21,446,199	₱70,272,574

The Company did not recognize deferred income tax assets on NOLCO and MCIT since management believes that the carryforward benefits of NOLCO and MCIT will not be utilized prior to their expiration. The Company's assessment is based on the budgeted taxable income of the following reporting periods. This budget is based on the Company's past results and future expectations on revenues and expenses.

The reconciliation of the provision for income tax on income before income tax computed at the statutory tax rate to the provision for income tax reported in the parent company statements of income follows:

	2019	2018	2017
Provision for income tax at the statutory tax rate of 30%	₱2,725,392,887	₱2,806,329,523	₱2,539,061,020
Add (deduct) income tax effects of the following:			
Unrecognized deferred income tax assets on:			
NOLCO	558,586,631	240,847,578	289,902,205
MCIT	13,169,975	31,922,802	25,179,797
Nondeductible interest expense	12,131,304	30,747,118	27,112,494
Nondeductible write-off of impairment on investments and advances, project costs and other assets	11,819,653	11,223,136	19,119,684
Unrealized foreign exchange loss	9,144,314	17,948,926	-
Nondeductible representation and rent expense	6,928,499	3,792,892	744,791
Nondeductible expenses	2,338,343	-	-
Interest income already subjected to final tax at lower rate	(14,414,398)	(44,550,503)	(48,802,458)
Unrealized foreign exchange loss in prior years but realized in in the current year	(12,772,116)	-	-
Unrealized loss on financial assets at FVTPL	(403,152)	910,621	-
Gain on sale of investments	-	(50,060,661)	-
Nontaxable dividend income	(3,276,704,269)	(2,897,372,027)	(2,890,877,281)
Expired MCIT	-	-	9,890,020
	₱35,217,671	₱151,739,405	(₱28,669,728)



20. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks and cash equivalents, investment in debt and equity securities, long-term debts, and lease liabilities. The main purpose of these financial instruments is to raise finance for the Company's operations and its investments in existing subsidiaries and associates and in new projects. The Company has other financial assets and liabilities such as trade and other receivables and accounts payable and accrued expenses which arise directly from operations.

The main risks arising from the Company's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term loans; credit risk involving possible exposure to counterparty default on its cash and cash equivalents and investment in debt and equity securities; 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.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on its cash in banks and cash equivalents, trade and other receivables and due from subsidiaries pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to accounts receivables and advances to subsidiaries and associates, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or company of counterparties.

As of December 31, 2019 and 2018, none of the Company's financial assets are past due nor impaired and the credit quality is considered to be of high grade as these are expected to be collectible without incurring any credit losses.

The Company trades with related parties and recognized, creditworthy third parties.

Counterparty risk

The Company's counterparty risk encompasses issuer risk on investment securities and credit risk on cash in bank and cash equivalents. The Company manages its counterparty risk by transacting with counterparties of good financial condition and selecting investment grade securities.

The Company's maximum counterparty exposure is related to its cash and cash equivalents accounts which have a balance of ₱1.8 billion and ₱5.7 billion as of December 31, 2019 and 2018, respectively.



Liquidity risk

Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations. The Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity investments.

In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regards to its long-term financing requirements, the Company's policy is that not more than 35.0% of long-term borrowings should mature in any 12-month period. ₱10.5 billion 5-year retail bonds and ₱6.2 billion 7-year retail bonds will mature in August 2020 and November 2020 respectively.

The following table summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (amounts in thousand pesos):

December 31, 2019

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued expenses*	₱498,926	₱498,926	₱—	₱498,926	₱—	₱—
Lease liabilities	183,849	204,074	—	61,311	142,763	—
Long-term debts	36,855,699	43,385,051	—	18,404,018	17,360,654	7,620,379
Total	₱37,538,474	₱44,088,051	₱—	₱18,964,255	₱17,503,417	₱7,620,379

*Excludes statutory liabilities

December 31, 2018

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued expenses*	₱264,803	₱264,803	₱—	₱264,803	₱—	₱—
Long-term debts	31,862,219	38,340,116	—	1,553,542	30,799,810	5,986,764
Total	₱32,127,022	₱38,604,919	₱—	₱1,818,345	₱30,799,810	₱5,986,764

*Excludes statutory liabilities

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates and foreign exchange rates. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.



The Company's exposure to market risk for changes in interest rates relates primarily to its long-term debts obligations. To manage this risk, the Company determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities.

As of December 31, 2019 and 2018, 100% of the Company's long-term debts are with fixed rates, ranging from 4.41% to 6.32% in 2019 and 4.41% to 6.02% in 2018.

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are non-interest bearing, are not subject to interest rate risk.

Foreign exchange risk

The foreign exchange risk of the Company is mainly with respect to its foreign-currency-denominated cash and cash equivalents. 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.

	2019		2018	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Financial asset:				
Cash and cash equivalents	\$21,472,555	₱1,087,262,835	\$45,953,939	₱2,416,258,090

The exchange rate for December 31, 2019 and 2018 is ₱50.64 and ₱52.58 per US\$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net foreign exchange loss of ₱19.7 million in 2019 and net foreign exchange gain of ₱554.6 million in 2018.

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 Company's income before income tax as of December 31, 2019 and 2018:

	Increase (decrease) in US dollar rate against the Peso	Effect on income before income tax
2019		
US dollar denominated accounts	US Dollar strengthens by 5%	₱54,363,141
	US Dollar weakens by 5%	(54,363,141)
2018		
US dollar denominated accounts	US Dollar strengthens by 5%	₱120,812,906
	US Dollar weakens by 5%	(120,812,906)

Capital Management

Capital includes equity attributable to the equity holders of the parent company. The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 years ended December 31, 2019 and 2018.

The Company is required to maintain a certain level of equity under its bond trust agreement (see Note 12).

The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Company's policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of bank loans and long-term debts less cash and short-term deposits.

Gearing ratios of the Company as of December 31, 2019 and 2018 are as follows (amounts in thousand pesos):

	2019	2018
Long-term obligations	₱37,039,548	₱31,862,219
Cash and cash equivalents	(1,840,190)	(5,673,114)
Advances to related parties	(1,197,620)	(1,359,960)
Net debt (a)	34,001,738	24,829,145
Equity	49,541,876	47,954,504
Equity and net debt (b)	₱83,543,614	₱72,783,649
Gearing ratio (a/b)	40.70%	34.11%

21. 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 value of all of the Company's long-term debts whose fair value is different from its carrying amount (amount in thousand pesos):

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liability:				
Long-term debts:				
Fixed rate	₱36,855,699	₱37,062,503	₱31,862,219	₱28,983,136
Lease Liabilities	183,849	206,376	-	-

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 accounts payable and accrued expenses

The carrying amounts of cash and cash equivalents, trade and other receivables and accounts payable and accrued expenses approximate their fair value due to the relatively short-term maturity of these financial instruments.

Fixed-rate borrowings

The fair values of fixed rate interest bearing loans are based on the discounted value of future cash flows using the applicable rates for similar types of loans ranging from 4.79% to 7.29% in both years 2019 and 2018.

Investments in FVTPL equity securities

The fair values of investments in FVTPL equity securities are based on quoted market prices.

Fair Value Hierarchy

The Company uses the following hierarchy for determining 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 which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2019 and 2018, the Company held the following financial instruments that are measured and carried or disclosed at fair value (amounts in thousand pesos):

December 31, 2019

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in equity securities at FVTPL	₱78,615	₱78,615	₱-	₱-
Disclosed at fair value:				
Long-term debts - fixed rate	37,062,503	-	-	37,062,503
Lease liabilities	206,376	-	-	206,376



December 31, 2018

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in equity securities at FVTPL	₱182,360	₱182,360	₱–	₱–
Disclosed at fair value:				
Long-term debts - fixed rate	28,983,136	–	–	28,983,136
Lease liabilities	–	–	–	–

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

22. Notes to Statements of Cash Flows

The following are the cash flow movements of the Company's financing liabilities:

December 31, 2019

	January 1, 2019	Net cash flows	Non-cash Change Amortized deferred financing costs	December 31, 2019
Non-current interest-bearing loans	₱31,862,218,676	₱5,000,000,000	(₱6,519,718)	₱36,855,698,958
Lease liabilities	232,245,998	(58,391,532)	9,994,982	183,849,448

December 31, 2018

	January 1, 2018	Net cash flows	Non-cash Change Amortized deferred financing costs	December 31, 2018
Non-current interest-bearing loans	₱31,815,743,585	₱–	₱46,475,091	₱31,862,218,676

23. Events After the Reporting Period

- To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the 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 will be taken out of the unrestricted retained earnings as of December 31, 2019, and will be paid on April 3, 2020. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.
- On March 6, 2020, the BOD approved the 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.



- c. 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.

24. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010, requiring additional tax disclosures on the notes to the parent company financial statements that will be submitted as an attachment to tax returns.

The Company reported and/or paid the following types of taxes in 2019:

Value-added tax (VAT)

The Company’s sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

- a. Net Sales/Receipts and Output VAT declared in the Company’s VAT returns for 2019

	Net Sales/ Receipts	Output VAT
Taxable sales:		
Sale of goods	₱5,767,228	₱692,067
Sale of services	1,397,151,721	167,658,206
	1,402,918,949	168,350,273
Zero-rated sales	69,207,926	-
Exempt directors’ fees	90,605,472	-
	₱1,562,732,347	₱168,350,273

Zero-rated sales of goods and services consist of those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

- b. Input VAT claimed per 2019 VAT Returns

Balance at January 1	₱13,586,428
Current year’s domestic purchases/payments for:	
Goods other than for resale or manufacture	2,945,733
Capital goods subject to amortization	5,077,732
Capital goods not subject to amortization	15,107
Services lodged under cost of services sold and other accounts	50,883,342
	72,508,342
VAT input applied against VAT output	60,080,940
Balance at December 31	₱12,427,402



Other Taxes and Licenses for 2019

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2019:

Included in Operating Expenses:

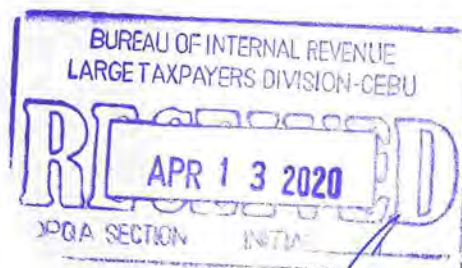
License and permits fees	₱12,519,654
Documentary stamps taxes	2,522,188
Fringe benefits taxes	48,744
Others	14,852,887
	<u>₱29,943,473</u>

Withholding Taxes

Final withholding taxes	₱422,766,962
Withholding taxes on compensation and benefits	216,950,466
Expanded withholding taxes	19,035,793
	<u>₱658,753,221</u>

Tax Assessments and Cases

The Company has no pending tax cases outside the administration of the BIR.



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	E	0	2	5	3	6			
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COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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																

Form Type

A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

www.aboitiz.com

Company's Telephone Number

(2) 886-2800

Mobile Number

None

No. of Stockholders

8,893

Annual Meeting (Month / Day)

April 27

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Timothy Joseph P. Abay

Email Address

timothy.abay@aboitiz.com

Telephone Number/s

(02) 8886-2496

Mobile Number

Not available

CONTACT PERSON'S ADDRESS

c/o Aboitiz Equity Ventures, Inc., 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of **Aboitiz Equity Ventures, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

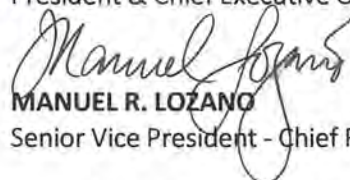
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

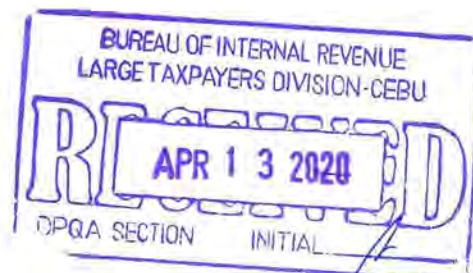
Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


ENRIQUE M. ABOITIZ JR.
Chairman of the Board


SABIN M. ABOITIZ
President & Chief Executive Officer


MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 6th day of March, 2020.



Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz Jr.	P6213075A 11046923	February 28, 2018, Manila January 24, 2020, Cebu City
Sabin M. Aboitiz	P2003168A 11079533	February 23, 2017, Manila January 29, 2020, Cebu City
Manuel R. Lozano	P7066571A 00859193	May 6, 2018, Manila January 16, 2020, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

MAR 06 2020

Witness my hand and seal this ____ day of _____ 2020.

Doc. No. 161;
Page No. 34;
Book No. III;
Series of 2020.



Atty. Stella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 2020
NAC Tower 32nd St Bonifacio Global City, Taguig City
PTR No A-4208020 January 7 2019, Taguig City
IBP Lifetime OR No 061321
Roll No. 63289
MCLE Compliance No VI - 0011090



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

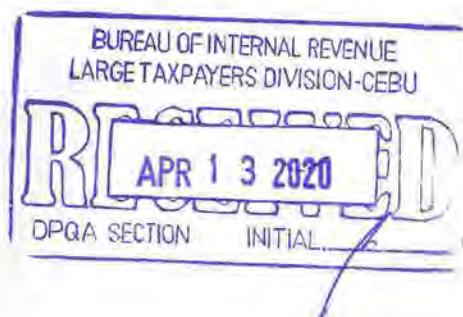
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2019, the goodwill amounted to ₱56.3 billion, which is attributable to several cash-generating units, is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rates, revenue assumptions, and material price inflation.

The Group's disclosures about goodwill are included in Notes 3, 9 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Finalization of Purchase Price Allocation for the Acquisition of Gold Coin Management Holdings (GCMH)

In 2019, the Group finalized the fair value of the net assets acquired from its acquisition of ownership interest in GCMH on July 27, 2018. PFRS 3, *Business Combinations*, allows the fair value of the net assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱99.2 million. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about the finalization of the purchase price allocation for the acquisition of GCMH are included in Note 9 to the consolidated financial statements.



Audit Response

We obtained the understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of the fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its property, plant and equipment, we assessed the competence, capabilities and objectivity of the Group's specialist.

We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 23% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 2 and 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2019, certain segments of its property, plant and equipment totaling ₱3.6 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 12 to the consolidated financial statements.



Audit Response

We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response

We obtained the financial information of UBP for the year ended December 31, 2019 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected the results of the PFRS 9 model validation performed by management's specialist.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.



Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data. We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is
Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

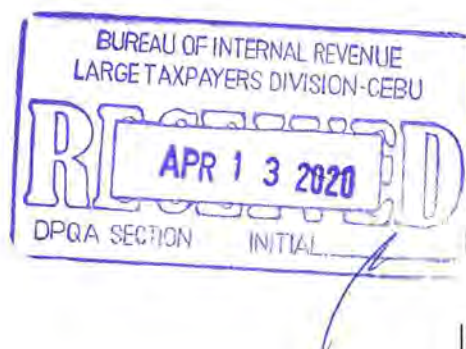
Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

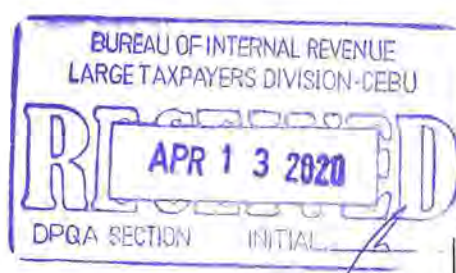
(Amounts in Thousands)

	December 31, 2019	December 31, 2018 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱46,424,663	₱59,033,029
Trade and other receivables (Note 5)	35,195,594	35,099,504
Inventories (Note 6)	20,776,828	21,977,439
Land and improvements (Note 6)	2,570,892	2,340,113
Property held for sale (Notes 12 and 29)	—	675,819
Derivative asset (Note 36)	51,060	71,583
Other current assets (Notes 7 and 8)	19,406,255	18,290,868
Total Current Assets	124,425,292	137,488,355
Noncurrent Assets		
Property, plant and equipment (Notes 12 and 18)	225,558,765	221,689,945
Investments and advances (Note 10)	140,351,748	106,959,557
Intangible assets (Notes 9 and 13)	66,801,095	63,776,773
Investment properties (Notes 14 and 29)	11,291,880	8,224,667
Deferred income tax assets (Note 31)	3,127,072	2,324,773
Trade and other receivables - net of current portion (Note 5)	2,423,038	3,441,898
Derivative asset - net of current portion (Note 36)	82,327	221,245
Net pension assets (Note 30)	190,243	158,575
Other noncurrent assets (Notes 8 and 15)	14,134,641	10,208,281
Total Noncurrent Assets	463,960,809	417,005,714
TOTAL ASSETS	₱588,386,101	₱554,494,069

LIABILITIES AND EQUITY

Current Liabilities		
Trade and other payables (Notes 17, 34 and 39)	₱36,440,163	₱33,870,274
Bank loans (Note 16)	25,717,137	26,978,586
Current portions of:		
Long-term debts (Note 18)	27,126,918	10,702,974
Long-term obligation on Power Distribution System (PDS) (Note 13)	40,000	40,000
Lease liabilities (Notes 12 and 21)	5,656,226	4,131,059
Derivative liability (Note 36)	2,255,736	161,565
Income tax payable	776,596	535,233
Total Current Liabilities	98,012,776	76,419,691

(Forward)



	December 31, 2019	December 31, 2018 (As Restated; Note 9)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 18)	₱212,452,620	₱200,729,393
Lease liabilities (Notes 12 and 21)	39,637,536	42,763,296
Trade and other payables (Notes 17 and 34)	7,206,837	3,695,261
Long-term obligation on PDS (Note 13)	159,350	173,496
Customers' deposits (Note 19)	6,721,156	6,127,788
Decommissioning liability (Note 20)	3,567,492	3,678,810
Deferred income tax liabilities (Note 31)	2,581,511	1,942,264
Net pension liability (Note 30)	639,155	486,232
Derivative liability - net of current portion (Note 36)	212,588	-
Total Noncurrent Liabilities	273,178,245	259,596,540
Total Liabilities	371,191,021	336,016,231
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 22)	5,694,600	5,694,600
Additional paid-in capital (Note 22)	13,013,197	13,013,197
Other equity reserves:		
Gain on dilution (Note 2)	5,043,152	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	469,540	469,540
Acquisition of non-controlling interests (Note 2)	(11,590,375)	(1,679,549)
Accumulated other comprehensive income (Note 24)	(2,648,022)	(27,076)
Retained earnings (Notes 10 and 23)		
Appropriated	4,200,000	4,200,000
Unappropriated	162,864,330	148,541,910
Treasury stock at cost (Note 22)	(565,246)	(565,246)
	176,481,176	174,690,528
Non-controlling Interests	40,713,904	43,787,310
Total Equity	217,195,080	218,477,838
TOTAL LIABILITIES AND EQUITY	₱588,386,101	₱554,494,069

See accompanying Notes to Consolidated Financial Statements.



ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Sale of:			
Power (Note 25)	₱124,605,660	₱130,734,557	₱118,759,149
Goods	69,625,434	47,751,035	23,819,250
Real estate (Notes 14 and 25)	4,116,175	3,925,308	3,613,388
Sale of swine at fair value (Note 8)	1,529,743	2,501,841	2,410,542
Service fees (Note 39)	1,153,570	1,883,506	1,620,401
Others (Note 34)	126,886	146,573	198,875
	201,157,468	186,942,820	150,421,605
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 26, 27, 34 and 39)	71,361,850	71,680,298	63,949,850
Cost of goods sold (Notes 6 and 27)	61,177,948	43,693,907	21,700,262
Operating expenses (Notes 27, 34, 38 and 39)	33,546,426	30,398,694	26,255,915
Cost of real estate sales (Note 6)	2,305,141	1,871,385	1,825,570
Overhead expenses (Note 27)	111,213	136,593	113,864
	168,502,578	147,780,877	113,845,461
OPERATING PROFIT	32,654,890	39,161,943	36,576,144
Share in net earnings of associates and joint ventures (Note 10)	11,502,090	7,727,663	9,053,733
Interest income (Notes 4, 34 and 35)	1,574,268	1,476,151	1,375,695
Interest expense (Notes 21 and 35)	(17,048,359)	(14,638,588)	(13,117,362)
Other income (expense) - net (Notes 5, 29 and 34)	5,517,803	1,410,826	(26,134)
INCOME BEFORE INCOME TAX	34,200,692	35,137,995	33,862,076
PROVISION FOR INCOME TAX (Note 31)	4,758,404	3,899,198	4,583,055
NET INCOME	₱29,442,288	₱31,238,797	₱29,279,021
ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,036,129	₱22,232,977	₱21,608,695
Non-controlling interests	7,406,159	9,005,820	7,670,326
	₱29,442,288	₱31,238,797	₱29,279,021
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	₱3.912	₱3.947	₱3.836

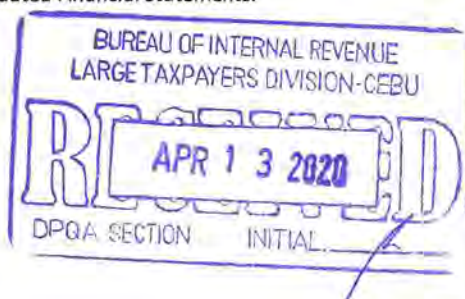
See accompanying Notes to Consolidated Financial Statements.



ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2019	Restated 2018	2017
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,036,129	₱22,232,977	₱21,608,695
Non-controlling interests	7,406,159	9,005,820	7,670,326
	29,442,288	31,238,797	29,279,021
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to consolidated statements of income:</i>			
Movement in cumulative translation adjustments, net of tax	(2,028,859)	639,746	199,556
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	(505,502)	464,139	(16,305)
Share in movement in net unrealized mark-to-market gains (losses) on FVOCI investments of associates (Note 10)	(2,382)	14,295	—
Movement in net unrealized mark-to-market losses on FVOCI investments	2,992	(17,136)	—
Movement in net unrealized mark-to-market losses on AFS investments	—	—	(2,413)
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	—	—	702,564
	(2,533,751)	1,101,044	883,402
<i>Items that will not be reclassified to consolidated statements of income:</i>			
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	(394,994)	112,229	(22,788)
Movement in actuarial gains (losses) on defined benefit plans, net of tax	(185,103)	(10,633)	126,137
	(580,097)	101,596	103,349
TOTAL COMPREHENSIVE INCOME	₱26,328,440	₱32,441,437	₱30,265,772
ATTRIBUTABLE TO:			
Equity holders of the parent	₱19,415,184	₱23,247,913	₱22,562,144
Non-controlling interests	6,913,256	9,193,524	7,703,628
	₱26,328,440	₱32,441,437	₱30,265,772

See accompanying Notes to Consolidated Financial Statements.



ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Thousands, Except Dividends Per Share Amounts)

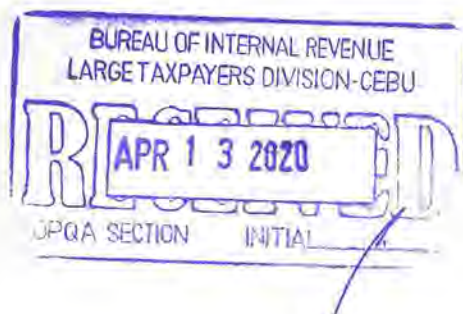
	Attributable to equity holders of the parent						Retained Earnings			Non-controlling interests	Total
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 22)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non- controlling Interest (Note 2)	Accumulated Other Comprehensive Income (Note 10)	Appropriated (Note 23)	Unappropriated (Note 23)	Treasury Stock (Note 22)		
Balances at January 1, 2019, as previously reported	P5,694,600	P13,013,197	P5,043,152	P469,540	(P1,679,549)	(P27,076)	P4,200,000	P148,541,910	(P565,246)	P174,690,528	P42,546,792
Effects of adoption of PFRS 16 (Notes 2 and 3)	—	—	—	—	—	—	—	(278,433)	—	(278,433)	(84,838)
Restatement of a subsidiary (Note 9)	—	—	—	—	—	(14,613)	—	—	—	(14,613)	1,228,919
Balances at January 1, 2019, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,679,549)	(41,689)	4,200,000	148,263,477	(565,246)	174,397,492	43,680,875
Net income for the year	—	—	—	—	—	—	—	22,036,129	—	22,036,129	7,406,159
Other comprehensive loss	—	—	—	—	—	(2,620,985)	—	—	—	(2,620,985)	(492,903)
Total comprehensive income (loss) for the year	—	—	—	—	—	(2,620,985)	—	22,036,129	—	19,415,144	6,913,256
Cash dividends - P1.32 per share (Note 23)	—	—	—	—	—	—	—	(7,435,286)	—	(7,435,286)	(7,435,286)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,261,080)
Acquisition of non-controlling interests	—	—	—	—	(9,910,836)	—	—	—	—	(9,910,836)	(11,306,443)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(5,235,131)
Balances at December 31, 2019	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,590,375)	(P2,662,634)	P4,200,000	P162,864,330	(P565,246)	P176,486,564	P40,702,305
Balances at January 1, 2018, as previously reported	P5,694,600	P13,013,197	P5,043,152	P469,540	(P1,577,075)	(P4,334,008)	P1,622,000	P135,288,145	(P521,132)	P154,698,419	P37,572,509
Effects of adoption of new accounting standards	—	—	—	—	—	3,306,608	—	810,043	—	4,116,651	—
Balances at January 1, 2018, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,577,075)	(1,027,400)	1,622,000	136,098,188	(521,132)	158,815,070	37,572,509
Net income for the year	—	—	—	—	—	—	—	22,232,977	—	22,232,977	9,005,820
Other comprehensive income	—	—	—	—	—	1,000,324	—	—	—	1,000,324	1,176,425
Total comprehensive income for the year	—	—	—	—	—	1,000,324	—	22,232,977	—	23,233,301	10,182,245
Cash dividends - P1.78 per share (Note 23)	—	—	—	—	—	—	—	(7,211,255)	—	(7,211,255)	(7,211,255)
Acquisition of treasury shares	—	—	—	—	—	—	—	—	(44,114)	—	(44,114)
Reversal of appropriation	—	—	—	—	—	—	(1,622,000)	1,622,000	—	—	—
Appropriation during the year	—	—	—	—	—	—	4,200,000	(4,200,000)	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(5,831,777)
Acquisition of non-controlling interests	—	—	—	—	(102,474)	—	—	—	—	(102,474)	(102,228)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	1,623,889
Balances at December 31, 2018	P5,694,600	P13,013,197	P5,043,152	P469,540	(P1,679,549)	(P27,076)	P4,200,000	P148,541,910	(P565,246)	P174,690,528	P42,546,792
Balances at January 1, 2017	P5,694,600	P13,013,197	P5,376,176	P469,540	(P1,577,075)	(P5,287,457)	P2,717,000	P120,077,394	(P521,132)	P139,962,243	P33,700,381
Net income for the year	—	—	—	—	—	953,449	—	21,608,695	—	21,608,695	7,670,328
Other comprehensive income	—	—	—	—	—	—	—	—	—	953,449	33,302
Total comprehensive income for the year	—	—	—	—	—	953,449	—	21,608,695	—	22,562,144	7,703,630
Gain on dilution	—	—	(333,024)	—	—	—	—	—	—	(333,024)	(333,024)
Cash dividends - P1.33 per share (Note 23)	—	—	—	—	—	—	—	(7,492,944)	—	(7,492,944)	(7,492,944)
Reversal of appropriation	—	—	—	—	—	—	(1,095,000)	1,095,000	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,077,223)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(754,277)
Balances at December 31, 2017	P5,694,600	P13,013,197	P5,043,152	P469,540	(P1,577,075)	(P4,334,008)	P1,622,000	P135,288,145	(P521,132)	P154,698,419	P37,572,509



ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

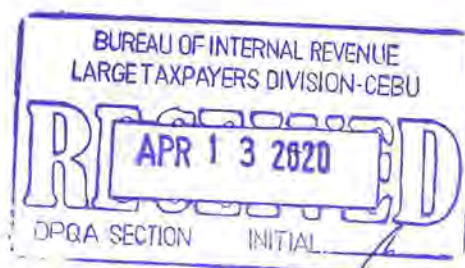
	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱34,200,692	₱35,137,995	₱33,862,076
Adjustments for:			
Interest expense (Note 35)	17,048,358	14,638,588	13,117,362
Depreciation and amortization (Note 27)	11,536,837	9,818,432	8,455,978
Net unrealized foreign exchange losses	(1,951,509)	1,319,008	746,648
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12, 13 and 15)	(245,489)	847,620	3,191,786
Write-off of project costs and other assets	71,802	179,225	143,613
Loss (gain) on sale of:			
Property, plant and equipment (Note 12)	301,228	292,194	52,164
FVTPL and FVOCI investments (Note 3)	(834)	8,830	-
Investment in a subsidiary (Note 9)	(4,382)	(165,876)	-
AFS investments (Note 3)	-	-	(1,549)
Unrealized mark-to-market losses (gains) on derivatives	3,889	196,096	(367,868)
Unrealized mark-to-market losses on FVTPL investments	(57,998)	13,518	-
Dividend income (Note 29)	(10,651)	(19,060)	(5,946)
Net unrealized valuation gains on investment property (Notes 14 and 29)	(1,829,732)	(511,820)	(862,219)
Interest income (Note 35)	(1,574,268)	(1,476,151)	(1,375,695)
Share in net earnings of associates and joint ventures (Note 10)	(11,502,090)	(7,727,663)	(9,053,733)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	-	-	(392,340)
Operating income before working capital changes	45,985,853	52,550,936	47,510,277
Decrease (increase) in:			
Trade and other receivables	(7,383,477)	(5,046,239)	(4,444,457)
Inventories	1,327,976	(2,404,398)	(1,565,400)
Land and improvements	(360,626)	(387,780)	(444,907)
Pension asset	-	-	(82,030)
Other current assets	960,381	(3,764,697)	(2,426,441)
Increase (decrease) in:			
Trade and other payables (Note 9)	6,339,594	1,840,197	(1,235,398)
Pension liability	(15,156)	(12,940)	(98,406)
Customers' deposits	513,105	(86,326)	(708,720)
Net cash generated from operations	47,367,650	42,688,753	36,504,518
Income and final taxes paid	(4,610,604)	(4,271,404)	(4,267,206)
Net cash flows from operating activities	42,757,046	38,417,349	32,237,312
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	4,948,019	5,355,297	6,060,299
Interest received	1,724,033	1,618,973	1,480,887
Proceeds from sale of:			
FVTPL and FVOCI investments (Note 3)	506,419	156,062	-
Property, plant and equipment	85,015	35,694	414,606
AFS investments	-	-	26,731

(Forward)



	Years Ended December 31		
	2019	2018	2017
Acquisition through business combination, net of cash acquired (Note 9)	(P368,169)	(P16,211,727)	P747,150
Disposal of a subsidiary, net of cash disposed (Note 9)	-	296,441	-
Additions to:			
FVTPL and FVOCI	(554,485)	(276,062)	-
Property, plant and equipment and investment properties (Notes 12 and 14)	(12,575,634)	(10,687,679)	(18,317,445)
Investments in and advances to associates (Note 10)	(28,281,257)	(7,873,129)	(1,766,819)
AFS investments	-	-	(417,987)
Increase in intangible assets (Note 13)	(2,934,395)	(774,441)	(131,502)
Decrease (increase) in other noncurrent assets	(2,432,692)	(2,401,683)	599,306
Net cash flows used in investing activities	(39,883,146)	(30,762,254)	(11,304,774)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 18)	44,962,947	39,157,476	43,968,605
Net proceeds from (settlements of) bank loans	(1,261,449)	1,054,387	15,424,292
Proceeds from issuance (acquisition) of treasury shares (Note 22)	-	(44,114)	-
Acquisition of non-controlling interests (Note 2)	(13,114,048)	(220,200)	-
Cash dividends paid and other changes to non-controlling interest	(5,235,131)	(5,831,777)	(3,077,223)
Cash dividends paid to equity holders of the parent (Note 23)	(7,435,286)	(7,211,255)	(7,492,944)
Interest paid	(10,400,954)	(10,935,378)	(8,858,875)
Payments of:			
Long-term debts (Note 18)	(15,494,718)	(21,388,035)	(51,545,504)
Lease liabilities (Note 21)	(7,638,946)	(7,804,460)	(7,877,292)
Net cash flows used in financing activities	(15,617,585)	(13,223,356)	(19,458,941)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,743,685)	(5,568,261)	1,473,597
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	135,319	(268,924)	(460,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,033,029	64,870,214	63,857,528
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P46,424,663	P59,033,029	P64,870,214

See accompanying Notes to Consolidated Financial Statements.



ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission (SEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 22).

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 (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Group Information, Basis of Preparation and Summary of Significant Accounting Policies

a. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled 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 as of December 31 of each year:

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	76.98	—	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 Holding Corp. (MHC) (see Note 9)	Holding	Philippines	—	100.00	—	100.00



	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
San Carlos Sun Power, Inc. (Sacasan, see Note 9)	Power	Philippines	–	100.00	–	100.00
AboitizPower International B.V. (see Note 9)	Holding	Netherlands	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	–	60.00	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power	Philippines	–	100.00	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power	Philippines	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Retensol, Inc.*	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00
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 Coal Plant Ltd. Co. (GMCP) (A, C)	Power	Philippines	–	78.33	–	66.07
Therma Dinginin Holding Cooperatief U.A. (B, D)	Holding	Netherlands	–	–	–	100.00
Therma Dinginin B.V. (B, D)	Holding	Netherlands	–	–	–	100.00
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
Propiedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00



	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	60.00	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	–	100.00	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	–	60.00	–	60.00
A2 Airports, Inc. (A2) and Subsidiaries	Real estate	Philippines	–	50.00	–	100.00
78 Point Blue, Inc.	Real estate	Philippines	–	100.00	–	–
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	–	100.00	–	–
Firmwall Systems, Inc.	Real estate	Philippines	–	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
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	–	–	100.00
PT PILMICO Foods Indonesia	Trading	Indonesia	–	–	–	67.00
Gold Coin Management Holdings Ltd. (GCMH) (E)	Holding	British Virgin Island	–	100.00	–	75.00
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
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	–	60.00	–	60.00
Comfez Limited	Trading	Hong Kong	–	100.00	–	100.00
APAC Commodities Pte. Ltd.	Trading	Singapore	–	–	–	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 (PAN JSC), see Note 9)	Feedmills	Vietnam	–	100.00	–	70.00
Comfez Pte. Ltd. (CPL)	Trading	Singapore	–	100.00	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	–	100.00	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	–	49.00	–	49.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	–	100.00	–	–
Gold Coin Aqua Feed Incorporated (formerly, Syaqua Group Incorporated)	Holding	British Virgin Island	–	100.00	–	100.00
Gold Coin Aqua Feed (Hong Kong) Ltd. (formerly, Syaqua Holdings (Hong Kong) Ltd)	Holding	Hong Kong	–	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
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	–	72.80	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	–	100.00	–	100.00



	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
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

a) Part of Therma Mariveles Group

a) Part of Therma Dinginin Group

c) In 2019, ownership increased in relation to AA Thermal, Inc. (ATI) acquisition (see Note 10)

d) Dissolved and liquidated in 2019 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPowder acquisition

e) In 2019, ownership increased in relation to the acquisition of the noncontrolling interest in GCMH (see Note 10)

* No commercial operations as of December 31, 2019.

b. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and joint operation that are subject to joint control. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of



during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Interest in Joint Operations

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

The 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.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of total comprehensive income or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.



Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied PFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but did not have any significant impact on the Group's consolidated financial statements:

- PFRS 16, *Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information.

The Group has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4. The Group also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The effects of adoption on the consolidated financial statements are as follows:

	As of January 1, 2019
Increase (decrease) in consolidated balance sheets:	
Property, plant and equipment	₱4,165,866
Investments in and advances in associates and joint ventures	(18,692)
Other noncurrent assets	(1,628,060)
Total Assets	<u>₱2,519,114</u>



	As of January 1, 2019
Lease liabilities	₱49,786,728
Finance lease obligation	(46,894,355)
Retained earnings	(278,423)
Non-controlling interests	(94,836)
Total Liabilities and Equity	<u>₱2,519,114</u>

Prior to adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the consolidated statement income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under “Other current assets” or “Other noncurrent assets” and “Trade and other payables”, respectively.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 was applied to these leases from January 1, 2019. The Group reclassified amounts previously recognized under the “Finance lease obligations” account to “Lease liabilities” account in the consolidated balance sheet.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application,
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.



The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as of December 31, 2018	₱8,431,080
Incremental borrowing rate as of January 1, 2019	3.40% to 14.51%
Discounted operating lease commitments at January 1, 2019	2,990,670
Less: Commitments relating to short-term leases and low-value assets	(96,869)
Others	(1,428)
Add: Commitments to leases previously classified as finance leases	46,894,355
Lease liabilities as of January 1, 2019	₱49,786,728

- IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, *Borrowing Costs*) for the Real Estate Industry

In March 2019, the IFRS Interpretations Committee (the Committee) issued IFRIC Update summarizing the decisions reached by the Committee in its public meetings. The March 2019 IFRIC Update includes the Committee's Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development.

Applying paragraph 8 of PAS 23, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Paragraph 5 of PAS 23 defines a qualifying asset as "an asset that necessarily takes a substantial period of time to get ready for its intended use or sale". Under the March 2019 IFRIC Update, the Committee clarified that the related assets that might be recognized in the real estate company's financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer be capitalized.

The agenda decision did not have a significant effect on the consolidated financial statements as there were no material borrowing costs capitalized.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

This amendment does not have an impact on the consolidated financial statements.



- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

Since the Group's current practice is in line with these amendments, these amendments do not have any effect on its consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests. The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.



The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments are currently not applicable to the Group but may apply to future transactions.



- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Income Tax Consequences of Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Group's current practice is in line with these amendments, these amendments do not have any effect on its consolidated financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2019

The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2020

- 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.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on 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 refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each balance sheet date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially



recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the consolidated statement of income.

The Group's debt financial assets as of December 31, 2019 and 2018 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheet. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

Financial assets at FVOCI

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

Financial assets at FVTPL

Financial assets at FVTPL are measured at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the



statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2019 and 2018.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate
- contingent consideration recognized by an acquirer in accordance with PFRS 3

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. The Group's financial liabilities measured at amortized cost as of December 31, 2019 and 2018 include trade and other payables, customers' deposits, bank loans, lease liabilities, long-term obligation on PDS and long-term debts (see Note 35).

Reclassifications of financial instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and



- There is a change in measurement on credit exposures measured at FVTPL.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial



instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the consolidated statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate.



Dividends earned on investments are recognized in the consolidated statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of income when liabilities are derecognized, as well as through amortization process.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVTPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVTPL.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.



Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, as well as commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency forward contracts and the commodity contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Group designated all of the foreign currency forward and commodity swap contracts as hedging instrument. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a nonfinancial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or nonfinancial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to the statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.



If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and



- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model. The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.



No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the balance sheet date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment

At each balance sheet date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost



or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade receivables. The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Guarantee Contracts and Loan Commitments

Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model; and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-



convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- | | | |
|--|---|---|
| Wheat grains and trading inventories | - | purchase cost on a specific identification basis; |
| Other raw materials and production supplies, materials, parts and supplies | - | purchase cost on a moving average method |
| Finished goods | - | cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs; |
| Fuel | - | purchase cost on a first-in, first-out basis; |

NRV of wheat grains and other raw materials and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory losses and inventory shrinkage is provided, when necessary, based on management's review of inventory turnover in accordance with prescribed policies. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized. The costs of inventory recognized in the consolidated statement of income is determined with reference to the specific costs incurred on the real estate sold and an allocation on a pro-rata basis on any non-specific costs.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly



unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.



The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each balance sheet date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.



Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest (based on the proportionate share of the Group in the identifiable net assets of the acquiree) over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination

Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and



nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Cost also include decommissioning liability relating to the decommissioning of power plant, if any. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10 - 50
Power plant and equipment	2 - 50
Steam field assets	20 - 25
Transmission, distribution and substation equipment:	
Power transformers	30
Poles and wires	20 - 40
Other components	12 - 30
Machinery and equipment	2 - 40
Transportation equipment	2 - 15
Office furniture, fixtures and equipment	1 - 25
Office furnitures and fixtures	2 - 5
Communication and computer equipments	2-5
Electrical equipment	5 - 25
Meters and laboratory equipment	25
Leasehold improvements	3 - 20
Tools and others	2 - 30

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.



When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Leases (prior to adoption of PFRS 16)

Arrangement Containing a Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated balance sheet as lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the estimated useful life of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Land	10-50
Building	2-50
Power plant	20-25
Manufacturing Plant, Equipment and others	2-20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.



Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15 (PAS 18 in 2017) for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15 (PAS 18 in 2017). Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.



An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.



These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise

The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses

Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs

Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.



Research and Development Expenditure

The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land, land improvements and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Decommissioning liability

The decommissioning liability arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding



of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of decommissioning liability" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Impairment of Nonfinancial Assets

Property, plant and equipment, intangible assets, investments and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be



measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Translation

The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the balance sheet date, the assets and liabilities of subsidiaries and associates whose functional currencies are not the Philippine peso, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income as cumulative translation adjustment. On disposal of any of these subsidiaries or associates, the deferred cumulative amount recognized in other comprehensive income relating to the disposed entity is recognized in the consolidated statement of income.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.



Sale of Power

Contracts with customers for the Power Group generally include power generation and ancillary services and power distribution and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is generated. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Under PAS 18, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. Under PFRS 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time based on amounts billed.

Sale of Goods

Revenue from the sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of Real Estate

Contracts with customers for the Real Estate Group's real estate segment generally include sale of lot, sale of house and lot and sale of unfurnished and fully furnished condominium units.

For the sale of lot, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the development of lot is used as an input to deliver a combined output.



For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

If the sale of lot, house and lot and unfurnished and fully furnished condominium units occurs at completion, the Real Estate Group shall recognize revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Otherwise, if the sale occurs prior to completion, the Real Estate Group shall recognize over time, using the output method (i.e., POC) as the appropriate measure of progress, satisfying the criterion of which the Real Estate Group's performance does not create an asset with an alternative use and the Real Estate Group has an enforceable right to payment for performance completed to date.

The buyer could enforce its rights to the promised property if the developer seeks to sell the unit to another buyer. This contractual restriction on the developer's ability to direct the promised property for another use is considered substantive as the property is not interchangeable with other properties that the entity could transfer to the buyer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. The Real Estate Group also has enforceable right to payment for performance completed to date notwithstanding contract terminations.

In determining the transaction price for real estate sales, the Real Estate Group considers the existence of significant financing component. Contracts with real estate customers provide two alternative payment options, spot cash and installment payments, after the contracts are signed. For both payment options, the Real Estate Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Real Estate Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Real Estate Group also concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of property to the customer, as well as the prevailing interest rates in the market.

However, pursuant to the said SEC Memorandum Circular No. 14, series of 2018, the Real Estate Group opted to avail of the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales.

Rendering of services

Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.



Dividend income

Dividend income is recognized when the Group's right to receive payment is established.

Interest income

Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined



benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in OCI is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Input VAT, which is presented as part of “Other current assets” and/or “Other noncurrent assets” in the consolidated balance sheet, is recognized as an asset and will be used to offset the Group’s current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.



Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments

For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate and infrastructure) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.



3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's 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, except for those that relate to the adoption of PFRS 16.

Judgments

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

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currencies are the US dollar (US\$), Singapore dollar, Vietnamese Dong, Indonesian Rupiah, Renminbi, Malaysian Ringgit, Sri Lanka Rupee, Pakistani Rupee, Myanmar Kyat, or Thai Baht. The Philippine peso is the currency of the primary economic environment in which most of the companies in the Group operate and it is the currency that mainly influences their revenues and costs.

Determination of control or joint control over an investee company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2019 and 2018, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees

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



(SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group has 60% and 72.5% interest in AA Thermal and 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. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

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

Determining a joint operation

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

Service concession arrangements - Companies in the Group as Operators

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA); LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC) and Apo Agua's Treated Bulk Water concession agreement with Davao City Water District (DCWD). SEZ, MEZ, LHC and Apo Agua's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.



*Finance lease - Group as the lessee, applicable under Philippine Interpretation IFRIC 4 and PAS 17
(see Note 2 on application of the transition relief)*

In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and lease liability at the present value of the agreed monthly payments to PSALM (see Note 21).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2019 and 2018, the carrying value of the power plant amounted to ₱33.6 billion and ₱34.7 billion, respectively (see Note 12). The carrying value of the lease liability amounted to ₱42.1 billion and ₱46.9 billion as of December 31, 2019 and 2018, respectively (see Note 21).

Identifying performance obligations under PFRS 15 applicable in 2019 and 2018

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

For sale of developed lots, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the lot development is used as an input to deliver a combined output. For



the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

Revenue recognition under PFRS 15 applicable in 2019 and 2018

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concludes that:

- revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power;
- when a contract is judged to be for the construction of a property, revenue is recognized using the POC method as construction progresses. The POC is made reference to the stage of completion of projects and contracts determined on the basis of the estimated completion of physical proportion of the contract work;
- for sale of goods, revenue is recognized at a point in time, generally on the delivery of goods.

Identifying methods for measuring progress of revenue recognized over time under PFRS 15 applicable in 2019 and 2018

The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

- a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

The Group recognizes revenues from real estate sales over time using output method in measuring progress. The use of output method is the best method in measuring progress since the entitlement of the customers to the output performed as of date is easily measured and observed on the basis that POC for the construction of real estate properties is determined using the estimated completion of physical proportion of the contract work.



Determining method to estimate variable consideration and assessing the constraint under PFRS 15 applicable in 2019 and 2018

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

For Power Group, some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. It is determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Allocation of variable consideration under PFRS 15 applicable in 2019 and 2018

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Distinction among real estate inventories, land and improvements, and investment properties

The Group determines whether a property is classified as real estate inventories, land and improvements or investment properties:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.
- Land and improvements comprise land and related improvements that are part of the Group's strategic land banking activities for development or sale in the medium or long-term. These properties are neither developed nor available for sale and therefore not yet considered as part of real estate inventories.
- Investment properties comprise land, land improvements and buildings (principally composed of offices, commercial warehouses and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group considers each property separately in making its judgment.



Determining fair value of customers' deposits

In applying PFRS 9 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.7 billion and ₱6.1 billion as of December 31, 2019 and 2018, respectively (see Notes 19 and 36).

Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

Contractual cash flows assessment

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the



classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting

The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on investments and advances

Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2019 and 2018 based on management's assessment. The carrying amounts of the investments in and advances to associates and joint ventures amounted to ₱140.4 billion and ₱107.0 billion as of December 31, 2019 and 2018, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2019 and 2018 (see Note 10).

Assessing impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2019 and 2018 amounted to ₱56.3 billion and ₱56.4 billion, respectively (see Note 13). Goodwill impairment recognized in 2018 amounted to ₱45.9 million (see Note 29). No impairment of goodwill was recognized in 2019 and 2017.

Estimating useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of



December 31, 2019 and 2018, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱178.9 billion and ₱181.8 billion, respectively (see Note 12).

Estimating residual value of property, plant and equipment

The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2019 and 2018, the net book values of property, plant and equipment, excluding land, amounted to ₱222.5 billion and ₱218.7 billion, respectively (see Note 12).

Estimating useful lives of intangible asset - service concession rights

The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2019 and 2018, the net book value of intangible asset - service concession rights amounted to ₱6.5 billion and ₱3.8 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - customer contracts

The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2019 and 2018, the net book values of intangible assets - customer contracts amounted to ₱14.9 million and ₱27.4 million, respectively (see Note 13).

Estimating useful life of franchise

The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2019 and 2018, the carrying value of franchise amounted to ₱2.6 billion (see Note 13).

Assessing impairment of nonfinancial assets

The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible assets (excluding goodwill), and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible assets (excluding goodwill) and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the



consolidated balance sheets and consolidated statements of income. The aggregate net book values of these assets as of December 31 are as follows:

	2019	2018
Property, plant and equipment (see Notes 12 and 21)	₱225,558,765	₱221,689,945
Other current assets (see Note 7)	14,956,539	13,001,723
Intangible assets (see Note 13)	10,478,363	7,415,640
Other noncurrent assets (see Note 15)	8,319,366	9,175,124
	₱259,313,033	₱251,282,432

Impairment losses recognized on these nonfinancial assets in 2019, 2018 and 2017 amounted to nil, ₱847.6 million and ₱3.2 billion, respectively.

Measurement of ECL under PFRS 9, applicable in 2019 and 2018

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the balance sheet date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the balance sheet date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques under PFRS 9, applicable in 2019 and 2018

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the



next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*

Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables and contract assets under PFRS 9, applicable in 2019 and 2018

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the



historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9, applicable in 2019 and 2018

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for ECL amounted to ₱2.8 billion and ₱2.5 billion, respectively. Trade and other receivables, net of allowance for ECL, amounted to ₱35.2 billion and ₱35.1 billion as of December 31, 2019 and 2018, respectively (see Note 5).

Estimating allowance for inventory obsolescence

The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for



inventory obsolescence amounted to ₱103.1 million and ₱103.4 million, respectively. The carrying amount of inventories, net of valuation allowance, amounted to ₱20.8 billion and ₱22.0 billion as of December 31, 2019 and 2018, respectively (see Note 6).

Estimating the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The carrying amount of the lease liabilities amounted to ₱45.3 billion and ₱46.9 billion as of December 31, 2019 and 2018, respectively (see Note 21).

Estimating decommissioning liability

Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statements of income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱3.6 billion and ₱3.7 billion as of December 31, 2019 and 2018, respectively (see Note 20).



Recognition of deferred income tax assets

The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱3.1 billion and ₱2.3 billion as of December 31, 2019 and 2018, respectively (see Note 31).

The Group did not recognize its deferred income tax assets on NOLCO generated in 2019 and 2018 amounting to ₱9.7 billion and ₱6.2 billion, respectively, and on MCIT paid in 2019 and 2018 amounting to ₱80.9 million and ₱90.2 million, respectively (see Note 31).

Pension benefits

The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱315.8 million in 2019, ₱318.7 million in 2018 and ₱350.9 million in 2017. The net benefit asset as of December 31, 2019 and 2018 amounted to ₱190.2 million and ₱158.6 million, respectively (see Note 30). Net pension liabilities as of December 31, 2019 and 2018 amounted to ₱639.2 million and ₱486.2 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Fair value less estimated costs to sell of biological assets

The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2019 and 2018, the carrying value of the biological assets amounted to ₱1.1 billion and ₱1.2 billion, respectively (see Note 8).

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree



of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each balance sheet date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱18,151,459	₱14,866,870
Short-term deposits	28,273,204	44,166,159
	₱46,424,663	₱59,033,029

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.5 billion in 2019 and 2018 and ₱1.4 billion in 2017 (see Note 35).



5. Trade and Other Receivables

	2019	2018 (As restated; see Note 9)
Trade receivables (see Note 35)		
Power	₱14,931,949	₱14,717,574
Food manufacturing	7,492,861	9,087,857
Real estate	5,196,331	3,982,424
Holding and others	1,222,026	742,550
	28,843,167	28,530,405
Nontrade receivables	5,926,179	6,967,769
Accrued revenues	3,463,904	3,493,246
Dividends receivable (see Note 10)	1,199,068	665,783
Advances to contractors	63,339	148,300
Others	901,201	1,191,295
	40,396,858	40,996,798
Less allowance for expected credit losses	2,778,226	2,455,396
	37,618,632	38,541,402
Less noncurrent portion	2,423,038	3,441,898
	₱35,195,594	₱35,099,504

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

For terms and conditions relating to related party receivables, refer to Note 34.

Non-trade receivables include advances to partners in GMCP and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMCP and due to the partners. PSALM adjustment refers to the current and non-current portions of the amounts pertaining to Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) which, as granted by the ERC, are to be recovered from the customers and to be remitted to PSALM.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱4.9 billion and ₱282.8 million, respectively, as of December 31, 2019, and ₱3.7 billion and ₱258.8 million, respectively, as of December 31, 2018.

Trade receivables include contract assets amounting to ₱1.1 billion and ₱754.9 million as of December 31, 2019 and 2018, respectively.



Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage-of-completion, against amounts billed to customers. The movements of this account are shown below:

	2019	2018
At January 1	₱754,893	₱3,043,770
Unbilled revenues for the year	348,305	98,479
Provision for expected credit losses for the year	(3,681)	(147)
Billed revenues recognized in prior years	-	(2,387,210)
At December 31	₱1,099,517	₱754,892

The rollforward analysis of allowance for expected credit losses as of December 31, 2019 and 2018 is presented below:

December 31, 2019

	Trade Receivables			Total
	Power	Food Manufacturing	Real Estate	
At beginning of year	₱1,749,991	₱602,570	₱102,835	₱2,455,396
Provisions (see Note 27)	87,086	191,680	-	278,766
Write-off	(89,496)	(30,294)	-	(119,790)
Reversals/recovery/others	225,939	(62,085)	-	163,854
At end of year	₱1,973,520	₱701,871	₱102,835	₱2,778,226

December 31, 2018

	Trade Receivables			Total
	Power	Food Manufacturing	Real Estate	
At beginning of year	₱1,861,774	₱114,813	₱102,231	₱2,078,818
Acquisition of a subsidiary	-	620,454	-	620,454
Provisions (see Note 27)	235,818	71,446	2,556	309,820
Write-off	(347,601)	(3,953)	(216)	(351,770)
Reversals/recovery/others	-	(200,190)	(1,736)	(201,926)
At end of year	₱1,749,991	₱602,570	₱102,835	₱2,455,396

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income (expense) - net" account in the consolidated statements of income.



6. Inventories and Land and Improvements

Inventories

	2019	2018 (as restated; see Note 9)
At cost:		
Real estate inventories	₱4,891,197	₱4,417,009
Materials, parts and supplies	4,245,715	3,297,723
Fuel and lubricants	2,514,447	3,521,390
Raw materials	2,058,603	2,336,914
Finished goods (see Note 27)	1,468,608	1,752,729
At NRV:		
Wheat grains and other raw materials	4,600,943	5,544,440
Materials, parts and supplies	997,315	1,107,234
	₱20,776,828	₱21,977,439

A summary of the movement in real estate inventories is set out below:

	2019	2018 (as restated; see Note 9)
Real estate inventories:		
At January 1	₱4,417,009	₱2,445,692
Construction/development costs incurred	2,086,632	2,252,236
Land acquired during the year	413,803	—
Contract cost asset related to capitalized sales commissions	165,123	91,825
Land costs transferred from land and improvements	130,466	1,423,378
Cost of real estate inventories sold	(2,234,746)	(1,793,729)
Amortization of capitalized contract cost asset (recognized as cost of real estate inventories sold)	(70,395)	(77,656)
Reversal of capitalized commission related to forfeited units	(16,695)	(13,859)
Borrowing costs capitalized	—	127,482
Transfers to other noncurrent assets	—	(2,665)
Transfers to investments properties	—	(35,695)
At December 31	₱4,891,197	₱4,417,009

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱29.4 billion in 2019 and 2018 and ₱22.3 billion in 2017 (see Note 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱353.7 million in 2019, ₱286.7 million in 2018 and ₱412.1 million in 2017 (see Note 27).



Allowance for inventory obsolescence amounted to ₱103.1 million and ₱103.4 million as of December 31, 2019 and 2018, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱3.0 million in 2019, ₱1.0 million in 2018 and ₱11.9 million in 2017 (see Note 27).

Cost of inventories carried at NRV amounted to ₱5.6 billion and ₱6.8 billion as of December 31, 2019 and 2018, respectively.

Land and Improvements

	2019	2018
Cost		
At January 1	₱2,340,113	₱3,689,677
Additions	360,626	387,780
Transfers to real estate inventories	(130,466)	(1,423,378)
Transfers to investment properties	(2,911)	(264,569)
Disposal	—	(1,524)
Other transfers/adjustments	3,530	(47,873)
At December 31	₱2,570,892	₱2,340,113

7. Other Current Assets

	2019	2018 (as restated; see Note 9)
Restricted cash	₱4,449,716	₱5,289,145
Prepaid expenses	4,874,810	4,896,331
Input VAT	2,722,595	3,043,641
Insurance assets	2,298,702	534,947
Advances to NGCP	1,727,028	1,725,176
Deposits for land acquisition	1,107,693	43,440
Biological assets (see Note 8)	942,820	1,033,992
Advances to suppliers	671,783	662,760
Others	611,108	1,061,436
	₱19,406,255	₱18,290,868

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 18). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

Advances to 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.



8. Biological Assets

	2019	2018
Presented under Other Current Assets (see Note 7):		
Market hogs	₱498,722	₱660,851
Piglets	230,255	251,825
Growing stocks	196,250	119,258
Others	17,593	2,058
	942,820	1,033,992
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 15)	140,304	134,144
	₱1,083,124	₱1,168,136

As of December 31, 2019 and 2018, biological assets are measured at fair value under Level 3 input. Fair values are determined based on average market selling prices at balance sheet date. Market hogs, piglets, growing stocks, bearers (breeders), and others are measured at fair value less estimated costs to sell.

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount of consumable biological assets follows:

	2019	2018
At beginning of year	₱1,168,136	₱1,061,826
Additions	1,896,643	1,968,022
Sales at fair value	(1,529,743)	(2,501,841)
Transferred to breeding herd	(184,152)	(168,481)
Changes in fair value (see Notes 27 and 29)	(267,760)	752,560
Additions due to acquisition of a subsidiary (see Note 9)	–	56,050
At end of year	₱1,083,124	₱1,168,136

Consumable biological assets are included under “Other current assets” account while bearers are included under “Other noncurrent assets” account in the consolidated balance sheets (see Notes 7 and 15).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of AA Thermal, Inc. (ATI)

On May 2, 2019, AP completed its acquisition of a 49% voting stake and a 60% economic stake in ATI, AC Energy’s thermal platform in the Philippines. Total consideration was USD572.9 million or ₱29.8 billion.

AA Thermal has interests in GMCP, the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan, and in GNPD, the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin, Mariveles, Bataan, which is currently under construction.



The completion of the transaction increased AP's economic interests in GMCP and GNPD to 78.3%, and 75.0%, respectively.

b. Acquisition of Gold Coin Management Holdings Ltd. (GCMH)

On July 27, 2018, Pilmico International Pte. Ltd. (PIPL), a 100%-owned subsidiary of AEV, acquired 75% equity interest in GCMH at a final cash consideration of USD333.8 million or ₱17.8 billion.

GCMH is engaged in the business of animal feeds manufacturing, which it carries out through various subsidiaries operating 21 feed mills situated in seven countries in the Asia Pacific.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The following are the final fair values of the identifiable assets and liabilities on acquisition date (in thousands):

Assets:

Cash and cash equivalents	₱1,913,264
Trade and other receivables	8,903,080
Inventories	5,613,473
Other current assets	588,819
Property, plant, and equipment	5,020,582
Other noncurrent assets	674,576
	<u>22,713,794</u>

Liabilities:

Trade and other payables	7,927,914
Bank loans	2,352,961
Other current liabilities	72,398
Long-term debt	2,366,786
Other noncurrent liabilities	316,387
	<u>13,036,446</u>

Total identifiable net assets at fair value	<u>₱9,677,348</u>
--	--------------------------

Total consideration	₱21,766,326
Fair value of noncontrolling interest	3,533,265
	<u>25,299,591</u>
Goodwill	<u>₱15,622,243</u>

Cash flow on acquisition:

Net cash acquired with the subsidiary	₱1,913,264
Cash paid	(18,096,617)
Net cash outflow	<u>(₱16,183,353)</u>



The accounting for this business combination was determined provisionally as PIPL was still finalizing the fair valuation of the assets and liabilities acquired on the date the 2018 financial statements were approved for issue by the BOD.

In July 2019, the valuation was completed and several adjustments were made on the provisional values. Accordingly, the 2018 comparative information was restated to reflect the adjustments to the provisional amounts. In the Group's consolidated financial statements as of December 31, 2018, there was an increase in the trade and other receivables of ₱1.3 billion, a decrease in inventory of ₱126.0 million, a decrease in other current assets of ₱37.4 million, an increase in property, plant and equipment of ₱259.1 million, a decrease in other noncurrent assets of ₱1.9 billion, a decrease in trade and other payable of ₱1.2 billion, a decrease in deferred tax liabilities of ₱452.9 million, a decrease in cumulative translation adjustment of ₱14.6 million and an increase in the non-controlling interest of ₱1.2 billion. In addition, total consideration increased by ₱3.6 billion, and the goodwill arising from the acquisition amounted to ₱15.6 billion, an increase of ₱99.2 million from the provisional amount.

The goodwill arising from this acquisition is attributed to business synergies that will materialize with one of the Group's subsidiaries engaged in similar business.

In 2018, GCMH contributed ₱18.1 billion to the consolidated revenue and ₱513.2 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2018, the Group's revenue would have been ₱211.2 billion and consolidated net income would have been ₱22.8 billion.

Acquisition of additional interest in GCMH

On May 28, 2019, PIPL acquired the remaining 25% equity interest in GCMH for a total cash consideration of USD144.8 million or ₱7.6 billion. The carrying value of non-controlling interest acquired is ₱2.3 billion and as a result, PIPL recognized the ₱5.3 billion difference between the consideration and carrying value of the additional interest acquired as "Acquisition of non-controlling interests", an equity reserve account.

c. Dilution of Interest in A2 Airports, Inc. (A2) and Acquisition of Triplecrown Properties, Inc. (TCP) and 78 PointBlue, Inc. (PB)

Prior to 2019, A2 is a wholly-owned subsidiary of AboitizLand. In September 2019, E360, Inc. (E360) and AboitizLand contributed capital in A2, which resulted in the ownership interest of E360 and ALand to be at 50% each. The capital contribution of E360 resulted in AboitizLand's recognition of non-controlling interest.

On September 18, 2019, A2 acquired 100% equity interest in TCP and PB at a cash consideration of ₱340.0 million and ₱63.8 million, respectively. TCP and PB are engaged in the business of leasing microstudios located in the business districts of Makati and Taguig.



The following are the fair values of the identifiable assets and liabilities assumed on acquisition date (in thousands):

Assets:	
Cash and cash equivalents	₱35,582
Trade and other receivables	3,003
Other current assets	3,321
Investment properties	552,257
Property and equipment	32,690
Other noncurrent assets	13,066
	<hr/> 639,919
Liabilities:	
Trade and other payables	32,219
Long-term debt	207,941
Deferred income tax liabilities	9,098
	<hr/> 249,258
Total identifiable net assets at fair value	<hr/> ₱390,661 <hr/>
Total consideration	403,751
Goodwill	<hr/> ₱13,090 <hr/>
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱35,582
Cash paid	(403,751)
Net cash outflow	<hr/> (₱368,169) <hr/>

For the year ended December 31, 2019, TCP and PB have contributed ₱37.2 million and ₱11.0 million in revenues and net losses to the consolidated revenue and net income of the Group.

d. Acquisition PAN JSC

On July 29, 2017, PILMICO International acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

In 2018, the purchase price allocation in the acquisition of PAN JSC was finalized. No changes were made on the provisional accounting done in 2017.

e. Step-acquisition of Sacasun

In 2014, ARI and SunEdison Inc. (SEI), entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SEI, the ultimate parent company of SunE Solar B.V. (SunE BV) and Sunedison Philippines Helios B.V. (Helios BV), and ARI



invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 27, 2017, API completed its acquisition of 100% equity interest in Helios BV from SunE BV. The transaction resulted in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. MHSCI owns 25% of Sacasun. This increased the Company's indirect ownership interest in MHSCI and Sacasun to 100%.

The transaction was accounted for as a business combination achieved in stages. The purchase price allocation in the step-acquisition of Sacasun was finalized in 2018. The fair value of the previously-held interest as at the date of acquisition is ₱330.9 million. The resulting bargain purchase gain of ₱328.7 million and the loss on remeasurement of previously held interest of ₱18.5 million are included in other income as "Bargain purchase gain" in the 2017 consolidated statement of income (see Note 29). The bargain purchase gain is mainly due to the purchase price reflecting the ongoing difficulty of SEI as confirmed by its bankruptcy declaration which affected its ability to fulfill loan obligations.

f. Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UnionBank), respectively. UnionBank is a banking associate of AEV. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

After securing the Bangko Sentral ng Pilipinas approval on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion, which was settled in cash. The sale was approved by the Philippine Competition Commission on May 8, 2018.

Accordingly, PETNET was deconsolidated from the December 31, 2018 consolidated financial statements of the Group, and a gain on sale of PETNET amounting to ₱166.9 million was reported under "Other income (expense) - net" in the 2018 consolidated statement of income (see Note 29).

10. Investments and Advances

	2019	2018
Acquisition cost:		
Balance at beginning of year	₱71,388,350	₱63,458,834
Additions during the year	28,281,257	7,875,182
Acquisition of a subsidiary (see Note 9)	—	54,334
Balance at end of year	99,669,607	71,388,350

(Forward)



	2019	2018
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	₱35,214,517	₱32,631,335
Cumulative share in adoption of new standards by associates	(18,692)	—
Balances at beginning of year, as restated	35,195,825	32,631,335
Share in net earnings for the year	11,502,090	7,727,663
Cash dividends received and receivable	(5,469,585)	(5,144,481)
Balance at end of year, as restated	41,228,330	35,214,517
Gain on dilution (see Note 2)	1,014,136	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates:		
At beginning of year	138,109	123,816
Additions during the year	(2,381)	14,293
Balance at end of year	135,728	138,109
Share in cumulative translation adjustments of associates and joint ventures	(185,871)	319,631
Share in actuarial losses on retirement benefit plan of associates and joint ventures	(852,012)	(457,017)
	141,009,917	107,617,726
Less allowance for impairment losses (see Note 3)	680,731	680,731
	140,329,186	106,936,995
Advances to associates	22,562	22,562
	₱140,351,748	₱106,959,557

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

	Nature of Business	Percentage of ownership	
		2019	2018
MORE ¹ (see Note 3)	Holding	83.33	83.33
AEV CRH (see Note 3)	Holding	60.00	60.00
ATI ³ (see Note 3)	Holding	60.00	—
Cebu District Property Enterprise, Inc. (CDPEI) ¹ **	Real estate	50.00	50.00
Cebu Homegrown Developers, Inc. (CHDI) ^{1**}	Real estate	50.00	—
AA Infrastructure Projects Corp. ⁴	Holding	—	50.00
Accuria, Inc. ⁴	Holding	—	49.54
Union Bank of the Philippines (UBP)	Banking	49.34	49.36
Hijos de F. Escaño, Inc.	Holding	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	45.00	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	44.87	44.87
Gold Coin Feed Mills (B) Sdn. Bhd. (see Note 9) ***	Feedmills	20.00	20.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	42.84	42.84
GNPD ^{2**}	Power generation	72.50	45.00
La Filipina ElektriKA, Inc. **	Power generation	40.00	40.00
STEAG	Power generation	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	25.00	25.00
SPPC	Power generation	20.00	20.00
WMPC	Power distribution	20.00	20.00
Balibago Water Systems, Inc. (BWSI) ⁵	Water infrastructure	15.94	11.14
Singapore Life (Philippines), Inc. (SLPI) ⁵ **	Insurance	15.00	—

¹Joint ventures.

²GNPD change in ownership based on the Partnership Agreement and acquisition of ATI in 2019 (see Notes 3 and 9)

³Economic interest.

⁴Liquidated.

⁵Significant influence by virtue of the board seat held by the Group

**No commercial operations as of December 31, 2019.

***Registered in Malaysia and is part of GCMH Group that was acquired by PIPL in 2018.

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



All ownership percentages presented in the table above are direct ownership of the Group except for GNPD and SFELAPCO. As of December 31, 2019, ATI has an indirect ownership in GNPD of 50% while the Group's direct ownership in GNPD is 42.50% resulting to the Group's effective ownership in GNPD of 72.50%. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

As of December 31, 2019 and 2018, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 23).

2019

GNPD

In 2019, the Group, through TPI and ATI, made capital contributions to GNPD amounting to US\$81.5 million (₱4.2 billion).

CHDI

In December 2019, CHDI was incorporated as a joint venture vehicle with certain companies and individuals. Aboitizland made an initial capital contribution to CHDI amounting to ₱230.0 million.

SLPI

In December 2019, the Company purchased 1.95 million shares of SLPI from Singapore Life Pte. Ltd. and Di-Firm Capital Pte. Ltd. for a total consideration of ₱195.0 million. As a result, AEV owns 15% of the outstanding shares of SLPI.

2018

UBP

In 2018, the Company purchased, through stock rights offer, 80.8 million shares at ₱62.97 per share in UBP for a total consideration of ₱5.1 billion. Additional shares were acquired at various dates in 2018 for 3.2 million shares for a total consideration of ₱289.9 million. As a result, its ownership in UBP increased from 48.83% in 2017 to 49.36% in 2018.

In 2018, UBP has changed the accounting for certain upfront fees on loans and discounts from outright income recognition as services charges, fees and commissions to amortizing the fees to interest income over the expected life of the loans using the effective interest rate method. The changes have been accounted for retroactively and resulted to a decrease in the investments and advances and retained earnings accounts in the consolidated financial statements amounting to ₱312.8 million as of December 31, 2017/January 1, 2018 and December 31, 2016/January 1, 2017.

GNPD

In 2018, the Group, through TPI, made capital contributions to GNPD amounting to US\$47.0 million (₱2.5 billion).



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

	2019	2018
UBP	₱51,837,773	₱46,025,202
AEV CRH	23,853,892	24,450,287
GNPD/ATI	41,257,477	14,789,971
MORE	10,180,552	10,235,695
STEAG	4,032,405	4,185,758
CEDC	3,447,491	3,192,609
CDPEI	1,443,212	1,464,124
CRH ABOITIZ	1,411,852	492,464
SFELAPCO/PEVI	881,812	857,367
BWSI	567,451	295,889
RP Energy	525,769	528,383
CHDI	230,000	—
WMPC	142,577	106,524
SPPC	61,497	81,856
Others	455,426	230,866
	₱140,329,186	₱106,936,995

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱34.7 billion and ₱38.4 billion as of December 31, 2019 and 2018, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2019	2018	2017
UBP			
Total current assets	₱164,085,694	₱90,653,142	₱132,590,855
Total noncurrent assets	611,326,747	583,129,543	482,460,244
Total current liabilities	(623,292,442)	(538,299,718)	(515,959,783)
Total noncurrent liabilities	(49,373,397)	(44,522,066)	(32,165,000)
Equity attributable to equity holders of			
UBP Parent Company	₱102,224,491	₱90,417,723	₱66,871,569
Gross revenue	₱38,355,155	₱31,629,220	₱24,586,366
Operating profit	15,082,156	8,497,725	10,679,786
Net income attributable			
to equity holders of the parent	14,492,636	7,316,102	8,405,016
Other comprehensive income attributable			
to equity holders of the parent	14,089,679	7,581,026	9,904,656
Group's share in net income	₱7,150,667	₱3,599,941	₱4,103,964
AEV CRH			
Total current assets	₱7,641,829	₱7,184,970	₱8,777,452
Total noncurrent assets	88,563,173	83,802,263	79,788,878
Total current liabilities	(10,153,092)	(29,392,890)	(25,575,956)
Total noncurrent liabilities	(46,636,497)	(21,384,054)	(21,844,669)
Equity attributable to equity holders of			
AEV CRH Parent Company	₱39,457,293	₱40,233,724	₱41,145,705

(Forward)



	2019	2018	2017
Gross revenue	₱23,937,863	₱25,810,769	₱24,853,225
Operating profit	1,760,626	2,775,116	4,041,005
Net income (loss) attributable to equity holders of the parent	(756,190)	(690,801)	360,992
Group's share in net income (loss)	(₱453,714)	(₱414,481)	₱216,595
GNPD			
Total current assets	₱1,612,549	₱1,705,863	₱2,486,668
Total noncurrent assets	67,043,356	40,707,048	16,762,108
Total current liabilities	(5,623,202)	(3,342,924)	(539,651)
Total noncurrent liabilities	(48,514,482)	(29,473,440)	(14,242,279)
Equity	₱14,518,221	₱9,596,547	₱4,466,846
Operating loss	(₱1,161,098)	(₱352,858)	(₱251,703)
Net loss	(1,160,004)	(68,174)	(376,336)
Group's share in net loss	(841,003)	(₱15,435)	(₱188,167)
Additional information:			
Cash and cash equivalents	₱1,093,991	₱911,642	₱1,869,486
Noncurrent financial liabilities	48,514,482	29,473,440	14,019,562
MORE			
Total current assets	₱681,925	₱141,293	₱126,125
Total noncurrent assets	12,222,826	12,196,002	11,889,592
Total current liabilities	(610,443)	(54,462)	(56,336)
Total noncurrent liabilities	(75,721)	—	—
Equity	₱12,218,587	₱12,282,833	₱11,959,381
Gross revenue	₱198,636	₱180,236	₱170,236
Operating profit	3,750,522	4,133,911	4,893,753
Net income	3,732,874	4,125,996	4,891,630
Other comprehensive income (loss)	(152,630)	96,116	55,115
Group's share in net income	₱3,110,603	₱3,439,589	₱4,160,480
Additional information:			
Cash and cash equivalents	₱34,480	₱31,873	₱16,134
STEAG			
Total current assets	₱3,107,046	₱3,459,931	₱2,688,544
Total noncurrent assets	9,967,406	10,477,098	10,348,729
Total current liabilities	(1,379,138)	(1,672,896)	(1,394,855)
Total noncurrent liabilities	(2,840,129)	(3,262,770)	(3,453,496)
Equity	₱8,855,185	₱9,001,363	₱8,188,922
Gross revenue	₱4,812,414	₱4,468,016	₱4,502,920
Operating profit	1,250,028	1,115,567	1,020,846
Net income	1,150,501	687,186	516,893
Other comprehensive income (loss)	(29,106)	(37,173)	4,750
Group's share in net income	₱249,432	₱87,508	₱25,744

(Forward)



	2019	2018	2017
CEDC			
Total current assets	₱5,199,140	₱4,986,619	₱5,419,700
Total noncurrent assets	12,842,201	13,371,586	14,308,208
Total current liabilities	(2,496,096)	(2,158,754)	(2,444,036)
Total noncurrent liabilities	(7,672,244)	(8,943,522)	(10,422,073)
Equity	₱7,873,001	₱7,255,929	₱6,861,799
Gross revenue	₱8,578,452	₱9,728,163	₱8,751,540
Operating profit	3,017,831	3,300,164	3,183,144
Net income	2,317,071	1,880,853	1,686,941
Other comprehensive income	29,483	13,277	2,451
Group's share in net income	₱611,707	₱827,576	₱742,254
SFELAPCO*			
Total current assets	₱1,135,431	₱1,104,307	₱1,576,530
Total noncurrent assets	2,691,104	2,567,663	2,215,130
Total current liabilities	(868,787)	(763,966)	(770,041)
Total noncurrent liabilities	(784,368)	(699,175)	(751,789)
Equity	₱2,173,380	₱2,208,829	₱2,269,830
Gross revenue	₱4,448,624	₱4,088,124	₱4,211,674
Operating profit	479,553	408,160	366,492
Net income	342,199	302,677	671,268
Other comprehensive income (loss)	(51,500)	(63,679)	334,246
Group's share in net income	₱149,815	₱168,307	₱323,674
CRH ABOITIZ			
Total current assets	₱2,282,852	₱1,641,152	₱411,074
Total noncurrent assets	2,018,183	947,134	900,780
Total current liabilities	(1,207,635)	(1,820,630)	(889,385)
Total noncurrent liabilities	(311,037)	(28,379)	(85,308)
Equity attributable to equity holders of CRH ABOITIZ Parent Company	₱2,782,363	₱739,277	₱337,161
Gross revenue	₱22,381,756	₱11,606,618	₱-
Operating profit (loss)	2,006,089	882,680	(1,443,313)
Net income attributable to equity holders of the parent	2,123,380	402,116	89,242
Group's share in net income	₱955,521	₱180,952	₱40,159
BWSI			
Total current assets	₱873,394	₱809,074	₱1,012,347
Total noncurrent assets	1,985,934	1,843,428	1,374,552
Total current liabilities	(376,229)	(496,344)	(140,734)
Total noncurrent liabilities	(655,607)	(629,689)	(639,673)
Equity	₱1,827,492	₱1,526,470	₱1,606,492
Gross revenue	₱1,542,971	₱1,335,975	₱1,191,595
Gross profit	879,122	752,553	705,341
Net income	287,131	259,858	465,737
Group's share in net income	₱44,129	₱15,130	₱17,763

(Forward)



	2019	2018	2017
WMPC			
Total current assets	₱643,983	₱717,162	₱695,571
Total noncurrent assets	348,174	454,108	418,807
Total current liabilities	(193,157)	(551,781)	(457,032)
Total noncurrent liabilities	(83,804)	(74,341)	(82,718)
Equity	₱715,196	₱545,148	₱574,628
Gross revenue	₱1,157,772	₱1,393,417	₱1,439,482
Operating profit	280,417	13,006	98,838
Net income	196,693	20,521	71,933
Other comprehensive loss	—	—	—
Group's share in net income	₱31,353	₱4,104	₱14,387
SPPC			
Total current assets	₱148,228	₱182,303	₱344,105
Total noncurrent assets	265,422	311,472	364,649
Total current liabilities	(39,137)	(36,361)	(221,096)
Total noncurrent liabilities	(76,324)	(58,491)	(68,326)
Equity	₱298,189	₱398,923	₱419,332
Gross revenue	₱—	₱160,831	₱523,854
Operating profit	(88,013)	(19,307)	133,508
Net income (loss)	(77,296)	(23,407)	272,756
Other comprehensive income	—	—	—
Group's share in net income (loss)	(₱15,459)	(₱4,681)	₱19,101
ATI			
Total current assets	₱75,243	₱—	₱—
Total noncurrent assets	14,827,626	—	—
Total current liabilities	(7,762)	—	—
Total noncurrent liabilities	—	—	—
Equity	₱14,895,107	₱—	₱—
Gross revenue	₱—	₱—	₱—
Operating loss	(1,264,626)	—	—
Net loss	(1,263,317)	—	—
Other comprehensive loss	—	—	—
Group's share in net loss	₱—	₱—	₱—
Additional information:			
Cash and cash equivalents	₱75,215	₱—	₱—
Others**			
Total current assets	₱777,850	₱757,343	₱1,371,605
Total noncurrent assets	10,180,503	7,402,800	7,235,633
Total current liabilities	(910,703)	(157,380)	(467,440)
Total noncurrent liabilities	(3,591,416)	(1,952,041)	(697,480)
Gross revenue	₱154,018	₱163,497	₱137,560
Net income (loss)	(57,732)	(751,707)	(9,136)

* Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱374.8 million, ₱952.8 million and ₱745.1 million in 2019, 2018, and 2017, respectively, for SFELAPCO.

**The financial information of insignificant associates and joint ventures is indicated under "Others".



11. Material partly - owned subsidiary

As of December 31, 2019, the Company has 76.98% interest in AP, a holding company incorporated in the Philippines.

The summarized consolidated financial information of AP as of December 31, 2019, 2018 and 2017 is provided below:

	2019	2018	2017
<i>Summarized comprehensive income information</i>			
Revenue	₱125,635,157	₱131,572,084	₱119,391,303
Cost of sales	71,361,850	71,680,298	63,949,850
Operating expenses	25,417,433	23,395,104	21,267,724
Finance costs - net	12,755,943	11,202,073	10,320,768
Other income - net	7,297,349	3,064,514	2,993,864
Profit before tax	23,397,280	28,359,123	26,846,825
Income tax	3,215,498	2,925,623	3,858,398
Profit for the year from continuing operations	₱20,181,782	₱25,433,500	₱22,988,427
Total comprehensive income	₱17,566,603	₱26,494,498	₱23,366,919
<i>Summarized other financial information</i>			
Attributable to non-controlling interests	₱2,619,313	₱3,892,404	₱2,749,732
Dividends paid to non-controlling interests	2,490,288	2,364,492	2,313,460
<i>Summarized balance sheet information</i>			
Total current assets	₱76,896,785	₱88,708,607	
Total noncurrent assets	333,572,572	300,953,569	
Total current liabilities	51,390,469	46,815,020	
Total noncurrent liabilities	225,435,877	206,270,489	
Equity	₱133,643,011	₱136,576,667	
<i>Summarized cash flow information</i>			
Operating cash flows	₱39,356,962	₱37,287,900	
Investing cash flows	(34,060,584)	(7,243,119)	
Financing cash flows	(14,376,055)	(19,155,753)	

12. Property, Plant and Equipment

	2019	2018
Property, plant and equipment	₱187,974,887	₱221,689,945
Right-of-use asset (see Note 21)	37,583,878	—
	₱225,558,765	₱221,689,945



	December 31, 2019										
	Building, Warehouses and Improvements	Power Plant Equipment and Steam Field Assets (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land and Land Improvements	Construction in Progress	Tools and others	Total
Cost											
At January 1, as previously stated	₱28,738,498	₱168,443,359	₱19,458,140	₱9,354,817	₱2,702,556	₱9,831,153	₱3,033,342	₱3,489,652	₱39,193,075	₱2,440,081	₱286,684,673
Effect of adoption of PFRS 16 (see Note 2)	—	(34,669,713)	—	—	—	—	—	—	—	—	(34,669,713)
At January 1, 2019, as restated	28,738,498	133,773,646	19,458,140	9,354,817	2,702,556	9,831,153	3,033,342	3,489,652	39,193,075	2,440,081	252,014,960
Acquisition of subsidiaries (see Note 9)	274	—	—	17,525	2,110	29,132	—	—	—	—	49,041
Additions	273,584	1,032,129	—	181,900	314,534	243,057	9,528	209,599	9,435,565	42,696	11,742,592
Disposals	(8,045)	(413,521)	(29,432)	(22,586)	(194,668)	(47,422)	(170)	—	(4,763)	(1,510)	(722,117)
Reclassifications/transfers	16,253,758	7,556,007	1,867,104	99,244	(28,202)	2,603,084	13,178	55,313	(40,529,024)	(137,173)	(12,246,711)
At December 31	45,258,069	141,948,261	21,295,812	9,630,900	2,796,330	12,659,004	3,055,878	3,754,564	8,094,853	2,344,094	250,837,765
Accumulated depreciation and amortization											
At January 1	7,046,812	37,378,911	5,227,736	4,573,573	1,508,023	4,293,735	677,765	127,847	—	1,025,886	61,860,288
Acquisition of a subsidiary (see Note 9)	249	—	—	2,469	1,653	5,216	—	—	—	—	9,587
Depreciation and amortization	1,152,650	5,970,481	598,759	622,172	298,587	650,865	147,394	19,544	—	124,985	9,585,437
Disposals	(6,475)	(70,556)	(29,432)	(22,353)	(157,806)	(46,794)	(141)	—	—	(2,072)	(335,629)
Reclassifications/transfers	(311,387)	(11,181,920)	(58,465)	(98,304)	(6,631)	425,031	(45,250)	(289)	—	(114,030)	(11,391,245)
At December 31	7,881,849	32,096,916	5,738,598	5,077,557	1,643,826	5,328,053	779,768	147,102	—	1,034,769	59,728,438
Impairment (see Note 29)	—	486,280	—	—	2,088	792	251	—	2,645,029	—	3,134,440
Net Book Value	₱37,376,220	₱109,365,065	₱15,557,214	₱4,553,343	₱1,150,416	₱7,330,159	₱2,275,859	₱3,607,462	₱5,449,824	₱1,309,325	₱187,974,887

	December 31, 2018 (as restated; see Note 9)										
	Building, Warehouses and Improvements	Power Plant Equipment and Steam Field Assets (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land and Land Improvements	Construction in Progress	Tools and others	Total
Cost											
At January 1	₱26,193,431	₱141,329,134	₱17,438,847	₱6,723,759	₱2,293,513	₱6,893,434	₱3,614,646	₱2,262,109	₱57,029,925	₱2,629,876	₱266,408,674
Acquisition of subsidiaries (see Note 9)	2,475,003	—	—	4,404,924	246,160	257,914	—	1,068,451	155,930	—	8,608,382
Additions	139,649	1,496,624	1,121,508	119,083	297,780	576,289	36,193	71,165	8,925,356	97,941	12,881,588
Disposals	(181,486)	(461,778)	(18,163)	(17,914)	(113,343)	(95,663)	(1,802)	(4,316)	—	(40)	(894,505)
Reclassifications/transfers	111,901	26,079,379	915,948	(1,875,035)	(21,554)	2,199,179	(615,695)	92,243	(26,918,136)	(287,696)	(319,466)
At December 31	28,738,498	168,443,359	19,458,140	9,354,817	2,702,556	9,831,153	3,033,342	3,489,652	39,193,075	2,440,081	286,684,673
Accumulated depreciation and amortization											
At January 1	5,304,436	31,991,703	4,671,132	2,927,918	1,149,352	3,090,014	729,448	132,107	(722,768)	1,254,632	50,527,974
Acquisition of subsidiaries (see Note 9)	1,008,387	—	—	2,192,329	181,804	199,671	—	5,609	—	—	3,587,800
Depreciation and amortization	1,085,407	5,958,157	585,036	426,263	288,111	639,303	135,520	16,363	—	108,434	9,242,594
Disposals	(154,943)	(225,945)	(24,020)	(17,914)	(86,190)	(55,551)	(1,492)	—	—	(562)	(566,617)
Reclassifications/transfers	(196,475)	(345,004)	(4,412)	(955,023)	(25,055)	420,298	(185,711)	(26,232)	722,768	(336,617)	(931,463)
At December 31	7,046,812	37,378,911	5,227,736	4,573,573	1,508,023	4,293,735	677,765	127,847	—	1,025,886	61,860,288
Impairment (see Note 29)	—	486,280	—	—	2,088	792	251	—	2,645,029	—	3,134,440
Net Book Value	₱21,691,686	₱130,578,168	₱14,230,404	₱4,781,244	₱1,192,445	₱5,536,626	₱2,355,326	₱3,361,805	₱36,548,046	₱1,414,195	₱221,689,945



In 2019 and 2018, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱3.6 billion and ₱5.4 billion respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 9.83% in 2019 and 13.00% - 16.14% in 2018 was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.
- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.
- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2019 and 2018.

In 2019 and 2018, movements to power plant equipment and steam field assets include adjustments in the decommissioning liability due to change in accounting estimates amounting to ₱321.9 million (decrease) and ₱560.0 million (increase), respectively (see Note 20).

In 2019 and 2018, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits, amounting to ₱890.0 million and ₱2.5 billion, respectively (see Note 18). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 5.7% to 9.4% and 4.9% to 9.4% which are the effective interest rate of the specific borrowings in 2019 and 2018, respectively.

Property, plant and equipment with carrying amounts of ₱124.0 billion and ₱126.9 billion as of December 31, 2019 and 2018, respectively, are used to secure the Group's long-term debts (see Note 18).

Fully depreciated property, plant and equipment with cost amounting to ₱5.9 billion and ₱5.0 billion as of December 31, 2019 and 2018, respectively, are still in use.



A significant portion of the Group's property, plant and equipment relates to various projects under "Construction-in-progress" as of December 31, 2019 and 2018, as shown below:

Project Company	Estimated Cost to Complete (in millions Php)		% of Completion	
	2019	2018	2019	2018
TVI	₱114	₱7,246	99.7%	81.0%

As of December 31, 2018, the Group classifies its transmission assets as property held for sale as an ongoing negotiation for the sale of these assets with NGCP which is expected to be consummated in 2019. The property held for sale was recorded at its recoverable amount of ₱675.8 million. In 2019, the Deed of Sale was signed and executed.

13. Intangible Assets

December 31, 2019

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱56,361,133	₱6,480,374	₱3,078,431	₱583,095	₱99,746	₱678,887	₱67,281,666
Additions during the year	–	3,187,814	–	419,637	–	191,312	3,798,763
Acquisition of subsidiaries	13,089	–	–	–	–	–	13,089
Impairment (see Note 29)	–	–	–	(40,371)	–	–	(40,371)
Exchange differences	(51,490)	(82,316)	–	(50,761)	–	(2,370)	(186,937)
Balances at end of year	56,322,732	9,585,872	3,078,431	911,600	99,746	867,829	70,866,210
Accumulated amortization:							
Balances at beginning of year	–	2,688,997	429,699	–	72,317	313,880	3,504,893
Amortization	–	361,599	76,960	–	12,550	109,113	560,222
Balances at end of year	–	3,050,596	506,659	–	84,867	422,993	4,065,115
Net book values	₱56,322,732	₱6,535,276	₱2,571,772	₱911,600	₱14,879	₱444,836	₱66,801,095

December 31, 2018

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱41,308,689	₱5,389,820	₱3,078,431	₱395,419	₱99,746	₱382,024	₱50,654,129
Additions during the year	–	961,827	–	593,279	–	86,949	1,642,055
Acquisition of a subsidiary	15,622,243	–	–	–	–	208,867	15,831,110
Disposal of a subsidiary	(523,866)	–	–	–	–	–	(523,866)
Impairment (see Note 29)	(45,933)	–	–	(405,603)	–	–	(451,536)
Exchange differences	–	128,727	–	–	–	1,047	129,774
Balances at end of year	56,361,133	6,480,374	3,078,431	583,095	99,746	678,887	67,281,666
Accumulated amortization:							
Balances at beginning of year	–	2,327,513	352,738	–	56,908	219,952	2,957,111
Amortization	–	361,484	76,961	–	15,409	93,928	547,782
Balances at end of year	–	2,688,997	429,699	–	72,317	313,880	3,504,893
Net book values	₱56,361,133	₱3,791,377	₱2,648,732	₱583,095	₱27,429	₱365,007	₱63,776,773



Goodwill

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit (CGU).

The carrying amount of goodwill follows:

	2019	2018 (as restated; see Note 9)
GMCP	₱39,996,797	₱39,345,126
GCMH (see Note 9)	14,898,432	15,622,243
LEZ	467,586	467,586
PILMICO FEEDS	416,225	394,217
HI	220,228	220,228
BEZ	191,471	191,471
LLI	61,202	61,202
PAN JSC	57,702	59,060
TCP and PB	13,089	—
	₱56,322,732	₱56,361,133

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2019 and 2018

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates

The discount rate applied to cash flow projections are from 9.87% to 16.82% in 2019 and from 10.63% to 18.14% in 2018, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions

Revenue assumptions are based on the expected electricity to be sold. In 2019, revenue growth of 10% in year 1, 0% in year 2 and 4% in the next three years was applied for LEZ; 4% in year 1, -6% in year 2, 1% in year 3, -3% in year 4 and -2% in year 5 for BEZ; 0% in year 1, 2% in year 2, 7% in year 3, 3% in year 4 and 10% in year 5 for GMCP; and -6% in year 1, 16% in year 2, 15% in year 3, 12% in year 4, and 5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (47% in year 1, -17% in year 2, -3% in year 3, 1% in year 4, and 12% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (23% in year 1, 11% in year 2, 6% in year 3, and 3% in years 4 and 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (10% in the first 4 years, and 8% in the last year). GCMH revenue assumptions are based on forecast animal feeds sales (19% in year 1, 9% in the next two years, 7% in year 4 and 5% in year 5).



In 2018, revenue growth of 6% in year 1, 4% for the next two years, 3% in year 4 and 5% in year 5 was applied for LEZ; 9% in year 1, 5% in year 2 and 2% in the next three years for BEZ; 4% in year 1, 0% in year 2, 2% in year 3, 7% in year 4 and 3% in year 5 for GMCP; and 45% in year 1, -1% in year 2, 0% in year 3, 11% in year 4, and -4% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-49% in year 1, -19% in year 2, 11% in year 3, 5% in year 4, and -6% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (26% in year 1, 6% in years 2 and 4, 11% in year 3, and 2% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (347% in year 1, and 4% in the next four years). GCMH revenue assumptions are based on forecast animal feeds sales (9% in year 1, and 7% in the next four years).

Materials price inflation

In 2019, the assumption used to determine the value assigned to the materials price inflation is 3.30% in 2020, decreases to 3.20% in 2021 and settles at 3.00% for the next 3 years until 2024. The starting point of 2020 is consistent with external information sources.

In 2018, the assumption used to determine the value assigned to the materials price inflation is 3.47% in 2019 and decreases to 3.37% in 2020 and 3.10% in 2021. It then settles at 3.00% for the next 2 years until 2023.

Foreign exchange rates

In 2019, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱54.70 to a dollar in 2020 and depreciates annually at an average of 2.67% until 2024. In 2018, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱55.00 to a dollar from 2019 until 2023.

Based on the impairment testing, no impairment of goodwill was recognized in 2019 and 2017. In 2018, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Service Concession Rights

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.



Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period in accordance with Philippine Interpretation IFRIC 12. The intangible asset with a carrying value of ₱1.6 billion and ₱2.0 billion as of December 31, 2019 and 2018 was used as collateral to secure LHC's long-term debt (see Note 18).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱700.3 million and ₱720.3 million as of December 31, 2019 and 2018, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱85.4 million and ₱97.2 million as of December 31, 2019 and 2018, respectively.

- Service concession rights consist of the costs of construction of the treated bulk water supply facility that is still in construction phase, required for the delivery of treated bulk water to the DCWD, pursuant to the concession agreement.



The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱4.1 billion and ₱1.0 million as of December 31, 2019 and 2018, respectively.

The amortization of intangible assets is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 27).

14. Investment Properties

December 31, 2019

	Land	Buildings	Land Improvements	Construction-in-Progress	Total
At January 1	₱5,158,082	₱2,816,225	₱250,360	₱–	₱8,224,667
Acquisition of subsidiaries	156,407	178,711	–	210,556	545,674
Additions	400,597	9,923	2,896	419,626	833,042
Gain on fair valuation	1,916,027	(86,295)	–	–	1,829,732
Transfers/ adjustments	156,341	(231,901)	–	(65,675)	(141,235)
At December 31	₱7,787,454	₱2,686,663	₱253,256	₱564,507	₱11,291,880

December 31, 2018

	Land	Buildings	Land Improvements	Construction-In-Progress	Total
At January 1	₱4,895,188	₱895,258	₱245,690	₱808,497	₱6,844,633
Additions	5,301	559,123	6,034	–	570,458
Gain on fair valuation	–	511,820	–	–	511,820
Transfers/ adjustments	257,593	850,024	(1,364)	(808,497)	297,756
At December 31	₱5,158,082	₱2,816,225	₱250,360	₱–	₱8,224,667

Rental income earned from and direct operating expenses of investment properties amounted to ₱539.8 million and ₱71.8 million, respectively, in 2019; ₱475.4 million and ₱68.9 million, respectively, in 2018; and ₱445.6 million and ₱64.0 million, respectively, in 2017 (see Note 25).

As of December 31, 2019 and 2018, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group’s investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.



- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and buildings, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Range (weighted average)
		Sales Comparison	Price per	
Land	₱7,787,454	Approach	square meter	₱7,600 - ₱33,400
Buildings and land Improvements	2,939,919	Cost Approach	Estimated cost, remaining economic life	15 - 38 years
	Fair value at December 31, 2018	Valuation technique	Significant unobservable inputs	Range (weighted average)
		Sales Comparison	Price per	
Land	₱5,158,082	Approach	square meter	₱480 - ₱270,000
Buildings and land Improvements	3,066,585	Cost Approach	Estimated cost, remaining economic life	15 - 38 years



For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Other Noncurrent Assets

	2019	2018 (as restated; see Note 9)
Restricted cash	₱4,672,031	₱–
Input VAT and tax credit receivable, net of allowance for impairment loss of ₱253.2 million (see Note 29)	4,501,086	5,462,983
Financial assets at FVTPL	731,797	353,734
Financial assets at FVOCI	176,479	225,552
Debt investments at amortized cost	234,968	453,871
Prepaid rent and other deposits	1,291,152	1,979,024
Advances to contractors and projects	1,452,272	1,098,747
Biological assets (see Note 8)	140,304	134,144
Others	934,552	500,226
	₱14,134,641	₱10,208,281

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.

16. Bank Loans

	2019	2018
Philippine peso loans	₱23,026,701	₱24,567,200
Chinese yuan loans	1,175,412	906,726
Vietnamese dong loans	715,950	726,187
US dollar loans	455,715	341,770
Indonesia rupia loans	25,876	250,591
Other foreign currency-denominated loans	317,483	186,112
	₱25,717,137	₱26,978,586

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.69% to 8.55% and 2.4% to 13.5% in 2019 and 2018, respectively. These loans will mature on various dates within 12 months after each balance sheet date.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.



The Chinese yuan, Indonesia rupia and a portion of the Vietnamese dong loans are loans of GCMH.

Total interest expense on bank loans recognized in 2019, 2018 and 2017 amounted to ₱1.2 billion, ₱765.3 million and ₱246.8 million, respectively (see Note 35).

17. Trade and Other Payables

	2019	Restated 2018
Trade payables (see Notes 20 and 39)	₱19,517,546	₱19,628,410
Nontrade and other payables	3,252,202	2,178,792
Accrued expenses		
Interest	2,735,860	2,402,919
Taxes and fees	1,288,214	1,205,416
Energy fees and fuel purchase	1,508,801	725,406
Others	1,677,452	1,608,006
Output VAT	3,129,901	2,924,074
Amounts due to contractors and other third parties	7,312,999	2,626,792
PSALM deferred adjustment (see Note 41k)	3,183,080	4,225,950
Unearned revenue	40,945	39,770
	43,647,000	37,565,535
Less noncurrent portion (see Note 34)	7,206,837	3,695,261
	₱36,440,163	₱33,870,274

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, 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 (see Notes 12 and 13).



18. Long-term Debts

	2019		2018	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	4.41% - 6.32%	₱37,000,000	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institutions - unsecured	LIBOR + 1.7% - 4.00%	37,247,830	LIBOR + 1.7% - 4.85%	41,375,202
TVI				
Financial institutions – secured	5.56% - 9.00%	31,520,000	5.50% - 9.00%	31,520,000
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	5.21% - 8.51%	35,450,000	5.21% - 8.51%	23,200,000
Financial and nonfinancial institutions - Foreign currency - unsecured	LIBOR + 1.20%	15,190,500	—	—
TSI				
Financial institutions - secured	5.05% - 5.70%	20,039,365	5.05% - 5.69%	21,349,704
APRI				
Financial institutions - secured	4.48% to 5.20%	8,124,160	4.48% to 5.20%	9,374,400
Hedcor Bukidnon				
Financial institutions - secured	4.75% - 7.36%	9,416,666	4.75% - 6.78%	9,327,700
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	4.05% to 5.42%	3,801,400	4.05% to 5.42%	3,900,400
PILMICO				
Financial institutions - secured	4.18% - 5.16%	2,885,000	4.18% - 4.50%	2,808,500
PANC				
Financial institutions - secured	4.50%	2,640,000	4.50%	2,680,000
VECO				
Financial institution - unsecured	4.59% - 4.81%	776,000	4.58% - 4.81%	975,000
LHC				
Financial institutions - secured	3.94% to 4.81%	564,580	3.63% to 4.81%	875,458
DLP				
Financial institution - unsecured	4.59% - 4.81%	582,000	4.58% - 4.81%	731,250
HI				
Financial institution - secured	5.25%-7.87%	1,750,000	5.25%-7.87%	1,840,000
SEZ				
Financial institution - unsecured	5.00%	113,000	5.00%	169,500
CLP				
Financial institution - unsecured	4.59% - 4.81%	116,400	4.58% - 4.81%	146,250
TPVI				
Financial institution - unsecured	5.06% - 5.25%	1,300,000	—	—
Apo Agua				
Financial institutions:				
Philippine peso - secured	6.50% - 8.26%	5,999,773	8.26%	2,848,227
AEV International				
Financial institutions:				
Foreign currency - secured	3.24% - 6.00%	13,550,225	3.46% - 3.72%	11,725,340
GCMH and Subsidiaries				
Financial institutions:				
Foreign currency - unsecured	—	—	LIBOR + 2.55%-3.50%	2,034,835
TCP				
Financial institution - secured	7.80% - 9.18%	248,680	—	—
Joint Operation - PEC				
Financial institution - secured	5.50% - 8.31%	13,380,097	5.50% - 8.31%	14,473,052
Total		241,695,676		213,354,818
Deferred financing costs		(2,116,138)		(1,922,451)
		239,579,538		211,432,367
Less current portion		27,126,918		10,702,974
Noncurrent portion		₱212,452,620		₱200,729,393



The Company

In June 2019, the Company issued a total of ₱5.0 billion bonds, broken down into ₱3.4 billion 5-year and ₱1.6 billion 10-year bonds at fixed interest rates ranging from 6.02% to 6.32%.

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US\$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US\$600.0 million was drawn from the NFA, out of which US\$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of \$200.0 million was drawn from the NFA.

Loans payable consist of the following dollar denominated loans as of December 31, 2018 and 2017 (in thousands):

	2019	2018	Interest Rate Per Annum	Payment Schedule
<i>NFA</i>				
Fixed Rate Loan	\$448,164	\$483,450	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
<i>LIBOR Loan</i>	267,450	288,450	Six-month LIBOR plus 1.70% margin	
<i>Working Capital</i>				
BDO	20,000	15,000	LIBOR plus 1.7% applicable margin	Payable within 3 months
Total borrowings	735,614	786,900		
Less unamortized portion of deferred financing costs	(4,017)	(4,049)		
	731,597	782,851		
Less current portion	63,583	70,229		
Loans payable - net of current portion	\$668,014	\$712,622		



TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱32.0 billion. As of December 31, 2019, ₱31.5 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱26.0 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.0 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱50.8 billion as of December 31, 2019, and a pledge of TVI's shares of stock held by its shareholders.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.0 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, AP issued a total of ₱10.20 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.5 billion 7-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2019, AP issued ₱7.3 billion 7-year bond due 2026 at an annual fixed rate equivalent to 5.28%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

In April 2019, AP executed and availed a US\$300.0 million syndicated bridge loan facility loan agreement with foreign banks to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on applicable LIBOR plus 1.2%. The loan will mature on the 5th anniversary of the first utilization date.

In November 2019, AP obtained a ₱5.0 billion 7-year long term loan from a local bank at an annual fixed rate of 5.28%.



TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.7 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.4 billion as of December 31, 2019, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

- a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
- b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.2 billion as of December 31, 2019, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2019, ₱9.3 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount.



Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

Hedcor Sibulan

On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.1 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	96.8 million
3	Three (3) years from issue date	84.0 million
4	Four (4) years from issue date	84.0 million
5	Five (5) years from issue date	284.0 million
6 (Series A&B)	Six (6) years from issue date	388.4 million
7 (Series A&B)	Seven (7) years from issue date	445.8 million
8	Eight (8) years from issue date	451.4 million
9	Nine (9) years from issue date	508.1 million
10 (Series A&B)	Ten (10) years from issue date	1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

PILMICO availed ₱1.0 billion and ₱500.0 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines (LBP) as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC) ("exempt security").

In October 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes issued as an exempt security. In October 2019, PILMICO made a final repayment of ₱1.3 billion.

In October 2019, PILMICO availed ₱1.4 billion from the NFA it signed with LBP as the Note Holder. The NFA provided for the issuance of 10-year corporate notes issued as an exempt security.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.



PANC

On December 28, 2016, PANC availed of a total of ₱700.0 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 17, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on their respective maturity dates at December 29, 2029 and September 27, 2026, respectively, at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the LBP. The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US\$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually.

Intangible asset arising from service concession arrangement with carrying value of ₱1.6 billion as of December 31, 2019, was used as collateral to secure LHC's long-term debts (see Note 13).



DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at annual fixed rates and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900.0 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.4 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates.



Principal is amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Apo Agua

On November 29, 2018, Apo Agua entered into an Omnibus Notes Facility and Security Agreement with various banks for a project loan facility in the aggregate principal amount of up to ₱9.0 billion to design, develop, procure, construct, operate and maintain a water treatment plant facility at Brgy. Gumalang, Davao City. Apo Agua's loan drawdown amounted to ₱3.2 billion and ₱2.8 billion in 2019 and 2018, respectively. The loan drawdown mode is staggered based on an agreed schedule.

The loan is secured by a mortgage of all the assets of Apo Agua and a pledge of Apo Agua's shares held by its pledgors: AEV, the Parent Company, JVACC and JVAGHC. The term of the loan is 15 years and the first principal payment will be made at the earlier of fifty-four (54) months after the date of issuance of the agreement or six (6) months after commercial operation date whichever comes earlier. The remaining principal balance shall be paid in semi-annual equal installments. No payment shall be made to the principal during the grace period.

AEV International

On July 20, 2018, AEV International availed of a syndicated loan facility with the amount of US\$338.0 million (₱18.6 billion). The loan bears a floating interest rate computed based on applicable spread over libor and will mature in five (5) years.

On December 28, 2018, the loan was partially prepaid in the amount of US\$115.0 million (₱6.3 billion).



TCP

TCP entered into a various loan agreement with a local bank whereby the latter agreed to provide TCP an aggregate principal amount of loan up to ₱250.0 million to finance the construction of TCP's real estate projects. Interest is payable quarterly and was initially set at 8.65% per annum for the first 3 months, subject to reset thereafter.

Drawdown Date	Maturity Date	Outstanding as of December 31, 2019
July 26, 2019	October 12, 2028	₱20,000
September 17, 2019	October 12, 2028	20,000
July 25, 2019	September 11, 2028	24,700
September 30, 2019	September 11, 2028	19,760
August 20, 2019	December 27, 2028	20,000
March 6, 2019	December 27, 2028	25,000
February 7, 2019	February 2, 2029	10,000
September 27, 2019	February 2, 2029	20,000
June 19, 2018	June 16, 2028	19,520
September 13, 2018	September 11, 2028	24,700
October 15, 2018	October 12, 2028	20,000
December 27, 2018	December 27, 2028	25,000
		₱248,680

GCMH and Subsidiaries

GCMH Group obtained loans from various lenders with floating interest rates ranging from 3.24% to 6.00% and from 2.55% to 3.50% in 2019 and 2018, respectively.

Long-term debt of Joint Operation

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.3 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱38.7 billion as of December 31, 2019, and a pledge of the shares of stock held by the joint operators.

Loan covenants

The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2019 and 2018.



19. Customers' Deposits

	2019	2018
Bill and load	₱4,294,742	₱3,862,663
Lines and poles	1,149,552	1,101,664
Transformers	1,077,175	1,044,037
Others	199,687	119,424
	₱6,721,156	₱6,127,788

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Other customer deposits pertain mainly to deposits from real estate buyers.

Interest expense on customers' deposits amounted to ₱4.4 million in 2019, ₱2.1 million in 2018, and ₱3.2 million in 2017 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts. The portion of customers' deposit to be refunded amounted to ₱19.4 million and ₱6.6 million as of December 31, 2019 and 2018, respectively, and are presented as part of "Trade and other payables" (see Note 17).



20. Decommissioning liability

Decommissioning liability includes the estimated costs to decommission, abandon and perform surface rehabilitation on the subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 12).

	2019	2018
Balances at beginning of year	₱3,678,810	₱2,959,060
Changes in accounting estimate (see Note 12)	(321,948)	559,996
Accretion of decommissioning liability (see Note 35)	210,630	159,754
Balances at end of year	₱3,567,492	₱3,678,810

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

21. Leases

TLI

TLI was appointed by PSALM as Administrator of the coal-fired power plant in Pagbilao, Quezon under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease (the Group applied the transition relief, as such, not assessed whether a lease or not under PFRS 16; see Notes 2 and 3). Accordingly, TLI recognized the capitalized asset and related liability of ₱44.8 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the consolidated financial statement as part of "Property, plant and equipment" and "Lease liabilities" accounts, respectively (see Notes 3 and 12). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statements of income. Interest expense amounted to ₱4.4 billion in 2019 and ₱4.8 billion in 2018 and 2017 (see Note 35).



Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2018 are as follows:

December 31, 2018

	US dollar payments	Philippine peso equivalent of dollar payments ¹	Philippine peso payments	Total
Within one year	\$90,000	₱4,732,200	₱4,320,000	₱9,052,200
After one year but not more than five years	415,500	21,846,990	19,944,000	41,790,990
More than five years	155,000	8,149,900	7,440,000	15,589,900
Total contractual payments	660,500	34,729,090	31,704,000	66,433,090
Unamortized discount	193,770	9,516,320	10,022,415	19,538,735
Present value	466,730	25,212,770	21,681,585	46,894,355
Less current portion				4,131,059
Noncurrent portion of finance lease obligation				₱42,763,296

¹USD1= ₱52.58

- *APRI*

On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2018 and 2017.

- *GMCP*

In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

- *Sacasun*

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱51.5 million as of December 31, 2018 (see Note 7).

- *HI, HTI and HSI*

HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

- *Therma Mobile*

On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.



- **EAUC**
Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.
- **TPVI**
TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱516.0 million as of December 31, 2018 (see Notes 7, 15 and 41g).

Lease Disclosure in Accordance with PAS 17 (applicable prior to January 1, 2019)

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile, EAUC and TPVI as of December 31, 2018 are as follows (amounts in millions):

	Amounts
Not later than 1 year	₱292.9
Later than 1 year but not later than 5 years	749.5
Later than 5 years	6,039.2

Total lease charged to operations related to these contracts amounted to in ₱263.5 million in 2018 and ₱163.7 million in 2017 (see Note 27).

Lease Disclosure in Accordance with PFRS 16 (applicable as of January 1, 2019)

The Group's right-of-use assets are presented as part of "Property, plant and equipment" account (see Note 2). The movements in the Group's lease liabilities for the year ended December 31, 2019 are as follows:

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of December 31, 2019 and the movements during the year:

2019

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liability
As at January 1, upon adoption of PFRS 16 (see Note 3)	₱3,279,969	₱714,672	₱34,669,713	₱201,463	₱38,865,817	₱49,786,728
Additions	49,478	84,817	—	4,421	138,716	93,839
Amortization expense	(92,580)	(175,001)	(1,094,513)	(29,663)	(1,391,757)	—
Capitalized amortization	(1,871)	—	—	—	(1,871)	—
Interest expense	—	—	—	—	—	4,381,935
Capitalized interest	—	—	—	—	—	1,805
Payments	—	—	—	—	—	(7,638,946)
Others	7,614	(46,056)	—	11,416	(27,026)	(1,331,599)
As at December 31	₱3,242,610	₱578,432	₱33,575,200	₱187,637	₱37,583,879	₱45,293,762



Set out below, are the amounts recognized in the consolidated statement of income for the year ended December 31, 2019:

Amortization expense of right-of-use assets	₱1,391,757
Interest expense on lease liabilities	4,381,935
Rent expense - low value assets	25,750
Rent expense - short-term leases	67,168
	₱5,866,610

22. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2019	2018
Common shares issued	5,694,599,621	5,694,599,621
Less treasury shares	61,807,064	61,807,064
Balance at end of year	5,632,792,557	5,632,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheets.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2019 and 2018.

As of December 31, 2019, and 2018, the Company has 8,893 and 8,921 shareholders, respectively.



Treasury Shares

In November 2018, AEV purchased 1 million treasury shares amounting to ₱44.1 million. As of December 31, 2019 and 2018, treasury shares held by AEV totaled 61.8 million, with corresponding acquisition cost of ₱565.2 million.

23. Retained Earnings

On March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.44 billion) to all stockholders of record as of March 21, 2019. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2019, and were paid on April 5, 2019.

On March 8, 2018, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends were taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.
- b. Appropriation of ₱4.20 billion of the retained earnings as of December 31, 2018 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infraestructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infraestructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

- c. Reversal of ₱1.62 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua.

On March 7, 2017, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.
- b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,095,000

As mentioned in Note 18, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.



The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱135.2 billion and ₱122.4 billion as of December 31, 2019 and 2018, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

24. Other Comprehensive Income

	2019	2018
Cumulative Translation Adjustments		
Balance at beginning of year	₱719,792	₱189,465
Movements	(1,664,278)	530,327
Balance at end of year	(944,486)	719,792
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of year	(676,765)	(666,132)
Movements	(185,103)	(10,633)
Balance at end of year	(861,868)	(676,765)
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		
At beginning of year	143	(798)
Movements	2,992	941
Balance at end of year	3,135	143
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of year	250,295	(107,913)
Movements	(387,315)	358,208
Balance at end of year	(137,020)	250,295
Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures		
Balance at beginning of year	(435,068)	(537,099)
Movements	(384,860)	102,031
Balance at end of year	(819,928)	(435,068)
Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures		
At beginning of year	114,527	95,077
Movements	(2,382)	19,450
Balance at end of year	112,145	114,527
	(2,648,022)	(₱27,076)

25. Revenues

a. Power

Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.



Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

- i. CLP: April 1, 2017 to March 31, 2021
- ii. DLP and VECO: July 1, 2018 to June 30, 2022
- iii. SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱46.1 billion, ₱44.9 billion and ₱43.5 billion in 2019, 2018 and 2017, respectively.

Sale from Generation of Power and Retail Electricity

Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.4 billion, ₱6.8 billion and ₱3.8 billion in 2019, 2018 and 2017, respectively.

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.



Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱46.8 billion in 2019, ₱54.9 billion in 2018 and ₱53.4 billion in 2017.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱22.8 billion, ₱24.2 billion and ₱18.1 billion in 2019, 2018 and 2017, respectively.

b. Real estate revenues consist of the following:

	2019	2018	2017
Real estate sales	₱3,296,910	₱3,219,565	₱2,915,830
Rental income	539,761	475,429	445,558
Service fees and others	279,504	230,314	252,000
	₱4,116,175	₱3,925,308	₱3,613,388

26. Purchased Power

Distribution

The Group's distribution utilities entered into contracts with NPC/PSALM and generation companies for the purchase of electricity, and into Transmission Service Agreements with NGCP for the transmission of electricity.

To avail of opportunities in the competitive electricity market, some of the Group's distribution utilities registered as direct participants of the WESM.

Total purchased power amounted to ₱21.8 billion, ₱23.6 billion, ₱22.5 billion in 2019, 2018 and 2017, respectively.



Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Total purchased power amounted to ₱7.6 billion, ₱4.9 billion, ₱6.6 billion in 2019, 2018 and 2017, respectively.

Retail Electricity Supply

AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. In October 2019, a compromise agreement with PSALM was effected, which includes the termination of supply and ₱125.0 million payment of AESI as termination fee.

The Group also purchases from WESM in order to supply its contestable customers.

Total purchased power amounted to ₱6.4 billion, ₱7.6 billion, ₱6.3 billion in 2019, 2018 and 2017, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2019	2018	2017
Fuel costs (see Note 6)	₱29,394,773	₱29,423,013	₱22,324,825
Steam supply costs (see Note 39)	5,008,607	5,227,807	4,981,187
Energy fees	694,696	646,317	668,558
Ancillary charges	360,095	355,260	547,291
Wheeling expenses	68,535	21,821	35,895
	₱35,526,706	₱35,674,218	₱28,557,756



Cost of goods sold consists of:

	2019	2018	2017
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	₱55,809,698	₱41,184,394	₱19,406,752
Direct labor (see Note 28)	384,488	302,993	238,647
Manufacturing overhead			
Depreciation (see Note 12)	1,070,930	763,488	524,660
Power	739,874	517,010	344,656
Indirect labor (see Note 28)	774,055	494,370	240,484
Repairs and maintenance	573,206	380,606	254,772
Outside services	384,525	185,932	99,817
Fuel and lubricants	311,971	193,061	94,775
Employees' benefits (see Notes 28 and 30)	199,841	86,863	11,687
Insurance	99,625	59,697	29,859
Freight and handling	72,642	60,075	61,005
Taxes and licenses	71,784	69,866	55,253
Office and general supplies	70,210	57,092	35,506
Medicines and vaccines	56,529	43,553	39,707
Toll milling expenses	54,049	26,873	—
Rental	41,027	66,012	33,931
Pest control	19,251	21,658	21,026
Royalty fee	10,520	11,472	9,711
Others	149,602	118,516	153,164
	4,699,641	3,156,144	2,010,013
Cost of goods manufactured	60,893,827	44,643,531	21,655,412
Finished goods inventory (see Note 6)			
Beginning of year	1,752,729	317,007	361,857
Acquisition of subsidiaries (see Note 9)	—	486,098	—
End of year	(1,468,608)	(1,752,729)	(317,007)
	₱61,177,948	₱43,693,907	₱21,700,262

Operating expenses consist of:

	2019	2018	2017
Depreciation and amortization (see Notes 12 and 13)	₱10,434,429	₱9,021,735	₱7,869,255
Personnel costs (see Notes 28 and 30)	7,565,163	7,183,608	6,279,900
Taxes and licenses	3,132,133	2,546,058	2,196,046
Repairs and maintenance	2,559,198	2,170,396	1,704,853
Outside services (see Note 34)	2,670,470	1,770,689	2,383,152
Freight and handling	1,342,422	1,143,709	834,893
Insurance	1,057,165	1,015,790	1,058,377
Management and professional fees (see Note 34)	918,395	724,422	288,343

(Forward)



	2019	2018	2017
Transportation and travel	₱839,882	₱562,220	₱467,606
Advertising	476,780	460,933	425,617
Provision for impairment of trade receivables (see Note 5)	278,766	309,820	101,155
Training and development	255,570	172,237	160,953
Utilities	187,374	190,536	149,682
Fuel and lubricants	78,900	86,437	73,751
Rent	46,597	548,715	444,262
Commissions	640	76,998	145,140
Others	1,702,542	2,414,391	1,672,930
	₱33,546,426	₱30,398,694	₱26,255,915

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2019	2018	2017
Personnel costs (see Notes 28 and 30)	₱41,783	₱54,037	₱41,061
Depreciation and amortization (see Notes 12 and 13)	31,478	33,208	40,837
Repairs and maintenance	21,214	23,557	16,986
Fuel	6,305	4,893	6,680
Insurance	3,862	3,425	4,049
Rent	2,420	16,114	2,042
Others	4,151	1,359	2,209
	₱111,213	₱136,593	₱113,864

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2019	2018	2017
Property, plant and equipment (see Note 12)	₱9,585,437	₱9,242,594	₱7,946,469
Right of use assets (see Note 21)	1,391,757	—	—
Intangible assets (see Note 13)	559,643	575,837	509,509
	₱11,536,837	₱9,818,431	₱8,455,978

28. Personnel Costs

	2019	2018	2017
Salaries and wages	₱6,862,064	₱6,640,098	₱5,041,341
Employee benefits (see Note 30)	1,799,914	827,960	1,296,940
	₱8,661,978	₱7,468,058	₱6,338,281



29. Other Income (Expense) - Net

	2019	2018	2017
Net unrealized fair valuation gains on investment property (see Note 14)	₱1,829,732	511,820	862,218
Net foreign exchange gains (losses)	1,167,551	(1,252,608)	70,221
Surcharges	536,856	508,492	435,428
Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets (see Notes 12 and 13)	245,489	(847,620)	(3,191,786)
Non-utility income	170,640	142,363	145,948
Rental income (see Note 34)	87,497	70,967	10,617
Dividend income	10,651	19,060	5,946
Gain (loss) on disposal of:			
Property, plant and equipment	(301,228)	(292,194)	(52,164)
Financial assets at FVTPL	3,965	(8,550)	289
Investment in a subsidiary (see Note 9)	—	166,891	—
Write off of project costs and other assets	(71,802)	(179,225)	(143,613)
Increase in fair value of biological assets (see Note 8)	—	₱752,560	₱942,131
Bargain purchase gain - net (see Note 9)	—	—	310,198
Others - net	1,838,452	1,818,870	578,433
	₱5,517,803	₱1,410,826	(₱26,134)

Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets includes:

- Income from the recovery of write-off on Aseagas assets relating to recoverable VAT of ₱245.5 million in 2019 which was part of the impairment loss recognized in 2017.
- The ₱486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of ₱282.3 million in 2018 from recognizing the recoverable amount of transmission assets which were classified as property held for sale.
- This includes the ₱2.6 billion impairment loss of Aseagas biomass plant which temporarily ceased its operation in 2017 due to unavailability of the supply of organic effluent wastewater from source. In January 2018, Aseagas decided to make the plant shutdown permanent. As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser (see Note 12).

"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, and income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC's power plant amounting to ₱340.7 million in 2018.



30. Pension Benefit Plans

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, pension benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2019	2018	2017
Retirement expense recognized in the consolidated statements of income:			
Service cost	₱294,728	₱297,480	₱338,596
Net interest cost	19,653	26,015	12,257
Remeasurement of other long-term employee benefits	1,372	(4,842)	—
	₱315,753	₱318,653	₱350,853
	2019	2018	2017
Remeasurement gains (losses) recognized in the consolidated statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	(₱130,633)	₱221,199	₱53,381
Return (loss) on assets excluding amount included in net interest cost	23,460	(197,855)	65,865
	(₱107,173)	₱23,344	₱119,246

Net pension liabilities

	2019	2018
Present value of obligation	₱3,576,699	₱3,577,859
Fair value of plan assets	(3,127,787)	(3,250,202)
Pension liability	₱448,912	₱327,657



Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	₱3,577,859	₱3,609,366
Net benefit costs in the consolidated statements of income		
Current service costs	296,645	306,434
Interest cost	210,494	192,498
Remeasurement of other long-term employee benefits	1,372	(4,842)
Benefits paid	(638,157)	(412,283)
Past service costs	(1,917)	(8,954)
Transfers and others	(230)	13,508
Remeasurements in other comprehensive income:		
Actuarial gains due to changes in financial assumptions	127,632	(181,408)
Actuarial losses (gain) due to experience adjustments	3,001	(39,791)
	3,576,699	3,474,528
Acquisition of subsidiaries (see Note 9)	–	103,331
At December 31	₱3,576,699	₱3,577,859

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	₱3,250,202	₱3,386,012
Actual contributions	236,959	430,721
Interest income included in net interest cost	190,841	166,483
Transfers and others	(225)	13,500
Disposal of a subsidiary (see Note 9)		(142,336)
Actual return excluding amount included in net interest cost	23,460	(197,855)
Benefits paid	(573,450)	(406,323)
At December 31	₱3,127,787	₱3,250,202

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2019	2018
At January 1	₱327,657	₱223,354
Contribution to retirement fund	(236,959)	(430,721)
Retirement expense for the year	315,753	318,653
Actuarial gain recognized for the year	107,173	(23,344)
Transfers and others	(5)	8
Benefits paid from Group operating funds	(64,707)	(5,960)
Acquisition and disposal of subsidiaries (see Note 9)	–	245,667
At December 31	₱448,912	₱327,657



The fair value of plan assets by each class as of the end of the reporting period are as follows:

	2019	2018
Cash and fixed-income investments	₱1,523,737	₱1,909,787
Equity instruments:		
Power	577,112	409,991
Holding	493,830	295,117
Financial institution	82,594	59,325
Others	450,514	575,982
Fair value of plan assets	₱3,127,787	₱3,250,202

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2019, 2018 and 2017 in determining pension benefit obligations for the Group's plans are shown below:

	2019	2018	2017
Discount rate	4.36% - 8.31%	4.87% - 8.31%	5.01% - 5.31%
Salary increase rate	6% - 7%	6% - 7%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

December 31, 2019

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100 (100)	(148,971) 383,926
Future salary increases	100 (100)	442,317 (128,715)

December 31, 2018

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100 (100)	(176,522) 217,264
Future salary increases	100 (100)	254,503 (212,771)

The pension benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱230.5 million to the retirement benefit funds in 2020.



The average durations of the defined benefit obligation as of December 31, 2019 and 2018 are 2.70 - 24.00 years and 2.70 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2019	2018	2017
Current			
Corporate income tax	₱4,257,044	₱4,312,349	₱4,346,711
Final tax	154,135	237,483	159,077
	4,411,179	4,549,832	4,505,788
Deferred	347,225	(650,634)	77,267
	₱4,758,404	₱3,899,198	₱4,583,055

A reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2019	2018	2017
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Non-deductible interest expense	4.85	4.77	5.19
Non-deductible depreciation expense	0.98	0.95	0.97
Non-deductible impairment provisions	0.08	0.03	0.11
Gain on sale of investments already subjected to final tax	—	(0.14)	—
Interest income subjected to final tax at lower rates - net	(0.84)	(0.91)	(0.82)
Nontaxable share in net earnings of associates and joint ventures	(10.09)	(6.60)	(8.02)
Deductible lease payments	(7.93)	(7.72)	(7.84)
Income under ITH	(10.31)	(10.04)	(7.87)
Others	7.17	0.75	1.81
	13.91%	11.09%	13.53%



Net deferred income tax assets at December 31 relate to the following:

	2019	2018 (as restated; see Note 9)
Deferred income tax assets:		
Tax effects of items in other comprehensive income	₱43,902	₱152,129
Unrealized foreign exchange losses	374,169	1,326,013
Allowances for impairment and probable losses	509,671	350,689
NOLCO	1,361,488	298,477
Unamortized contributions for past service	63,035	118,810
MCIT	9,675	20,754
Accrued retirement benefits	71,932	(40,158)
Others	713,469	122,405
	3,147,341	2,349,119
Deferred income tax liabilities:		
Pension asset	20,269	22,064
Others	—	2,282
	20,269	24,346
	₱3,127,072	₱2,324,773

Net deferred income tax liabilities at December 31 relate to the following:

	2019	2018 (as restated; see Note 9)
Deferred income tax liabilities:		
Unrealized gain on investment property	₱1,406,478	₱978,246
Unamortized franchise	771,532	794,620
Percentage-of-completion recognition of real estate sales and related costs	152,329	175,573
Consumable biological assets	—	96,400
Unamortized customs duties and taxes capitalized	5,618	9,008
Unrealized foreign exchange gains	18,821	2,749
Pension asset	(37,325)	(55,633)
Others	326,798	404,761
	2,644,251	2,405,724
Deferred income tax assets:		
Tax effects of items in other comprehensive income	(146,689)	(114,135)
NOLCO	10,179	117,018
Allowances for:		
Inventory obsolescence	19,468	153,896
Impairment and probable losses	22,934	47,359
Unrealized foreign exchange losses	9,389	9,389
MCIT	—	6,157
Unamortized past service cost	6,774	—
Others	140,685	243,776
	62,740	463,460
	₱2,581,511	₱1,942,264



In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Group did not recognize its deferred income tax assets on NOLCO generated in 2019 and 2018 amounting to ₱9.7 billion and ₱6.2 billion, respectively, and on MCIT paid in 2019 and 2018 amounting to ₱80.9 million and ₱90.2 million, respectively. Management expects that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

The Group did not recognize deferred income tax liability on its undistributed retained earnings of its subsidiaries on the basis that there are no income tax consequences to the Group attaching to the payment of dividends to its shareholders or that the reversal of the temporary differences are not expected to reverse in the foreseeable future.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income attributable to equity holders of the parent	₱22,036,129	₱22,232,977	₱21,608,695
b. Weighted average number of common shares issued and outstanding	5,633,543	5,633,543	5,633,793
c. Earnings per common share (a/b)	₱3.912	₱3.947	₱3.836

There are no dilutive potential common shares as of December 31, 2019, 2018 and 2017.

33. Operating Segment Information

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

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

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;



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

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. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 22%, 22% and 24% of the power generation revenues of the Group in 2019, 2018, and 2017, respectively.

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

	2019							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱125,419,377	₱-	₱71,155,177	₱4,116,175	₱95,769	₱370,970	₱-	₱201,157,468
Inter-segment	215,780	-	3,310,490	79,681	-	1,179,475	(4,785,426)	-
Total revenue	₱125,635,157	₱-	74,465,667	₱4,195,856	₱95,769	₱1,550,445	(₱4,785,426)	₱201,157,468
RESULTS								
Segment results	₱28,855.872	₱-	₱3,646,190	₱549,245	(₱174,141)	(₱441,005)	₱218,728	₱32,654,889
Unallocated corporate income (expenses) - net	3,483,389	-	243,718	1,211,636	186	797,603	(218,728)	5,517,804

(Forward)



2019								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
INCOME FROM OPERATIONS								38,172,693
Interest expense	(P14,047,646)	P-	(P1,261,093)	(P63,772)	(P19)	(P1,731,329)	P55,500	(P17,048,359)
Interest income	1,291,703	-	68,976	18,129	10,745	242,412	(57,697)	1,574,268
Share in net earnings of associates and joint ventures	3,813,962	7,150,500	13,487	(20,912)	545,936	16,252,690	(16,253,573)	11,502,090
Provision for income tax	(3,215,498)	-	(886,741)	(429,267)	(15,438)	(211,460)	-	(4,758,404)
NET INCOME	P20,181,782	P7,150,500	P1,824,537	P1,265,059	P367,269	P14,908,911	(P16,255,770)	P29,442,288
OTHER INFORMATION								
Segment assets	P76,896,786	P-	P22,196,783	P16,011,885	P2,476,896	P7,141,991	(P299,049)	P124,425,292
Investments and advances	60,878,541	51,837,773	60,374	1,673,212	25,833,195	130,091,898	(130,023,245)	140,351,748
Unallocated corporate assets	272,694,030	-	30,353,984	8,755,063	5,470,776	6,925,209	(590,001)	323,609,061
Consolidated total assets								P588,386,101
Segment liabilities	P275,041,691	P-	P36,492,392	P9,753,786	P6,590,858	P40,179,458	(P864,426)	P367,193,759
Unallocated corporate liabilities	1,784,655	-	735,764	990,195	16,895	469,754	-	3,997,263
Consolidated total liabilities								P371,191,021
Capital expenditures	P9,675,816	P-	P1,895,149	P896,460	P26,765	P81,444	P-	P12,575,634
Depreciation and amortization	P9,895,695	P-	P1,317,211	112,373	P15,424	P196,134	P-	P11,536,837

2018 (as restated; see Note 9)								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	P131,354,643	P644,566	P50,252,875	P3,925,308	P96,021	P669,407	P-	P186,942,820
Inter-segment	217,441	-	-	76,047	-	1,149,283	(1,442,771)	-
Total revenue	P131,572,084	P644,566	P50,252,875	P4,001,355	P96,021	P1,818,690	(P1,442,771)	P186,942,820
RESULTS								
Segment results	P36,496,682	(P38,554)	P1,568,078	P958,534	(P60,669)	(P42,613)	P280,485	P39,161,943
Unallocated corporate income (expenses) - net	(1,292,311)	5,973	1,545,976	(56,446)	(2,673)	1,490,792	(280,485)	1,410,826
INCOME FROM OPERATIONS								40,572,769
Interest expense	(12,082,158)	(8,135)	(974,879)	(76,019)	-	(1,553,542)	56,145	(14,638,588)
Interest income	880,085	1,588	173,102	13,703	3,312	466,420	(62,059)	1,476,151
Share in net earnings of associates and joint ventures	4,356,825	3,599,941	2,850	(11,928)	(218,399)	19,313,421	(19,315,048)	7,727,663
Provision for income tax	(2,925,623)	6,531	(532,076)	(123,380)	(4,096)	(320,554)	-	(3,899,198)
NET INCOME	P25,433,500	P3,567,344	P1,783,051	P704,464	(P282,525)	P19,353,924	(P19,320,962)	P31,238,796
OTHER INFORMATION								
Segment assets	P91,891,697	P-	P24,346,718	P12,535,860	P1,657,628	P8,978,434	(P218,893)	P139,191,444
Investments and advances	34,334,126	46,025,202	55,807	1,464,124	25,238,659	125,271,699	(125,430,060)	106,959,557
Unallocated corporate assets	263,436,354	-	31,453,948	6,066,913	1,901,742	6,178,277	(600,001)	308,437,233
Consolidated total assets								P554,588,234
Segment liabilities	P251,543,579	P-	P39,768,325	P7,673,226	P3,031,839	P32,684,202	(P793,134)	P333,908,037
Unallocated corporate liabilities	1,541,930	-	855,594	655,099	745	363,298	-	3,416,666
Consolidated total liabilities								P336,016,231
Capital expenditures	P8,607,781	P-	P1,216,702	P647,354	P68,234	P147,608	P-	P10,687,679
Depreciation and amortization	P8,681,403	P-	P896,710	P82,313	P13,917	P144,089	P-	P9,818,432



2017								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱-	₱150,421,605
Inter-segment	257,212	-	-	60,608	-	978,922	(1,296,742)	-
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses) - net	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	-	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	-	(11,227)	274,517	18,284,670	(18,296,056)	9,053,733
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	-	(4,583,053)
NET INCOME	₱22,988,427	₱4,143,269	₱1,697,919	₱1,106,086	₱190,882	₱17,466,846	(₱18,314,408)	₱29,279,021
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,658,023	-	1,476,052	25,463,872	108,095,256	(108,332,207)	91,609,591
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱491,931,696
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	-	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱-	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱-	₱8,455,978

34. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

- Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱393.3 million, ₱745.2 million and ₱649.9 million in 2019, 2018 and 2017, respectively.
- Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱342.8 million, ₱636.5 million and ₱316.4 million in 2019, 2018 and 2017, respectively.
- Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱12.1 million in 2019, ₱18.4 million in 2018 and ₱11.2 million in 2017.



- d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱9.5 million in 2019, ₱8.5 million in 2018 and ₱8.1 million in 2017.
- e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱59.9 million and ₱79.0 million, respectively, as of December 31, 2019, and to ₱47.8 million and ₱139.5 million, respectively, as of December 31, 2018 (see Note 18).
- f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).
- g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.
- h. Interest-bearing advances from AEV availed by the Group. The annual interest rates are determined on arm's length basis.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2019 and 2018 are as follows:

a. Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2019	2018	2017	2019	2018	Terms	Conditions
Ultimate Parent							
ACO	₱—	₱19,913	₱10,966	₱251,026	₱126	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
CBM (see Note 10)	88,773	339,201	298,612	58,852	108,954	30-day; Interest-free	Unsecured; no impairment
SFELAPCO	106,760	132,623	72,158	57,440	36,851	30-day; interest-free	Unsecured; no impairment
CEDC	74,074	71,880	101,367	24,615	—	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	18,600	75,312	69,780	11,377	25,457	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	12,106	49,019	45,418	7,405	16,569	30-day; interest-free	Unsecured; no impairment
AEV CRH Holdings, Inc.	—	—	—	3	—	30-day; interest-free	Unsecured; no impairment
GNPD	41,768	42,360	40,556	3,441	3,960	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	5,910	5,137	3,653	961	1,050	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	5,986	5,414	2,027	737	1,071	30-day; interest-free	Unsecured; no impairment
MORE	4,522	2,527	2,825	375	122	30-day; interest-free	Unsecured; no impairment
UBP	11,165	1,493	1,050	3,227	10	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	23,678	278	1,394	4	8	30-day; interest-free	Unsecured; no impairment
RCSI	—	—	120	82	30	30-day; interest-free	Unsecured; no impairment
Total	₱393,342	₱745,157	₱649,926	₱419,545	₱194,208		



b. Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance		Terms	Condition
	2019	2018	2017	2019	2018		
AP	₱277,850	₱442,344	₱195,457	₱10,140,102	₱18,753,283	90 days or less; interest-bearing	No impairment
AEV	48,250	146,938	90,082	245,933	2,702,526	90 days or less; interest-bearing	No impairment
PILMICO	6,199	42,687	14,380	66,659	1,052,045	90 days or less; interest-bearing	No impairment
AboitizLand	1,152	2,099	2,785	375,997	434,613	90 days or less; interest-bearing	No impairment
Aboitiz Infracapital	7,478	1,628	3,795	829,984	234,865	90 days or less; interest-bearing	No impairment
CPDC	1,637	648	1,099	55,025	48,157	90 days or less; interest-bearing	No impairment
AEV AVIATION	198	189	1,632	31,052	29,437	90 days or less; interest-bearing	No impairment
AIPL	9	12	6,982	11,500	11,906	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	2	3	—	4,087	513	90 days or less; interest-bearing	No impairment
Petnet	—	—	214	—	—	90 days or less; interest-bearing	No impairment
	₱342,775	₱636,548	₱316,426	₱11,760,339	₱23,267,345		

c. Revenue - Aviation Services

	Revenue			Accounts Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Ultimate Parent</i>							
ACO	₱520	—	—	₱572	—	30-day; interest-free	Unsecured; no impairment
<i>Associates and Joint Ventures</i>							
SNAP-Magat	7,353	₱14,280	₱5,735		₱5,228	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	1,969	2,356	1,234		—	30-day; interest-free	Unsecured; no impairment
UBP	1,500	1,500	1,500		—	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	726	285	2,719		147	30-day; interest-free	Unsecured; no impairment
	₱12,068	₱18,421	₱11,188	₱572	₱5,375		

d. Revenue - Rental

	Revenue			Accounts Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Ultimate Parent</i>							
ACO	₱4,269	₱4,218	₱3,488	₱—	₱805	30-day; interest-free	Unsecured; no impairment
<i>Associates</i>							
UBP	5,268	4,330	3,507	—	29	30-day; interest-free	Unsecured; no impairment
RCSI	—	—	1,116	14,951	15	30-day; interest-free	Unsecured; no impairment
	₱9,537	₱8,548	₱8,111	₱14,951	₱849		



e. Land Acquisition

	Purchase			Payable		Terms	Condition
	2019	2018	2107	2019	2018		
<i>Ultimate Parent</i>							
ACO	P	P-	P-	P138,864	P187,305	Quarterly installment	Unsecured

f. Revenue - Sale of Power

	Revenue (see Note 26)			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Associate and Joint Ventures</i>							
SFELAPCO	P2,655,153	P2,290,390	P2,487,557	P227,478	P160,375	30-day; interest-free	Unsecured; no impairment
RCBM	1,295,957	1,341,456	101,092	52,320	129,905	30-day; interest-free	Unsecured; no impairment
SNAP-RES	28,983	19,442	14,209	1	1,583	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	22,802	9,193	-	-	-	30-day; interest-free	Unsecured; no impairment
<i>Investees of ACO</i>							
Tsuneishi Heavy Industries (Cebu), Inc.	165,254	351,946	406,366	2	39,478	30-day; interest-free	Unsecured; no impairment
Aboitiz Construction International, Inc.	-	11,218	2,410	-	1,263	30-day; interest-free	Unsecured; no impairment
	P4,168,149	P4,023,645	P3,011,634	P279,801	P332,604		

g. Cost of Purchased Power

	Purchases (see Note 26)			Payable		Terms	Condition
	2019	2018	2017	2019	2018		
<i>Associates and Joint Ventures</i>							
CEDC	P3,619,999	P4,196,052	P4,540,798	P339,494	P303,563	30-day; interest-free	Unsecured
SNAP-Magat	109,142	110,432	158,015	8,012	8,722	30-day; interest-free	Unsecured
SFELAPCO	-	14,287	23,592	-	-	30-day; interest-free	Unsecured
SNAP-Benguet	-	-	126,731	-	-	30-day; interest-free	Unsecured
	P3,729,141	P4,320,771	P4,849,136	P347,506	P312,285		

h. Capitalized Construction and Rehabilitation Costs

	Purchases			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Fellow Subsidiary</i>							
Aboitiz Construction, Inc.	P458,564	P399,105	P727,378	P212,358	P-	30-day; interest-free	Unsecured

i. Notes Receivable

	Interest Income			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Joint venture</i>							
SACASUN (see Note 16)	P-	P-	P151,040	P	P-	Loan agreement; interest-bearing	Unsecured



Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱491.9 million and ₱643.0 million as of December 31, 2019 and 2018, respectively. The assets and investments of the Fund are as follows:

	2019	2018
Equity investments at FVTPL	₱947,470	₱601,262
Financial assets at amortized cost	(472,091)	26,100
Debt investments at FVOCI	16,488	15,594
	₱491,867	₱642,956

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2019 and 2018 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2019		2018	
	Carrying Value	Loss	Carrying Value	Gains
AEV common shares	₱295,023	₱19,286	₱75,135	(₱19,724)
AP common shares	411,559	3,203	300,436	(43,461)

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2019	2018	2017
Short-term benefits	₱309,496	₱332,370	₱305,642
Post-employment benefits	20,145	17,658	20,261
	₱329,641	₱350,028	₱325,903

35. 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, AFS 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 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%. As of December 31, 2018, 14.1% of the Group's long-term debt had annual floating interest rates ranging from 2.6% to 4.3%, and 85.9% are with fixed rates ranging from 4.0% to 9.0%.

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

December 31, 2019

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱1,923,488	₱36,617,665	₱4,183,912	₱42,725,065



December 31, 2018

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱2,779,079	₱22,686,231	₱4,352,737	₱29,818,047

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:

	2019	2018	2017
Long-term debts (see Note 18)	₱11,116,862	₱8,998,958	₱8,059,734
Lease liabilities (see Note 21)	4,381,935	4,797,898	4,757,379
Bank loans (see Note 16)	1,215,563	765,276	246,789
Long-term obligation on PDS and others	329,647	74,313	50,229
Customers' deposits (see Note 19)	4,351	2,143	3,231
	₱17,048,358	₱14,638,588	₱13,117,362

The interest income recognized during the period is as follows:

	2019	2018	2017
Cash and cash equivalents (see Note 4)	₱1,503,698	₱1,451,344	₱1,348,935
Others	70,570	24,807	26,760
	₱1,574,268	₱1,476,151	₱1,375,695

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2019, 2018 and 2017:

	Increase (decrease) in basis points	Effect on income before tax
2019	200 (100)	(₱854,501) 427,251
2018	200 (100)	(₱596,361) 298,180
2017	200 (100)	(₱624,137) 312,069

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2019, 2018 and 2017 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.



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

Commodity Price Risk

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

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

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

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2019 and 2018, foreign currency denominated borrowings account for 34.06% and 29.17%, respectively, of total consolidated borrowings.

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

	2019		2018	
	US dollar	Philippine peso Equivalent ¹	US dollar	Philippine peso Equivalent ²
Financial assets				
Cash and cash equivalents	\$123,735	₱6,265,343	\$342,461	₱18,006,600
Trade and other receivables	122,557	6,205,685	120,235	6,321,968
Investments in FVTPL and FVOCI	19,153	969,791	11,131	585,272
Total financial assets	265,445	13,440,819	473,827	24,913,840
Financial liabilities				
Bank loans	53,134	2,690,437	57,861	3,042,346
Trade and other payables	188,601	9,549,827	164,911	8,671,016
Long-term debts	566,938	28,706,917	257,956	13,563,350
Lease liabilities	731,598	37,044,441	479,512	25,212,741
Total financial liabilities	1,540,271	77,991,622	960,240	50,489,453
Net foreign currency denominated liabilities	(\$1,274,826)	(₱64,550,803)	(\$486,413)	(₱25,575,613)

¹\$1= ₱50.64

²\$1= ₱52.58



The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31:

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2019	US dollar strengthens by 5%	(P3,227,540)
	US dollar weakens by 5%	3,227,540
2018	US dollar strengthens by 5%	(P1,278,781)
	US dollar weakens by 5%	1,278,781

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

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2019		2018	
	Philippine Peso	US Dollar Equivalent¹	Philippine Peso	US Dollar Equivalent²
Financial assets:				
Cash and cash equivalents	P718,508	\$14,190	P1,212,747	\$23,065
Trade and other receivables	461,052	9,105	801,466	15,243
	1,179,560	23,295	2,014,213	38,308
Financial liability:				
Trade and other payables	842,075	16,630	608,306	11,569
Net foreign currency denominated assets	P337,485	\$6,665	P1,405,907	\$26,739

¹US\$1 = P50.64

²US\$1 = P52.58

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2019	
US dollar appreciates against Philippine peso by 5.0%	(\$333)
US dollar depreciates against Philippine peso by 5.0%	333
2018	
US dollar appreciates against Philippine peso by 5.0%	(\$1,337)
US dollar depreciates against Philippine peso by 5.0%	1,337

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



Equity price risk

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

As of December 31, 2019 and 2018, 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 December 31, 2019 and 2018 is summarized in the following table:

	2019	2018
Power distribution:		
Industrial	₱5,554,969	₱4,973,567
Residential	1,825,217	1,676,936
Commercial	437,994	778,623
City street lighting	111,570	30,006
Power generation:		
Power supply contracts	5,520,439	4,567,682
Spot market	1,481,760	2,533,211
	₱14,931,949	₱14,560,025

The above receivables were provided with allowance for ECL amounting to ₱2.8 billion and ₱2.5 billion as of December 31, 2019 and 2018, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements

The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.



Maximum exposure to credit risk for collateralized loans is shown below:

	2019			2018		
	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	₱7,639,069	₱7,639,069	₱—	₱7,619,514	₱7,619,514	₱—

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2019

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱46,424,663	₱—	₱—	₱—	₱46,424,663
Restricted cash	9,121,747	—	—	—	9,121,747
Trade and other receivables					
Trade receivables					
Power	9,954,774	—	—	4,977,175	14,931,949
Food manufacturing	3,701,732	835,182	1,272,816	1,683,131	7,492,861
Real estate	2,404,783	469,580	2,219,133	102,835	5,196,331
Holding and others	1,073,336	19,949	128,741	—	1,222,026
Other receivables	11,316,124	14,844	90,331	132,392	11,553,691
Debt investments at amortized cost	234,968	—	—	—	234,968
Financial assets at FVTPL					
Quoted shares of stock	719,727	—	—	—	719,727
Unquoted shares of stock	12,070	—	—	—	12,070
Financial assets at FVOCI	176,479	—	—	—	176,479
Derivative asset	133,387	—	—	—	133,387
	₱85,273,790	₱1,339,555	₱3,711,021	₱6,895,533	₱97,219,899

December 31, 2018

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱59,033,029	₱—	₱—	₱—	₱59,033,029
Restricted cash	5,289,145	—	—	—	5,289,145
Trade and other receivables					
Trade receivables					
Power	10,327,887	8,857	162	4,380,668	14,717,574
Food manufacturing	180,251	5,537,610	748,507	2,621,489	9,087,857
Real estate	1,707,695	258,809	—	2,015,920	3,982,424
Holding and others	638,742	92,636	11,172	—	742,550
Other receivables	12,313,635	14,864	—	137,894	12,466,393
Debt investments at amortized cost	453,871	—	—	—	453,871
Financial assets at FVTPL					
Quoted shares of stock	341,664	—	—	—	341,664
Unquoted shares of stock	12,070	—	—	—	12,070
Financial assets at FVOCI	225,552	—	—	—	225,552
Derivative asset	292,828	—	—	—	292,828
	₱90,816,369	₱5,912,776	₱759,841	₱9,155,971	₱106,644,957



2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱72,121,361	₱13,152,429	₱-	₱85,273,790
Standard grade	-	1,339,555	-	1,339,555
Substandard grade	-	3,711,021	-	3,711,021
Default	-	4,886,173	2,009,360	6,895,533
Gross carrying amount	72,121,361	23,089,178	2,009,360	97,219,899
Loss allowance	-	768,866	2,009,360	2,778,226
Carrying amount	₱72,121,361	₱22,320,312	₱-	₱94,441,673

2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱90,816,369	₱-	₱-	₱90,816,369
Standard grade	-	5,912,776	-	5,912,776
Substandard grade	-	759,841	-	759,841
Default	-	7,655,159	1,500,812	9,155,971
Gross carrying amount	90,816,369	14,327,776	1,500,812	106,644,957
Loss allowance	-	964,584	1,500,812	2,465,396
Carrying amount	₱90,816,369	₱13,363,192	₱-	₱104,179,561

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to investments carried at fair value and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2019

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
Cash and cash equivalents	₱46,424,663	₱46,424,663	₱-	₱-	₱-	₱-	₱-
Restricted cash	9,121,747	9,121,747	-	-	-	-	-
Trade and other receivables							
Trade receivables							
Power	14,931,949	9,954,774	509,816	2,493,839	-	-	1,973,520
Food manufacturing	7,492,861	5,809,730	649,840	331,420	-	-	701,871
Real estate	5,196,331	5,093,496	-	-	-	-	102,835
Holding and others	1,222,026	1,222,026	-	-	-	-	-
Other receivables	11,553,691	11,421,299	-	132,392	-	-	-
Debt financial assets at amortized cost	234,968	234,968	-	-	-	-	-

(Forward)



	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
Financial assets at FVTPL:							
Quoted shares of stock	₱719,727	₱719,727	₱—	₱—	₱—	₱—	₱—
Unquoted shares of stock	12,070	12,070	—	—	—	—	—
Financial assets at FVOCI	176,479	176,479	—	—	—	—	—
Derivative asset	133,387	133,387					
	₱97,219,899	₱90,324,366	₱1,159,656	₱2,957,651	₱—	₱—	₱2,778,226

December 31, 2018

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
Debt financial assets at amortized cost:							
Cash and cash equivalents	₱59,033,029	₱59,033,029	₱—	₱—	₱—	₱—	₱—
Restricted cash	5,289,145	5,289,145	—	—	—	—	—
Trade and other receivables							
Trade receivables							
Power	14,717,574	10,336,906	949,185	1,681,492	—	—	1,749,991
Food manufacturing	9,087,857	6,466,368	1,070,501	948,418	—	—	602,570
Real estate	3,982,424	1,966,504	117,075	1,796,010	—	—	102,835
Holding and others	742,550	742,550	—	—	—	—	—
Other receivables	12,466,393	12,328,499	—	137,894	—	—	—
Debt investments at amortized cost	453,871	453,871	—	—	—	—	—
Financial assets at FVTPL:							
Quoted shares of stock	341,664	341,664	—	—	—	—	—
Unquoted shares of stock	12,070	12,070	—	—	—	—	—
Financial assets at FVOCI	225,552	225,552	—	—	—	—	—
Derivative asset	292,828	292,828	—	—	—	—	—
	₱106,644,957	₱97,488,986	₱2,136,761	₱4,563,814	₱—	₱—	₱2,455,396

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

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

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



In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of December 31, 2019 and 2018, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 11.24% and 5.61%, 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 ₱46.4 billion and ₱35.2 billion as of December 31, 2019, respectively and of ₱59.0 billion and ₱35.1 billion as of December 31, 2018, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

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

December 31, 2019

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱39,277,702	₱39,277,702	₱2,769,960	₱29,610,014	₱6,897,728	₱-
Customers' deposits	6,721,156	6,721,156	-	25,199	206,094	6,489,863
Financing						
Bank loans	25,717,137	25,929,484	-	25,929,484	-	-
Long-term debts	239,579,538	312,311,678	-	36,114,860	163,097,999	113,098,819
Lease liabilities	45,293,762	63,608,050	-	9,290,529	45,237,715	9,079,806
Long-term obligation on PDS	199,350	360,000	-	40,000	200,000	120,000
Others						
Derivative liabilities	2,468,324	2,468,324	-	2,255,736	212,588	-
	₱359,256,969	₱450,676,394	₱2,769,960	₱103,265,822	₱215,852,124	₱128,788,488

*Excludes statutory liabilities

December 31, 2018 (as restated; see Note 9)

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱33,722,947	₱33,722,947	₱2,472,160	₱27,928,222	₱3,322,565	₱-
Customers' deposits	6,127,788	6,127,788	-	24,546	99,408	6,003,834
Financing						
Bank loans	26,978,586	27,027,903	-	27,027,903	-	-
Long-term debts	211,432,367	309,677,645	-	42,126,194	129,514,140	138,037,311
Lease liabilities	46,894,355	66,433,090	-	9,052,200	41,790,990	15,589,900
Long-term obligation on PDS	213,496	400,000	-	40,000	200,000	160,000
Others						
Derivative liabilities	161,565	161,565	-	161,565	-	-
	₱325,531,104	₱443,550,938	₱2,472,160	₱106,360,630	₱174,927,103	₱159,791,045

*Excludes statutory liabilities



Capital Management

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

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

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2019 and 2018, these entities have complied with this requirement as applicable (see Note 38).

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

Gearing ratios of the Group as of December 31, 2019 and 2018 are as follows:

	2019	Restated 2018
Bank loans	₱25,717,137	₱26,978,586
Long-term obligations	284,873,300	258,326,722
Cash and cash equivalents (including restricted cash)	(55,546,410)	(64,322,174)
Net debt (a)	255,044,027	220,983,134
Equity	217,195,080	218,477,838
Equity and net debt (b)	₱472,239,107	₱439,460,972
Gearing ratio (a/b)	54.01%	50.29%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2019 and 2018 (see Note 18).

No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.



- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. 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.

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	₱3,183,080	₱2,846,279	₱4,225,900	₱3,889,099
Financial liabilities				
Lease liabilities	₱45,293,762	₱39,046,242	₱46,894,355	₱40,495,647
Long-term debt - fixed rate	196,854,474	203,058,442	181,614,320	174,822,840
PSALM deferred adjustment	3,183,080	2,846,279	4,225,950	3,889,099
Long-term obligation on PDS	199,350	320,194	213,496	297,790
	₱245,530,665	₱245,271,157	₱232,948,121	₱219,505,376

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 discount rates of 3.10% to 4.13% for dollar payments and 4.16% to 7.04% for peso payments in 2019; and 2.33% to 2.73% for dollar payments and 5.26% to 6.67% for peso payments in 2018.

Fixed-rate borrowings

The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.47% to 9.00% in 2019 and 3.15% to 7.53% in 2018. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings

Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS and PSALM deferred adjustment

The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 3.11% to 5.09% in 2019 and 4.32% to 7.49% in 2018.

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 enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

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.

Interest rate swaps (IRS)

In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on

the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$11.2 million and ₱2.2 million respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$16.6 million and ₱19.6 million, respectively.

GMCP, has an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 18). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 18). As a result of the termination, the outstanding value of the derivative liability amounting to US\$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 18), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$267.5 million and ₱252.3 million, respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$288.5 million and ₱272.2 million, respectively.

In August and September 2019, AEV International entered into IRS agreements (IRS 1 and 2) to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the IRS agreements, AEV International, on a quarterly basis, pays an annual fixed rate (IRS 1 = 1.464%; IRS 2 = 1.435%) and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has



amortizing notional amounts which cover a period up to final maturity of the hedged loan. AEV International designated the swaps as cash flow hedges.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swaps amounted to US\$114.0 million and ₱51.1 million, respectively.

In September 2019, AP entered into an IRS agreement effective September 30, 2019 to hedge US\$150.0 million of its floating rate exposure on its loan (see Note 18). Under the agreement, AP, on a quarterly basis, pays a fixed rate of 1.4493% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to April 30, 2024. AP designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and fair value of the swap amounted to ₱7.6 billion and ₱80.1 million, respectively.

Foreign currency forward contracts

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2018 and 2017, the contract has an aggregate notional amount of \$1.2 million and US\$2.6 million, respectively. The contracts were fully settled in January 2019.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

TLI entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2019 the aggregate notional amount of the par forward contract is US\$13.1 billion.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2019 and 2018, the aggregate notional amount of the par forward contracts is US\$16.8 million (₱0.9 billion) and US\$25.2 million (₱1.3 billion), respectively.

Commodity swap contracts

In 2018, TLI entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ratio of 1:1 for the hedging relationships as the



underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group is holding the following hedging instruments designated as cash flow hedges as of December 31, 2019 and 2018:

December 31, 2019

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative Assets						
Notional amount (in PHP)	–	111,397	167,096	278,493	7,602,845	8,159,831
Average fixed interest rate (%)	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	
IRS - Derivative Assets						
Notional amount (in PHP)	505,084	–	319,001	744,335	11,973,912	13,542,332
Average fixed interest rate (%)	2.18%	2.18%	2.18%	2.18%	2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	35,448	–	–	–	–	35,448
Average forward rate (in PHP)	51	–	–	–	–	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	2,549,299	2,459,085	4,447,858	2,809,170	861,922	13,127,334
Average forward rate (in PHP)	53	53	53	55	54	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	361,500	328,500	447,500	651,500	269,000	2,058,000
Notional amount (in PHP)	1,659,132	1,494,677	2,008,052	2,873,693	1,147,704	9,183,258
Average hedged rate (in PHP per metric tonne)	4,590	4,550	4,487	4,411	4,267	

December 31, 2018

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative Assets						
Notional amount (in PHP)	552,090	115,676	725,604	1,144,930	13,503,859	16,042,159
Average fixed interest rate (%)	2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	–	61,118	–	–	–	61,118
Average forward rate (in PHP)	54	55	55	56	57	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	975,740	752,345	933,916	1,372,435	798,837	4,833,273
Average forward rate (in PHP)	54	55	55	56	57	
Commodity swaps - Derivative Asset						
Notional amount (in metric tonnes)	47,000	103,000	161,000	150,000	70,000	531,000
Notional amount (in PHP)	212,949	484,425	749,278	695,381	330,607	2,472,640
Average hedged rate (in PHP per metric tonne)	4,531	4,703	4,654	4,636	4,723	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	86,000	44,000	289,000	150,000	151,000	720,000
Notional amount (in PHP)	486,652	248,709	1,608,393	800,799	775,024	3,919,577
Average hedged rate (in PHP per metric tonne)	5,659	5,652	5,565	5,339	5,133	



The impact of the hedged items and hedging instruments in the consolidated balance sheets as of December 31, 2019 and 2018, and consolidated statements of income and comprehensive income for the years ended December 31, 2019 and 2018, is as follows:

As at December 31, 2019				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱82,328	₱80,134	₱63,429	₱-
Derivative liability	(252,327)	-	(515,811)	-
Forward exchange currency forwards				
Derivative asset	13,116	13,116	13,116	-
Derivative liability	(521,528)	(521,528)	(405,516)	-
Commodity swaps				
Derivative asset	-	-	(195,428)	-
Derivative liability	(1,689,952)	(1,689,952)	(1,461,259)	(8,430)
As at December 31, 2018				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱291,764	₱272,185	₱168,841	₱2,095
Forward exchange currency forwards				
Derivative asset	210	(539)	-	-
Derivative liability	(118,596)	(228,658)	(117,304)	(1,292)
Commodity swaps				
Derivative asset	1,200	22,141	195,428	1,003
Derivative liability	(40,311)	(154,829)	(235,351)	(8,141)

The movements in fair value changes of all derivative instruments for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
At beginning of year	₱132,902	₱294,364
Net changes in fair value of derivatives designated as cash flow hedges	(2,515,732)	(125,642)
Net changes in fair value of derivatives not designated as accounting hedges	(3,889)	(72,252)
Fair value of settled instruments	722	36,432
At end of year	(₱2,385,997)	₱132,902

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included in "Other income (expense) - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."



The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2019	2018
Balance at beginning of year (net of tax)	₱261,378	₱139,879
Changes in fair value recorded in equity	(2,495,146)	203,751
	(2,233,768)	343,630
Transfer to construction in progress	-	(77,180)
Changes in fair value transferred to profit or loss	(8,218)	(7,579)
Balance at end of year before deferred tax effect	(2,241,986)	258,871
Deferred tax effect	(15,303)	2,507
Balance at end of year (net of tax)	(₱2,257,289)	₱261,378

The Group has not bifurcated any embedded derivatives as of December 31, 2019 and 2018.

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 December 31, 2019 and 2018, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2019

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	₱731,797	₱731,797	₱-	₱-
At FVOCI	176,479	176,479	-	-
Derivative asset	133,387	-	133,387	-
Derivative liability	2,468,324	-	2,468,324	-
Disclosed at fair value:				
Lease liabilities	39,046,242	-	-	39,046,242
Long-term debt - fixed rate	203,058,442	-	-	203,058,442
Long-term obligation on PDS	320,194	-	-	320,194

December 31, 2018

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	₱353,734	₱353,734	₱-	₱-
At FVOCI	225,552	225,552	-	-
Derivative asset	292,828	-	292,828	-
Derivative liability	161,565	-	161,565	-
Disclosed at fair value:				
Lease liabilities	40,495,647	-	-	40,495,647
Long-term debt - fixed rate	174,822,840	-	-	174,822,840
Long-term obligation on PDS	297,790	-	-	297,790



During the years ended December 31, 2019 and 2018, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2019 and 2018:

	January 1, 2019	Net cash flows	Non-cash Changes					December 31, 2019
			Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	
Current interest-bearing loans and borrowings, excluding lease liabilities	₱37,721,561	(₱16,756,167)	₱1,315	₱-	₱-	₱-	₱31,917,346	₱52,884,055
Current lease liabilities	4,131,059	(7,638,946)	-	-	-	7,210	9,156,902	5,656,225
Non-current interest-bearing loans and borrowings, excluding lease liabilities	200,902,889	44,962,947	258,898	(1,506,799)	-	-	(32,005,965)	212,611,970
Non-current lease liabilities	42,763,296	-	9,995	(2,018,791)	-	4,350,043	(5,467,007)	39,637,536
Derivatives	161,565	-	-	-	2,306,759	-	-	2,468,324
Total liabilities from financing activities	₱285,680,370	₱20,567,834	₱270,208	(₱3,525,590)	₱2,306,759	₱4,357,253	₱3,601,276	₱313,258,110

	January 1, 2018	Net cash flows	Non-cash Changes						December 31, 2018
			Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	First-time consolidated liabilities	Others	
Current interest-bearing loans and borrowings, excluding lease liabilities	₱44,463,470	(₱20,333,648)	₱258,968	(₱48,560)	₱-	₱-	₱2,228,136	₱11,153,195	₱37,721,561
Current lease liabilities	3,316,165	(7,804,460)	-	-	-	-	-	8,619,354	4,131,059
Non-current interest-bearing loans and borrowings, excluding lease liabilities	168,550,788	39,157,476	198,372	1,800,851	-	-	2,366,786	(11,171,384)	200,902,889
Non-current lease liabilities	45,909,089	-	-	873,546	-	4,600,015	-	(8,619,354)	42,763,296
Derivatives	47,577	-	-	-	113,988	-	-	-	161,565
Total liabilities from financing activities	₱262,287,089	₱11,019,368	₱457,340	₱2,625,837	₱113,988	₱4,600,015	₱4,594,922	(₱18,189)	₱285,680,370

38. Registrations with the Board of Investments (BOI)

a. Power Segment

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. The ITH shall be limited only to sales/revenue generated from sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2019 and 2018, these companies have complied with the requirements.



b. Food Manufacturing Segment

• *PILMICO*

On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Among others, said registration entitles PILMICO to three-year ITH from January 2016 or actual start of commercial operations, whichever is earlier, and importation of capital equipment at zero duty for a period of five years.

• *PANC*

PANC has been registered with the BOI and granted the following incentives:

- ITH for a period of three to four years;

Type of Registration	BOI Approval Date	Start of ITH Period	ITH Period
Expanding Producer of Animal Feeds	June 24, 2016	July 2016 ¹	3 years
New Producer of Table Eggs and By- Products	April 7, 2015	October 2015 ¹	4 years
New Producer of Hogs and Pork Meat	July 16, 2017	July 2017 ¹	3 years

¹ Or actual start of commercial operations, whichever is earlier, but not earlier than registration date,

- Importation of capital equipment at zero duty for a period of five years from date of registration;
- Other tax and duty exemptions on purchase of certain inventories.

There is no income tax incentive availed in 2019 and 2018 since PANC has incurred losses and did not exceed the base figure in the registered project's operation. As of December 31, 2019, PANC has complied with the terms and conditions indicated in the above BOI registrations.

c. Infrastructure Segment

On January 24, 2018, the BOI approved Apo Agua's application for registration as new operator of Bulk Water Supply (Davao City Bulk Water Project) under the 2017 IPP on a non-pioneer status under Omnibus Investments Code of 1987. The BOI issued the Certificate of Registration on April 12, 2018 which entitles Apo Agua to an ITH of four years from February 2022 or actual start of commercial operations, whichever is earlier but availment shall in no case be earlier than the date of registration.

39. **Rate Regulation, Power Supply and Other Agreements**

- a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. Steam Supply Agreement

On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.



To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018 and shall continue in effect until October 22, 2034, unless earlier terminated or extended by mutual agreement of the Parties.

Total steam supply cost incurred by APRI, reported as part of “Cost of generated power” amounted to ₱5.0 billion in 2019, ₱5.2 billion in 2018 and ₱5.0 billion in 2017.

c. Coal Supply Agreements (CSA)

TLI enters into short-term CSA. Outstanding coal supply agreements as of December 31, 2019 have aggregate supply amounts of 560,000 MT (equivalent dollar value is estimated to be at \$28.6 million), which are due for delivery from January 2020 to April 2020. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019, and was extended for 2 months ending on December 31, 2019. In addition, a supply backstop deed was included in the CSA wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the CSA; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Joint Venture Agreement

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.

Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.



40. Contingencies

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱958.3 million in 2019 and ₱1.0 billion in 2018 and 2017.

41. Other Matters

a. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.



R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
- ii. Creation of a WESM; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2019, the SC has not lifted the TRO.



d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the “Must-Offer” rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the “Must-Offer Rule” during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile’s rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile’s engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC’s findings.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA’s Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2019, the petition is still pending resolution with the SC.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC’s provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.



On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month. On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2019, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2019, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.



On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.



In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

In 2018, TPVI paid a total amount of ₱1.0 billion for the NPPC-APA and NPPC-LLA and ₱496.0 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2019.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of



electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2019.

j. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.



On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)

The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)

On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

42. Events after the Reporting Period

- a. To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the 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 will be taken out of the unrestricted retained earnings as of December 31, 2019, and will be paid on April 3, 2020. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.



- b. On March 6, 2020, the BOD approved the 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.
- c. 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.
- d. COVID-19

In January 2020, the outbreak of COVID-19 has caused major disruptions in various parts of the world. Gold Coin Group operates in various countries, including China. The extent of the impact of COVID-19 in the operation of Gold Coin Group will depend on the effectiveness of the preventive measures put in place as well as on its duration.

The Group is currently monitoring the progress of the COVID-19 situation and is assessing how it will impact its operating results in subsequent years.

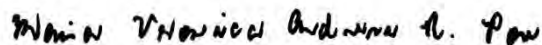


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020

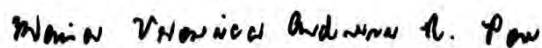


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2019

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required By the Securities and Exchange Commission As of and for the Year Ended December 31, 2019

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A - Financial Assets	1
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NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
Agribank, Dong Thap	Not applicable	P 1,368	Not applicable	P -
Agriculture Bank of China	Not applicable	80,472	Not applicable	176
AmBank Malaysia Berhad	Not applicable	17	Not applicable	-
ANZ	Not applicable	67,176	Not applicable	35
Asian United Bank	Not applicable	11,919	Not applicable	3
Banco de Oro	Not applicable	4,862,552	Not applicable	259,725
Bangkok Bank Public Company Limited	Not applicable	1,982	Not applicable	17
Bank Central Asia	Not applicable	16,730	Not applicable	301
Bank Mandiri	Not applicable	15,115	Not applicable	73
Bank Muamalat	Not applicable	1,901	Not applicable	2,164
Bank of China	Not applicable	36,059	Not applicable	376
Bank of Commerce	Not applicable	936	Not applicable	-
Bank of the Philippine Islands	Not applicable	620,804	Not applicable	21,041
BDO Unibank, Inc.	Not applicable	14,850	Not applicable	844
China Merchants Bank	Not applicable	4,149	Not applicable	21
Citibank	Not applicable	8,326	Not applicable	-
City Savings Bank	Not applicable	633	Not applicable	1
Commerce International Merchant Bankers Berhad (CIMB)	Not applicable	79,435	Not applicable	-
Development Bank of Singapore	Not applicable	26,923	Not applicable	-
Development Bank of the Philippines	Not applicable	8,603	Not applicable	3
EPCI Bank	Not applicable	51	Not applicable	-
Fudian Bank Co., Ltd.	Not applicable	296	Not applicable	1
Hongkong Shanghai Banking Corporation	Not applicable	1,222,803	Not applicable	648
ING Bank N.V.	Not applicable	3,491	Not applicable	-
JP Morgan	Not applicable	10,905	Not applicable	1,225
Kasikom bank	Not applicable	4,676	Not applicable	-
Landbank of the Philippines	Not applicable	10,163	Not applicable	19
Malayan Banking Berhad	Not applicable	6,709	Not applicable	-
Meezan Bank Limited	Not applicable	6,876	Not applicable	-
Metropolitan Bank and Trust Company	Not applicable	287,727	Not applicable	1,011
Mizuho Corporate Bank, Ltd.	Not applicable	6,061	Not applicable	2

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Myanma Foreign Trade Bank (MFTB Bank)	Not applicable	8	Not applicable	-
PB Com	Not applicable	127	Not applicable	1
Philippine National Bank	Not applicable	106,494	Not applicable	34
Philippine Veterans Bank	Not applicable	455	Not applicable	-
PT Bank Permata	Not applicable	45	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	23,251	Not applicable	57
Rural Bank of Davao	Not applicable	9,856	Not applicable	-
Rural Credit Cooperatives Association	Not applicable	44	Not applicable	2
Sacombank	Not applicable	142,788	Not applicable	795
Security Bank Corporation	Not applicable	524,435	Not applicable	13,100
Standard Chartered Bank	Not applicable	456,097	Not applicable	1,262
The Bank of China Construction	Not applicable	22,440	Not applicable	95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	1,301	Not applicable	-
The Siam Commercial Bank Public Company Limited	Not applicable	1,152	Not applicable	6
Union Bank of the Philippines	Not applicable	8,993,880	Not applicable	141,546
Vietcom Bank	Not applicable	84,750	Not applicable	177
Vietinbank	Not applicable	3,947	Not applicable	-
Vietnam Bank for Agriculture and Rural Development	Not applicable	1	Not applicable	1
TOTAL		P 17,790,779		P 444,762
Money Market Placements				
ANZ Bank	Not applicable	P -	Not applicable	P 838
Banco de Oro	Not applicable	1,944,117	Not applicable	59,719
Bank Muamalat	Not applicable	56,415	Not applicable	3,688
Bank of the Philippine Islands	Not applicable	690,132	Not applicable	70,816
BDO Private Bank, Inc.	Not applicable	50,002	Not applicable	2,501
China Trust Banking Corporation	Not applicable	89,496	Not applicable	18,048
City Savings Bank	Not applicable	16,707,768	Not applicable	507,030
First Metro Investment Corporation	Not applicable	700,000	Not applicable	2,455
Hongkong & Shanghai Banking Corporation	Not applicable	31,668	Not applicable	225
International Container	Not applicable	-	Not applicable	842
Metropolitan Bank and Trust Company	Not applicable	670,716	Not applicable	21,676
Mizuho Corporate Bank, Ltd.	Not applicable	-	Not applicable	71,012

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019

(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Philippine National Bank	Not applicable	6,884	Not applicable	189
Sacombank - VND	Not applicable	491,426	Not applicable	3,787
Security Bank Corporation	Not applicable	3,956,532	Not applicable	90,787
Union Bank of the Philippines	Not applicable	2,766,459	Not applicable	201,229
Vietcombank	Not applicable	36,054	Not applicable	155
Vietinbank	Not applicable	75,535	Not applicable	2,682
VLL International, Inc.	Not applicable	-	Not applicable	1,257
TOTAL		P 7,332,890		P 300,086
Trade Receivables				
Power	Not applicable	P 14,931,949	Not applicable	Not applicable
Food manufacturing	Not applicable	7,492,861	Not applicable	Not applicable
Real estate	Not applicable	5,196,331	Not applicable	Not applicable
Holding and others	Not applicable	1,222,026	Not applicable	Not applicable
TOTAL		P 28,843,167		
Other Receivables				
Nontrade receivables	Not applicable	P 5,926,179	Not applicable	Not applicable
Accrued revenues	Not applicable	3,463,904	Not applicable	Not applicable
Dividends receivable	Not applicable	1,199,068	Not applicable	Not applicable
Advances to contractors	Not applicable	63,339	Not applicable	Not applicable
Others	Not applicable	901,201	Not applicable	Not applicable
TOTAL		P 11,553,691		
Financial assets at FVTPL				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 1,882	P 1,882	P -
Megaworld Properties, Inc.	1,842,750	7,390	7,390	-
Filinvest Development Corporation	160,316	2,084	2,084	16
Filinvest Land, Inc.	303,515	455	455	19
Others	623,303	12,404	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019

(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Others	1,002,882	57,217	-	-
Unit Investment Trust Fund				
Union Bank of the Philippines	1,050,350	-	-	-
Investment in Bonds				
JP Morgan	-	331,415	-	-
Investment in Exchange Traded Funds				
Banco de Oro	-	-	-	9,778
JP Morgan	-	638,376	-	-
TOTAL		P 1,027,008	P -	P 9,778

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS**

AS DECEMBER 31, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written Off			
TRADE							
Pilmico Animal Nutrition Corporation	P 940	P 5,982	P -	P -	P 6,922	P -	P 6,922
Pilmico Foods Corporation	1,437	42,960	-	-	44,397	-	44,397
PFC International -VHF	-	24,409	-	-	24,409	-	24,409
PFC International	-	3,459	-	-	3,459	-	3,459
AEV Aviation, Inc.	-	510	-	-	510	-	510
Cebu Praedia Development Corporation	-	510	-	-	510	-	510
Aboitiz Infracapital, Inc.	24,460	-	(18,304)	-	6,156	-	6,156
APO Agua Infraestructura Inc. Total	3,585	-	(3,302)	-	283	-	283
Lima Water Coporation	632	-	(627)	-	5	-	5
Weather Solutions, Inc.	3,287	1,465	-	-	4,752	-	4,752
Aboitizland, Inc.	16,395	-	(9,912)	-	6,483	-	6,483
Cebu Industrial Park Developers, Inc.	112	-	(291)	-	(179)	-	(179)
Lima Land, Inc.	1,049	-	(410)	-	639	-	639
Propriedad del Norte, Inc.	-	2	-	-	2	-	2
Aboitiz Power Corporation	5,859	-	3,996	-	9,855	-	9,855
Aboitiz Energy Solutions, Inc.	74	-	(70)	-	4	-	4
Aboitiz Power Distributed Energy, Inc.	1,028	22	-	-	1,050	-	1,050
Aboitiz Power Distributed Renewables, Inc.	459	-	-	-	459	-	459
Aboitiz Renewables, Inc.	-	439	-	-	439	-	439
Abovant Holdings, Inc.	-	1	-	-	1	-	1
Advent Energy, Inc.	16	-	(16)	-	-	-	-
AP Renewables, Inc.	2,724	-	(18,638)	-	(15,914)	-	(15,914)
Aseagas Corporation	397	-	-	-	397	-	397
Balamban Enerzone Corp.	32	260	-	-	292	-	292
Cebu Private Power Corporation	118	1,483	-	-	1,601	-	1,601
Cotabato Ice Plant, Inc.	(732)	-	(11)	-	(743)	-	(743)
Cotabato Light and Power Company	461	1,728	-	-	2,189	-	2,189
Davao Light and Power Co., Inc.	2,142	17,221	-	-	19,363	-	19,363
East Asia Utilities Corp.	132	686	-	-	818	-	818
Hedcor Bukidnon, Inc.	928	694	-	-	1,622	-	1,622
Hedcor Sabangan, Inc.	60	1,050	-	-	1,110	-	1,110

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written Off			
Hedcor Sibulan, Inc.	2,770	-	(1,036)	-	1,734	-	1,734
Hedcor Tudaya, Inc.	187	192	-	-	379	-	379
Hedcor, Inc.	2,860	2,516	-	-	5,376	-	5,376
Lima Enerzone Corporation	57	944	-	-	1,001	-	1,001
Luzon Hydro Corporation	289	1,715	-	-	2,004	-	2,004
Mactan Enerzone Corporation	45	194	-	-	239	-	239
Malvar Enerzone Corporation	-	3	-	-	3	-	3
Manila-Oslo Renewable Enterprise, Inc.	122	-	(122)	-	-	-	-
Prism Energy, Inc.	554	-	(535)	-	19	-	19
San Carlos Sun Power, Inc.	291	-	(214)	-	77	-	77
SN Aboitiz Power - Benguet, Inc.	1,072	-	(1,072)	-	-	-	-
SN Aboitiz Power - Generation, Inc.	8	-	(8)	-	-	-	-
SN Aboitiz Power - Magat, Inc.	1,050	-	(1,050)	-	-	-	-
Steag State Power Inc	9	-	(9)	-	-	-	-
Subic Enerzone Corporation	529	220	-	-	749	-	749
Therma Luzon, Inc.	7,557	18,654	-	-	26,211	-	26,211
Therma Marine, Inc.	2,904	5,439	-	-	8,343	-	8,343
Therma Mobile, Inc.	130	761	-	-	891	-	891
Therma Power Visayas, Inc.	-	27	-	-	27	-	27
Therma Visayas, Inc.	3,382	15,095	-	-	18,477	-	18,477
Therma Power, Inc.	-	567	-	-	567	-	567
Therma South, Inc.	1,692	19,284	-	-	20,976	-	20,976
Visayan Electric Co., Inc.	78,899	-	(2,000)	-	76,899	-	76,899
NON-TRADE							
AEV Aviation, Inc.	4,032	-	(1,100)	-	2,932	-	2,932
Cebu Praedia Development Corporation	70,814	-	(70,814)	-	-	-	-
Pilmico Foods Corporation	295,178	-	-	-	5,178	290,000	295,178
Adventenergy, Inc.	303,459	-	(642)	-	2,817	300,000	302,817
Therma Power, Inc.	631,574	-	(22,366)	-	609,208	-	609,208
Total	P 1,475,059	P 168,492	P (148,553)	P -	P 904,998	P 590,000	P 1,494,998

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2019

(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS		Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts			
A. Intangibles							
Goodwill	P 56,361,133	P 13,089	P -	P -	P (51,490)	P -	P 56,322,732
Service concession right	3,791,377	3,187,814	(361,599)	-	(82,316)	-	6,535,276
Franchise	2,648,732	-	(76,960)	-	-	-	2,571,772
Project development costs	583,095	419,637	-	-	(91,132)	-	911,600
Customer contracts	27,429	-	(12,550)	-	-	-	14,879
Software and licenses	365,007	191,312	(109,113)	-	(2,370)	-	444,836
B. Other Noncurrent Assets							
Restricted cash	-	4,672,031	-	-	-	-	4,672,031
Input VAT and tax credit receivable	5,462,983	-	(961,897)	-	-	-	4,501,086
Financial assets at FVTPL	353,734	378,063	-	-	-	-	731,797
Financial assets at FVOCI	225,552	-	(49,073)	-	-	-	176,479
Debt investments at amortized cost	453,871	-	(218,903)	-	-	-	234,968
Prepaid rent and other deposits	1,979,024	-	(687,872)	-	-	-	1,291,152
Advances to contractors and projects	1,098,747	353,525	-	-	-	-	1,452,272
Biological assets	134,144	6,160	-	-	-	-	140,304
Others	500,226	434,326	-	-	-	-	934,552
T o t a l	P73,985,054	P9,655,957	(P2,477,967)	P -	(P227,308)	P -	P80,935,736

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2019

(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,983,978	6,189,580	1,794,398	
BPI Capital Corporation	23,930,341	10,435,213	13,495,128	
BDO Capital & Investment Corporation	4,941,380	(9,311)	4,950,691	
Subsidiaries:				
Aboitiz Power Corporation	50,079,825	1,215,355	48,864,470	
AP Renewables, Inc.	7,997,979	-	7,997,979	
Hedcor, Inc.	1,739,170	118,729	1,620,441	
Hedcor Bukidnon, Inc.	9,312,812	571,192	8,741,620	
Hedcor Sibulan, Inc.	3,770,735	93,171	3,677,564	
Cotabato Light and Power Co., Inc.	116,400	29,550	86,850	
Davao Light & Power Co., Inc.	582,000	147,750	434,250	
Subic Enerzone Corporation	113,000	56,500	56,500	
Pagbilao Energy Corporation	13,163,854	1,111,887	12,051,967	
Luzon Hydro Corporation	563,664	277,838	285,826	
Therma South, Inc.	19,893,083	1,283,069	18,610,014	
Therma Visayas, Inc.	31,229,677	2,065,254	29,164,423	
Therma Power Visayas, Inc.	1,290,250	-	1,290,250	
GMCP	37,044,441	3,219,540	33,824,901	
Visayan Electric Company	774,732	196,476	578,256	
Pilmico Foods Corporation	2,868,810	6,895	2,861,915	
Pilmico Animal Nutrition Corp.	2,631,260	68,723	2,562,537	
AEV International	13,396,190	35,880	13,360,310	
Triplecrown Properties, Inc.	246,425	13,627	232,798	
Apo Agua	5,909,532	-	5,909,532	
Total	P239,579,538	P27,126,918	P212,452,620	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2019

(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,632,793	-	2,737,173	263,726	2,631,894
PREFERRED SHARES	400,000	-	-	-	-	-

ABOUTIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Related Party	Balances			Volume				Terms
	Trade	Non-trade	Total	Sales	Rental	Interest	Advances	
TRADE								
Pilmico Animal Nutrition Corporation	P 6,922	P -	6,922	P 116,681	P 2,110	P -	P -	30 days
Pilmico Foods Corporation	44,397	-	44,397	3,737,276	20,814	-	-	30 days
PFC International -VHF	24,409	-	24,409	-	-	-	-	30 days
PFC International	3,459	-	3,459	-	-	-	-	30 days
Cebu Praedia Development Corporation	510	-	510	3,124	-	-	-	30 days
AEV Aviation, Inc.	510	-	510	4,293	16,675	-	-	30 days
Aboitiz Infracapital, Inc.	6,156	-	6,156	25,816	1,746	-	-	30 days
APO Agua Infraestructura Inc. Total	283	-	283	8,009	13	-	-	30 days
Lima Water Coporation	5	-	5	1,423	-	-	-	30 days
Weather Solutions, Inc.	4,752	-	4,752	3,119	5	-	-	30 days
Aboitizland, Inc.	6,483	-	6,483	62,397	14,100	-	-	30 days
Misamis Oriental Land Dev. Corp.	-	-	-	258	-	-	-	30 days
Cebu Industrial Park Developers, Inc.	(179)	-	(179)	4,886	114	-	-	30 days
Lima Land, Inc.	639	-	639	16,023	-	-	-	30 days
Propriedad del Norte, Inc.	2	-	2	-	-	-	-	30 days
Aboitiz Power Corporation	9,855	-	9,855	82,217	21,175	-	-	30 days
Aboitiz Energy Solutions, Inc.	4	-	4	1,285	2	-	-	30 days
Aboitiz Power Distributed Energy, Inc.	1,050	-	1,050	1,055	-	-	-	30 days
Aboitiz Power Distributed Renewables, Inc.	459	-	459	26	-	-	-	30 days
Aboitiz Renewables, Inc.	439	-	439	1,518	1,238	-	-	30 days
Abovant Holdings, Inc.	1	-	1	191	-	-	-	30 days
Advent Energy, Inc.	-	-	-	1,037	-	-	-	30 days
AP Renewables, Inc.	(15,914)	-	(15,914)	37,112	1,271	-	-	30 days
Aseagas Corporation	397	-	397	-	2	-	-	30 days
Balamban Enerzone Corp.	292	-	292	2,559	279	-	-	30 days
Cebu Private Power Corporation	1,601	-	1,601	4,911	-	-	-	30 days
Cotabato Ice Plant, Inc.	(743)	-	(743)	-	-	-	-	30 days
Cotabato Light and Power Company	2,189	-	2,189	6,715	10,065	-	-	30 days
Davao Light and Power Co., Inc.	19,363	-	19,363	92,870	31,014	-	-	30 days
East Asia Utilities Corp.	818	-	818	4,161	-	-	-	30 days
Hedcor Bukidnon, Inc.	1,622	-	1,622	6,604	1,238	-	-	30 days
Hedcor Sabangan, Inc.	1,110	-	1,110	1,318	1,238	-	-	30 days
Hedcor Sibulan, Inc.	1,734	-	1,734	3,185	1,238	-	-	30 days
Hedcor Tudaya, Inc.	379	-	379	1,207	1,238	-	-	30 days
Hedcor, Inc.	5,376	-	5,376	20,869	624	-	-	30 days
Lima Enerzone Corporation	1,001	-	1,001	16,495	1,517	-	-	30 days
Luzon Hydro Corporation	2,004	-	2,004	4,106	1,238	-	-	30 days
Mactan Enerzone Corporation	239	-	239	7,116	278	-	-	30 days
Malvar Enerzone Corporation	3	-	3	11	-	-	-	30 days
Phippine Geothermal Production Company, Inc.	-	-	-	50	-	-	-	30 days
Prism Energy, Inc.	19	-	19	933	196	-	-	30 days

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Related Party	Balances			Volume				Terms
	Trade	Non-trade	Total	Sales	Rental	Interest	Advances	
San Carlos Sun Power, Inc.	77	-	77	2,485	-	-	-	30 days
Subic Enerzone Corporation	749	-	749	32,753	558	-	-	30 days
Therma Luzon, Inc.	26,211	-	26,211	53,940	9,129	-	-	30 days
Therma Marine, Inc.	8,343	-	8,343	15,175	4,996	-	-	30 days
Therma Mobile, Inc.	891	-	891	9,506	3	-	-	30 days
Therma Power Visayas, Inc.	27	-	27	292	-	-	-	30 days
Therma Visayas, Inc.	18,477	-	18,477	31,829	27	-	-	30 days
Therma Power, Inc.	567	-	567	-	-	-	-	30 days
Therma South, Inc.	20,976	-	20,976	35,381	2,346	-	-	30 days
Visayan Electric Co., Inc.	76,899	-	76,899	239,695	15,394	-	-	30 days
NON-TRADE								
AEV Aviation, Inc.	-	2,932	2,932	-	-	-	-	30 days
Cebu Praedia Development Corporation	-	-	-	-	-	2,197	-	short & long term
Pilmico Foods Corporation	-	295,178	295,178	-	-	18,907	290,000	long term
Adventenergy, Inc.	-	302,817	302,817	-	-	16,539	300,000	long term
Therma Power, Inc.	-	609,208	609,208	-	-	20,054	607,620	on demand
Total	P 284,863	P 1,210,135	P 1,494,998	P 4,701,912	P 161,881	P 57,697	P 1,197,620	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

**SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS**

AS DECEMBER 31, 2019

(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P 1,602	P 1,602	P -	P 51,539	P -	on demand
Cebu Praedia Development Corporation	-	69	69	-	9,141	-	on demand
AEV Properties, Inc.	-	-	-	-	-	25,691	on demand
Total	P -	P 1,671	P 1,671	P -	P 60,680	P 25,691	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

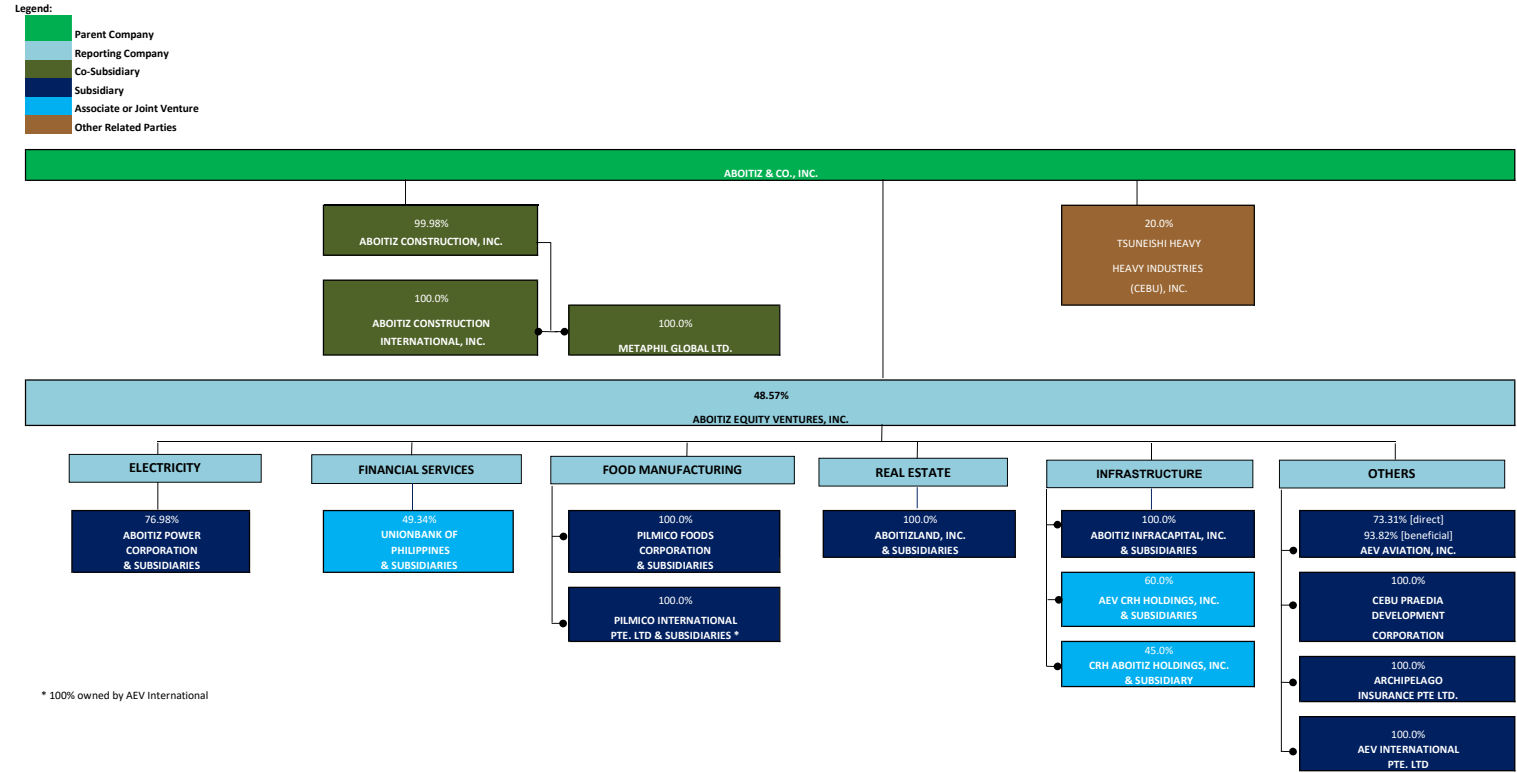
Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2019
(Amounts in Philippine Currency and in Thousands)

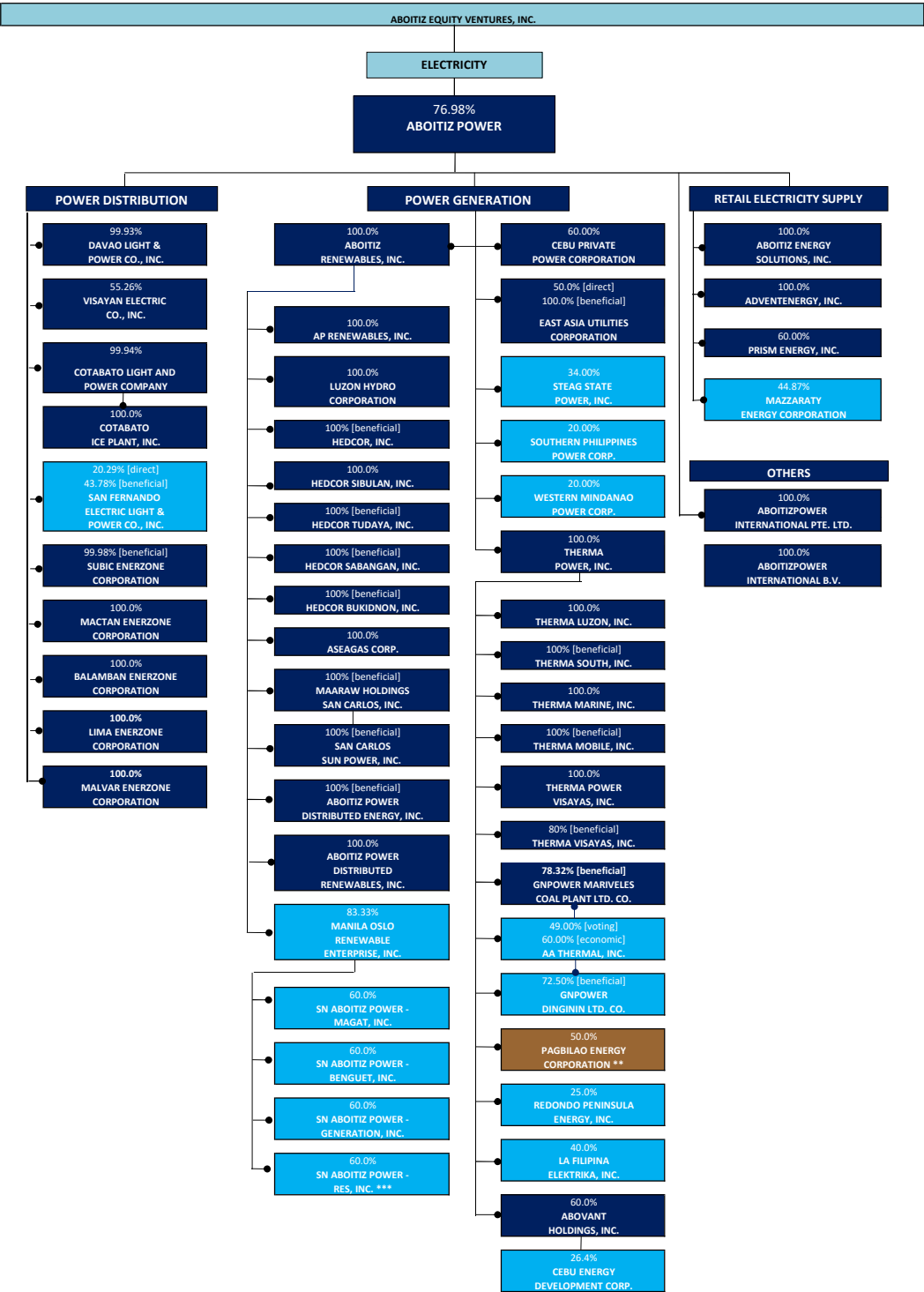
Unappropriated Retained Earnings, beginning	26,089,053
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Effects of adoption of new accounting standard (PFRS 16)	75,736
Adjustments directly made to retained earnings:	
Treasury Shares	565,246
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	25,448,071
 Net Income based on the face of audited financial statements	 9,049,425
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	9,049,425
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,435,286
Appropriations of Retained Earnings during the period	-
Treasury Shares purchased	-
Retained Earnings available for Dividend, as of year-end	27,062,210

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

		AS RESTATED IN 2019	
	FORMULA	DEC 2018	DEC 2019
LIQUIDITY RATIOS			
Current ratio	<div>Current assets</div> <div>Current liabilities</div>	1.80	1.27
Acid test ratio	<div> Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets </div> <div>Current liabilities</div>	1.30	0.86
SOLVENCY RATIOS			
Debt to equity ratio	<div>Total liabilities</div> <div>Total equity</div>	1.54	1.71
Asset to equity ratio	<div>Total assets</div> <div>Total equity</div>	2.54	2.71
Net debt to equity ratio	<div>Debt - cash & cash equivalents</div> <div>Total equity</div>	1.01	1.17
Gearing ratio	<div>Debt - cash & cash equivalents</div> <div> Total equity + (Debt - cash & cash equivalents) </div>	50.29%	54.01%
Interest coverage ratio	<div>EBIT</div> <div>Net interest expense</div>	3.86	3.14
PROFITABILITY RATIOS			
Operating Margin	<div>Operating Profit</div> <div>Total revenues</div>	20.95%	16.2%
Return on Equity	<div>Net income after tax</div> <div>Total equity (adjusted for cash dividend)</div>	14.86%	13.03%





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

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES
CONGLOMERATE MAPPING

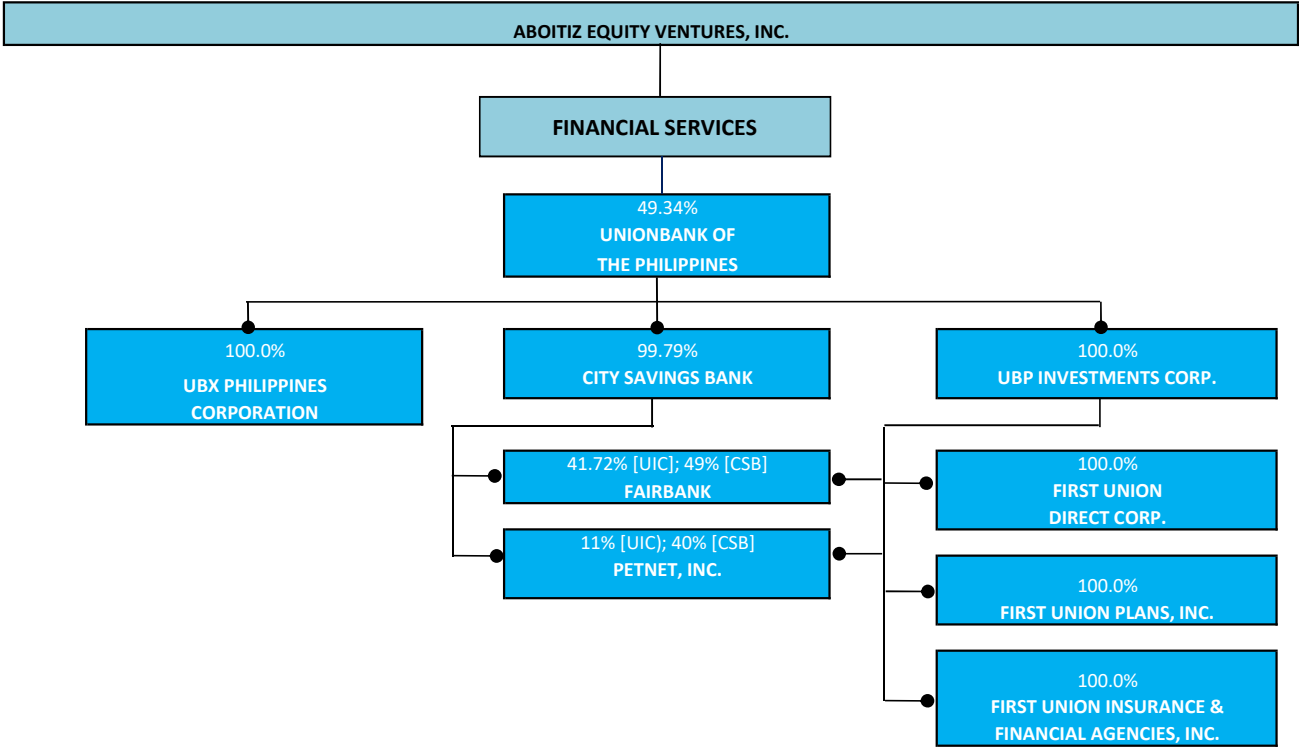
As of December 31, 2019

Legend:

Reporting Company

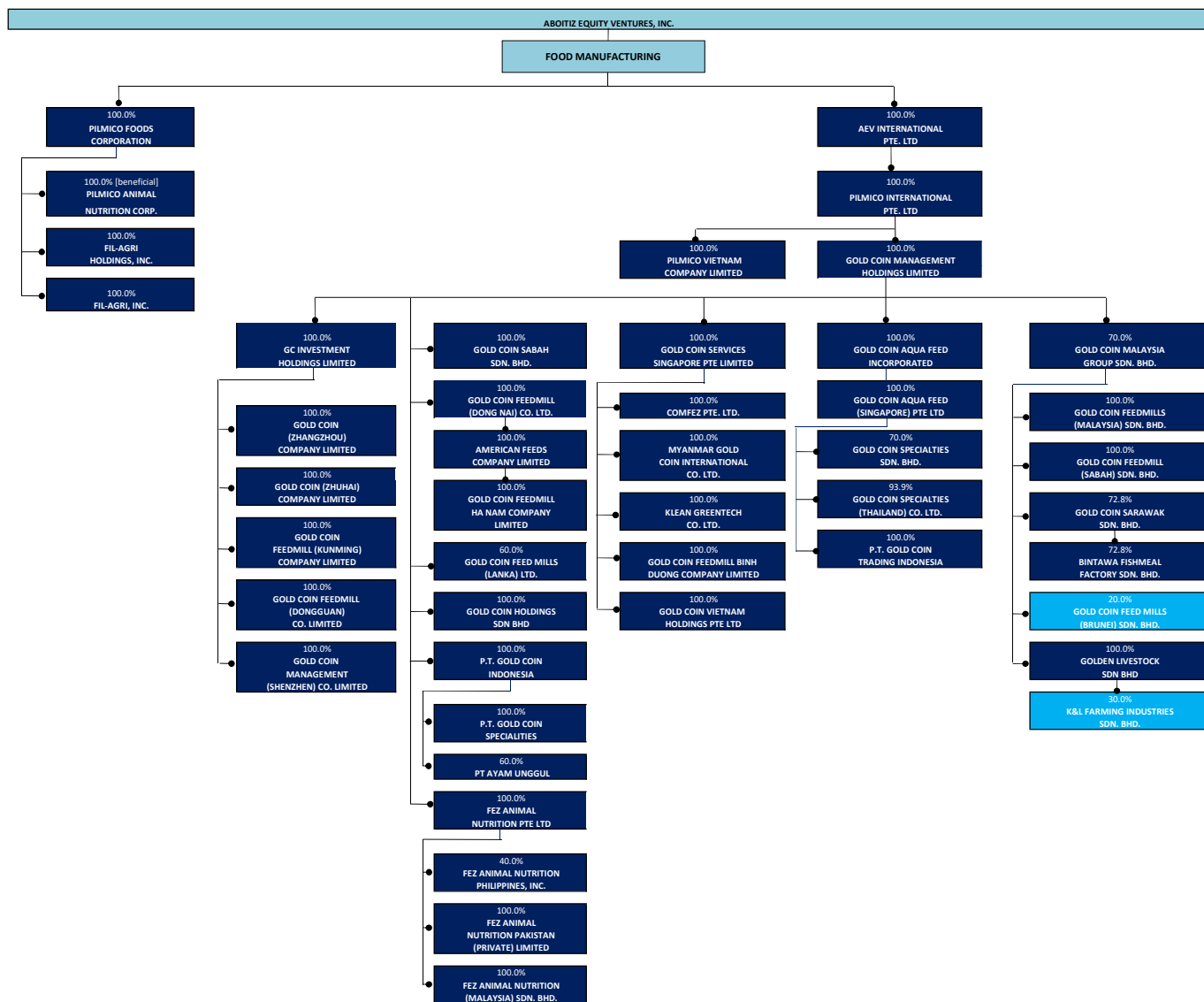
Subsidiary

Associate or Joint Venture



Legend:

	Reporting Company
	Subsidiary
	Associate or Joint Venture

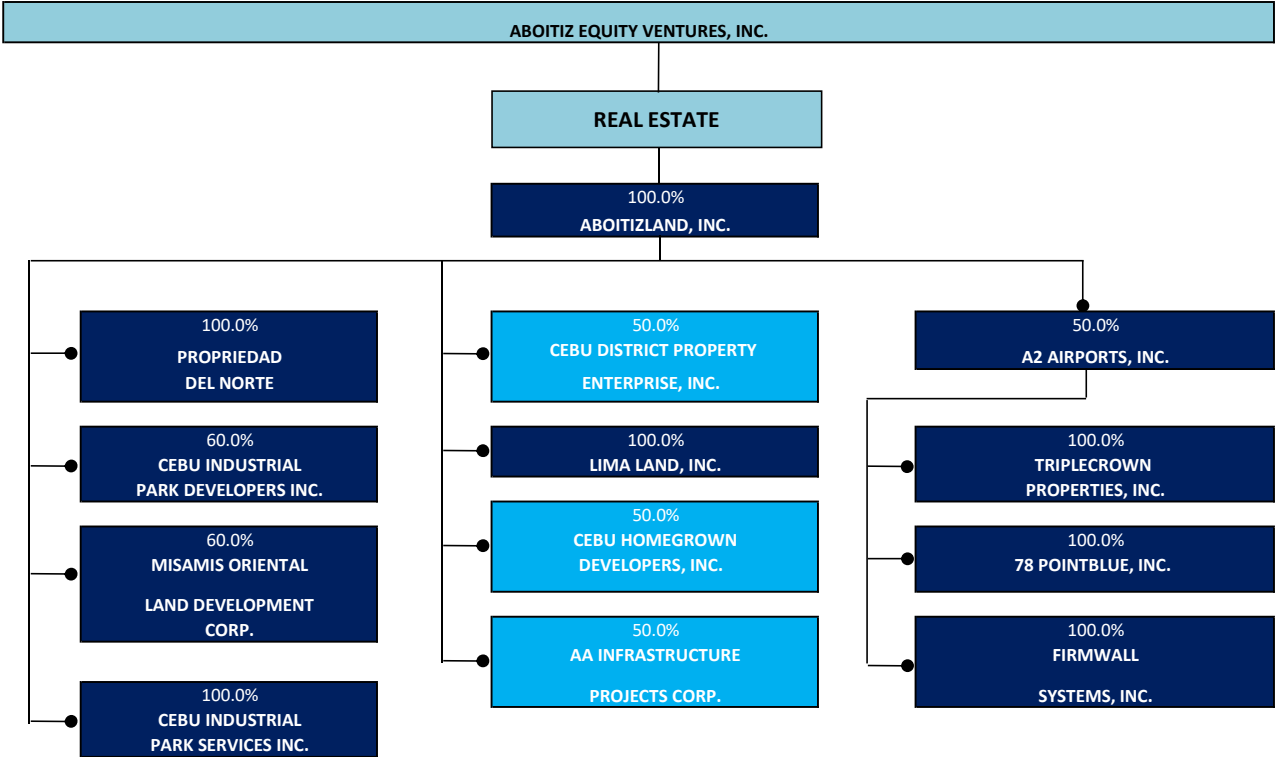


ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING

As of December 31, 2019

Legend:

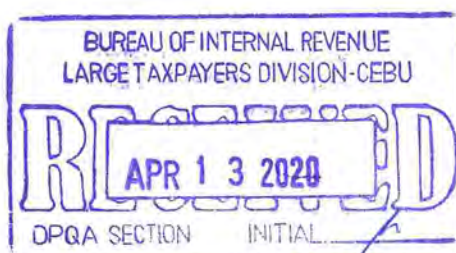
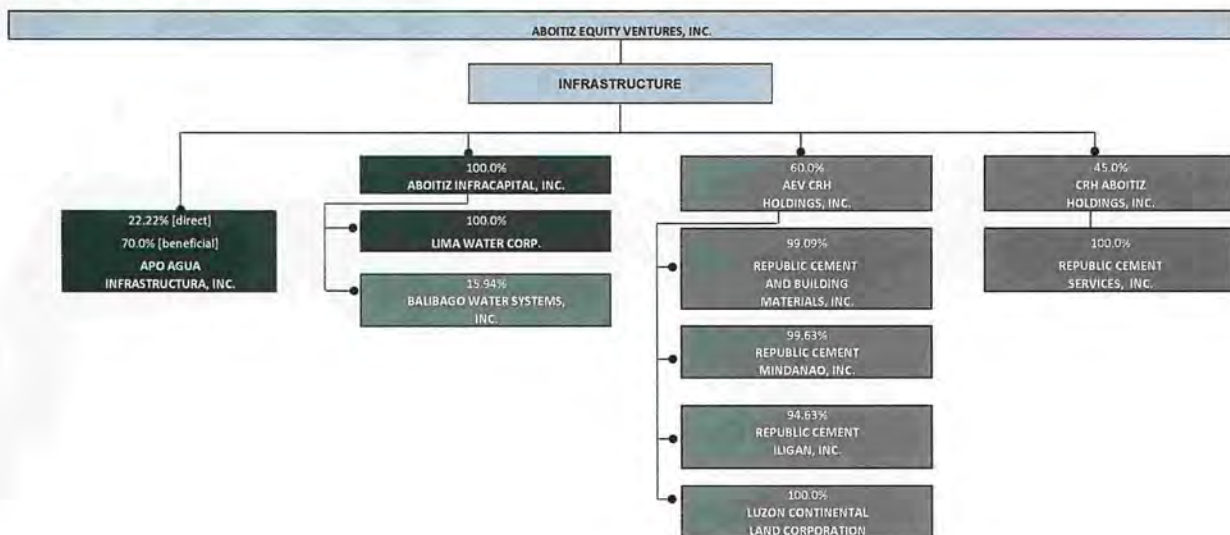
- Reporting Company
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE
CONGLOMERATE MAPPING
As of December 31, 2019

Legend:

	Reporting Company
	Subsidiary
	Associate or Joint Venture
	Other Related Parties



Annex C. Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

We are pleased to present, on our 11th year of sustainability reporting, the Aboitiz Equity Ventures Inc. (AEV) Annual and Sustainability Report (the “2019 Integrated Annual Report”). The theme for 2019 report is *“Guided by Values for a Sustainable Future”* as the Aboitiz Group continues to integrate the principles sustainability in fulfilling our purpose and brand promise: to drive change for a better world by advancing business and communities.

The 2019 Integrated Annual Report provides information on AEV’s financial, operational, governance, social, and environmental performance that are material to its businesses and various stakeholders. This report also provides our progress through various programs guided by the UN Sustainable Development Goals. This report has been prepared in accordance with the GRI Standards: Core Option. GRI Materiality Disclosures Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI content index is found starting on page 253 of the 2019 Integrated Annual Report.

This report is in compliance with the Securities and Exchange Commission Memorandum Circular No. 4 Series of 2019: “Sustainability Reporting Guidelines for Publicly Listed Companies.”

Kindly refer to the 2019 Integrated Annual Report: Guided by Values for a Sustainable Future, available for downloading at <https://abotiz.com/investor-relations/latest-annual-report/>

Contextual Information

Company Details	
Name of Organization	Aboitiz Equity Ventures Inc.
Location of Headquarters	NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, 1643 Philippines
Location of Operations	The locations where the operations of the Aboitiz Group’s businesses are found on pages 200 to 201 of the 2019 Integrated Annual Report.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	The reporting scope is found on page 5 of the 2019 Integrated Annual Report.
Business Model, including Primary Activities, Brands, Products, and Services	Kindly refer to pages 6 to 9 of the 2019 Integrated Annual Report.
Reporting Period	January 1, 2019 to December 31, 2019
Highest Ranking Person responsible for this report	Mr. Sabin M. Aboitiz, President and Chief Executive Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹

The discussion on the materiality assessment process can be found on page 5 of the 2019 Integrated Annual Report (About the Report)

Materiality, as defined by the GRI reporting framework, includes topics and disclosures that reflect the Group's significant economic, environmental, and social impacts, or those that would substantially influence the assessments and decisions of our stakeholders. Our process involved an internal analysis of the importance of a broad list of sustainability issues related to our core businesses of power, banking and financial services, food, infrastructure, land, and our corporate foundations. At the parent company level, we integrated the common material issues that are within the medium-term horizon of our reporting parameters.

We used our stakeholder dialogues and company-wide feedback channels to inform the selection of these material issues, which were discussed and approved by the Aboitiz Group Management Committee as part of the focus areas of our Aboitiz Sustainability Framework.

Supporting references are found on pages 139 (Key Dialogue Channel for Stakeholders) and 252 (Summary of Material Concerns) of the 2019 Integrated Annual Report.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

AEV's financial performance is summarized on pages 10 to 11 (Financial Highlights), and discussed on pages 28 to 37 (CFO Message) of the 2019 Integrated Annual Report.

Disclosure	Amount	Units
Direct economic value generated (revenue)		PhP
Direct economic value distributed:		
a. Operating costs		PhP

¹ See [GRI 102-46](#) (2016) for more guidance.

b. Employee wages and benefits		PhP
c. Payments to suppliers, other operating costs		Php
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government		PhP
f. Investments to community (e.g. donations, CSR)		PhP

A discussion on management's approach in addressing material economic indicators are found on pages 130 to 155 of the 2019 Integrated Annual Report (Management Approach)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Climate-related risks and opportunities²

A discussion on the Aboitiz Group's Climate-related actions is found on pages 142 and 143, and Climate-related risk management on pages 147 to 152 of the 2019 Integrated Annual Report.

In 2019, the Aboitiz Group embarked on preparatory activities to align with the recommendations of the Task Force on Climate-related Financial Disclosures. In February 2020, the Aboitiz Group officially signed to support TCFD and will further improve our reports in the succeeding year to include climate-related risks and opportunities. Kindly refer to the CFO Message on pages 28 to 35 of the 2019 Integrated Annual Report.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts ³ of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses,	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and

² Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

³ For this disclosure, impact refers to the impact of climate-related issues on the company.

	strategy and financial planning.		performance against targets
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</p> <p>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</p>	(e.g. employees, community, suppliers, government, vulnerable groups)	What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach

<i>Identify the opportunity/ies related to material topic of the organization</i>		
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Anti-corruption

Refer to pages 166 to 181 (Corporate Governance) of the 2019 Integrated Annual Report.

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti-corruption training		%
Percentage of employees that have received anti-corruption training		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach

<i>Identify the opportunity/ies related to material topic of the organization</i>		
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Incidents of Corruption

Corruption-related reports or incidents are discussed on page 180 (Key Company Policies) of the 2019 Integrated Annual Report.

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption		#
Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

ENVIRONMENT

Information on environmental indicators material to the Aboitiz Group are found on pages 257 to 259 (Appendix Table) of the 2019 Integrated Annual Report.

A discussion on the Aboitiz Group's management approach to environmental stewardship is found on pages 134 to 155 (Management Approach) of the 2019 Integrated Annual Report.

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>

<i>linked to impacts through its business relationship)</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

<i>Identify risk/s related to material topic of the organization</i>		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

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Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN ⁴ Red List species and national conservation list species with habitats in areas affected by operations	(list)	

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⁴ International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)		Tonnes

Refer to pages 130 to 155 (Management Approach) and 257 to 259 (Appendix Tables) of the 2019 Integrated Annual Report.

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Air pollutants

Disclosure	Quantity	Units
NO _x		kg
SO _x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

Refer to pages 130 to 155 (Management Approach) and 257 to 259 (Appendix Tables) of the 2019 Integrated Annual Report.

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Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
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Total solid waste generated		kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

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Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		kg

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

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Effluents

Disclosure	Quantity	Units
Total volume of water discharges		Cubic meters
Percent of wastewater recycled		%

Refer to pages 130 to155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach
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organization's involvement in the impact?		
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
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SOCIAL

Information on social indicators material to the Aboitiz Group are found on pages 257 to 259 (Appendix Table) of the 2019 Integrated Annual Report.

A discussion on the Aboitiz Group's management approach and focus areas focused on people is found on pages 134 to 155 (Management Approach), and pages 110 to 129 (Corporate Social Responsibility) of the 2019 Integrated Annual Report.

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁵		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate ⁶		rate
Ratio of lowest paid employee against minimum wage		ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
PhilHealth			
Pag-ibig			
Parental leaves			
Vacation leaves			
Sick leaves			
Medical benefits (aside from PhilHealth))			
Housing assistance (aside from Pag-ibig)			
Retirement fund (aside from SSS)			
Further education support			
Company stock options			

⁵ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁶ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Telecommuting			
Flexible-working Hours			
(Others)			

Refer to pages 130 to 155 (Management Approach), and pages 158-165 (Talent Management and Talent Analytics) of the 2019 Integrated Annual Report.

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What are the Opportunity/ies Identified?	Management Approach
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Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees		hours
b. Male employees		hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees		hours/employee

Refer to pages 130 to 155 (Management Approach), and pages 158-165 (Talent Management and Talent Analytics) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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What are the Opportunity/ies Identified?	Management Approach
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Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

Refer to pages 130 to 155 (Management Approach), and pages 257-259 (Appendix Tables) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

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What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours		Man-hours
No. of work-related injuries		#

No. of work-related fatalities		#
No. of work related ill-health		#
No. of safety drills		#

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What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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What are the Opportunity/ies Identified?	Management Approach
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Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		
Child labor		
Human Rights		

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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Relationship with Community

Significant Impacts on Local Communities

Refer to pages 110 to 129 (Corporate Social Responsibility) of the 2019 Integrated Annual Report.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	Management Approach
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Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		

Refer to pages 130 to 155 (Management Approach) of the 2019 Integrated Annual Report.

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What are the Opportunity/ies Identified?	Management Approach
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Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

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Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	Management Approach
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Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

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What are the Opportunity/ies Identified?	Management Approach
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Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

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<i>Identify the opportunity/ies related to material topic of the organization</i>	
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Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

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UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

The Value Creation Business model of the Aboitiz Group provides societal value and contribution to the UN SDGs.

Guided by UN SDGs we provide management approaches to minimize our potential negative impacts to various programs we implement across the group. Kindly refer to pages 142-146 (Aboitiz Sustainability Programs) of the 2019 Integrated Annual Report.

Our Businesses	Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Banking and Financial Services	Banking and Financial Services	<ul style="list-style-type: none"> • Smart banking solutions • Accessibility for the unbanked market SDG 8 and 9	<p>Potential negative environmental impacts to SDG 13.</p> <p>Potential negative impacts to SDG 10.</p>	<ul style="list-style-type: none"> • Managing our operations by providing programs to address impacts to SDG 12 and 13. • Inclusive banking programs increased its reach to the unbanked population and this addressed SDG 10 goals.
Power	Power Generation & Distribution Service	<ul style="list-style-type: none"> • Ample and reliable power supply • Reasonable and competitive price • Availability of a right mix of energy supply SDG 7	Potential negative impacts of Carbon footprint to SDG 13 14 and 15	<ul style="list-style-type: none"> • Managing Carbon footprint of our operations through compliance to regulatory standards and minimizing by promoting Carbon sequestration and biodiversity programs
Food	Food Products & Animal	<ul style="list-style-type: none"> • High-quality food supply 	Potential negative impacts to SDG 12 and 13	<ul style="list-style-type: none"> • Managing the Carbon footprint of our operations

	Nutrition Products	<ul style="list-style-type: none"> • Partnership entrepreneurship towards economic growth <p>SDG 2 and 8</p>		<p>through compliance to regulatory standards and responsible consumptions and production by converting agricultural waste to bunker fuel.</p> <ul style="list-style-type: none"> • Supported local cooperatives and small farms to address goals for SDG 8
Land	Real Estate Development	<ul style="list-style-type: none"> • Build deliberately designed townships • Boost economic growth through right mix of commercial, industrial and residential communities <p>SDG 11</p>	Potential negative impacts to SDG 13 14 and 15	<ul style="list-style-type: none"> • Managing impacts of land use and development based on regulatory standards and promoting programs to sustain life on land and water. • Utilizing renewable energy in our industrial estates. • Provide opportunities for decent work and economic growth through industrial, commercial and residential developments.
Infrastructure	Water Utilities	<ul style="list-style-type: none"> • Innovative Infrastructure Solutions • Access to clean water and transportation 	Potential negative impact to SDG 6	Managing impacts water distribution and use based on regulatory standards and promoting programs to sustain clean water and sanitation and

		SDG 6 and 9		maintaining watersheds to ensure availability of water supply.
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** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*