



August 13, 2021

*via electronic mail*

**SECURITIES AND EXCHANGE COMMISSION**

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

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

*via PSE EDGE*

**PHILIPPINE STOCK EXCHANGE, INC.**

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

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

*via electronic mail*

**PHILIPPINE DEALING & EXCHANGE CORP.**

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

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

Gentlemen:

Please see enclosed SEC Form 17-Q (2<sup>nd</sup> Quarterly Report 2021) of Aboitiz Equity Ventures Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ EQUITY VENTURES INC.**

By:

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

Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 8-886-2338

Company Telephone Number

1 2 3 1

Month Day Fiscal Year

1st Quarterly Report 2021

1 7 - Q

FORM TYPE

4th Monday of April

0 4 2 6

Month Day Annual Meeting

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2021**
2. Commission identification number **CEO2536** 3.BIR Tax Identification No. **003-828-269-V**
4. Exact name of issuer as specified in its charter

**ABOITIZ EQUITY VENTURES INC.**

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

**Philippines**

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6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office Postal Code

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

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8. Issuer's telephone number, including area code

**(02) 8 886-2800**

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

**N/A**

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock ₱1 Par Value</b>	<b>5,630,225,457</b>
<b>Amount of Debt Outstanding (June 30, 2021)</b>	<b>₱329,151,712,000.00</b>

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

Yes [  ] No [  ]

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

**Philippine Stock Exchange**

**Common**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

Please refer to the financial statements and schedule attached herewith.

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

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

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

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

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

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

#### **1. EQUITY IN NET EARNINGS OF 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 the acquisition of the said investment. This account reflects the result of the operating performance of Associates and Joint Ventures and indicates its contribution to the Group's consolidated net income.

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

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

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

## 3. CASH FLOW GENERATED

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

## 4. CURRENT RATIO

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

## 5. DEBT-TO-EQUITY RATIO

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

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

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

	JAN-JUN 2021	JAN-JUN 2020
EQUITY IN NET EARNINGS OF INVESTEES	<b>₱10,684,450</b>	₱3,105,353
EBITDA	<b>32,772,085</b>	22,874,102
CASH FLOW GENERATED:		
Net cash flows from operating activities	<b>16,874,238</b>	18,016,783
Net cash flows used in investing activities	<b>(5,365,165)</b>	(1,691,104)
Net cash flows from (used in) financing activities	<b>(20,113,358)</b>	12,339,600
Net increase (decrease) in Cash & Cash Equivalents	<b>(8,604,285)</b>	28,665,279
Cash & Cash Equivalents, Beginning	<b>65,966,411</b>	46,424,663
Cash & Cash Equivalents, End	<b>57,619,828</b>	75,288,514
	<b>JUNE 30, 2021</b>	<b>DECEMBER 31, 2020</b>
CURRENT RATIO	<b>1.5</b>	1.6
DEBT-TO-EQUITY RATIO	<b>1.6</b>	1.7

Equity earnings in investees increased by 244%, from ₱3.1 billion (bn) during the first six months of 2020 to ₱10.7 bn during the first six months of 2021. The increase was due to: (i) increased output of SN Aboitiz Power-Magat, Inc.'s and SN Aboitiz Power-Benguet, Inc.'s hydro power plants resulting from higher water inflows, (ii) higher earnings of Union Bank of the Philippines (UnionBank, or the "Bank"), (iii) recognition of income from

liquidated damages received for delays in the construction of GNPowr Dinginin Ltd. Co.'s (GNPD) power plant, and (iv) higher earnings of Republic due to stronger demand and reduced costs.

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

With total equity increasing more than total liabilities in the first six months of 2021, Debt-to-Equity Ratio decreased to 1.6x from the end-2020 level of 1.7x. Current Ratio as of 30 June 2021 decreased to 1.5x from the end-2020 level of 1.6x, as the growth in current liabilities outpaced the increase in current assets.

## **REVIEW OF JANUARY-JUNE 2021 OPERATIONS COMPARED TO JANUARY-JUNE 2020**

### **RESULTS OF OPERATIONS**

For the six-month period ended 30 June 2021, AEV and its Subsidiaries posted a net income attributable to the equity holders of Parent Company ("Net Income to Equity Holders of AEV") of ₱13.5 bn, a 243% increase year-on-year (YoY). This translated to earnings per share of ₱2.39 for the period. The Power Group accounted for the bulk of the income contributions to AEV at 53%, followed by the Banking and Financial Services, Infrastructure, Food, and Real Estate Groups at 28%, 9%, 7%, and 3%, respectively.

During the first six months of 2021, the Group generated non-recurring losses of ₱169 million (mn) (compared to ₱20 mn for the corresponding period in 2020) due to the goodwill write-off related to City Savings Bank, Inc. (CitySavings). Without these one-off losses, the Group's core net income for the first six months of 2021 was ₱13.6 bn, 246% higher YoY. AEV recorded a 43% increase in consolidated EBITDA for the first six months of 2021 to ₱32.8 bn, compared to ₱22.9 bn for the same period in 2020.

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

The following discussion describes material changes in the line items of the Company's statement of income and of comprehensive income for the six months ended 30 June 2021 compared to the six months ended 30 June 2020.

#### **Revenues**

##### *Sale of Power*

The Group's revenue from sale of power increased by 14%, or ₱7.3 bn, from ₱52.9 bn in the six months ended 30 June 2020 to ₱60.2 bn in the six months ended 30 June 2021. The increase was primarily attributable to (i) commissioning revenue from GNPD Unit 1, (ii) higher water inflows, (iii) higher demand, and (iv) higher Wholesale Electricity Spot Market (WESM) dispatch. The Group's sale of power comprised 56% and 59% as a percentage of total revenues for the six months ended 30 June 2020 and 30 June 2021, respectively.

### *Sale of Goods*

The Group's revenue from sale of goods increased by 2%, or ₱0.9 bn, from ₱39.1 bn in the six months ended 30 June 2020 to ₱39.9 bn in the six months ended 30 June 2021. The increase was primarily due to higher selling prices and higher volume of feeds sold. The Group's sale of goods comprised 41% and 39% as a percentage of total revenues in the six months ended 30 June 2020 and 30 June 2021, respectively.

### *Real Estate*

The Group's revenue from real estate increased by 33%, or ₱0.4 bn, from ₱1.1 bn in the six months ended 30 June 2020 to ₱1.5 bn in the six months ended 30 June 2021. The increase was primarily attributable to AboitizLand's higher revenue recognition following increased construction activity for its residential business, as well as increased sales with high spot down payments. As a percentage of total revenues, the Group's revenue from real estate comprised 1% for the six months periods ended 30 June 2020 and 30 June 2021.

### *Other Revenues*

The Group's combined revenue from the fair value of swine, service fees, and other sources decreased by 56% or ₱0.8bn, from ₱1.4 bn in the six months ended 30 June 2020 to ₱0.6 bn in the six months ended 30 June 2021. This was mainly due to the decrease in live hogs sold. As a percentage of total revenues, the Group's other revenues comprised 2% and 1% in the six months ended 30 June 2020 and 30 June 2021, respectively.

## **Costs and Expenses**

### *Cost of Generated and Purchased Power*

The Group's cost of generated and purchased power increased by 10%, or ₱3.0 bn, from ₱28.7 bn in the six months ended 30 June 2020 to ₱31.6 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher volume of energy generated and an increase in purchased power rates due to higher WESM prices. The Group's cost of generated and purchased power comprised 35% and 36% as a percentage of total costs and expenses for the six months ended 30 June 2020 and 30 June 2021, respectively.

### *Cost of Goods Sold*

The Group's cost of goods sold increased by 5%, or ₱1.6 bn, from ₱34.3 bn in the six months ended 30 June 2020 to ₱35.9 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher raw materials costs of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 42% and 41% during the six months ended 30 June 2020 and 30 June 2021, respectively.

### *Operating Expenses*

The Group's operating expenses increased by 4% or ₱0.7 bn, from ₱18.3 bn in the six months ended 30 June 2020 to ₱19.0 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher expenses for repairs and maintenance of the Group's power plants. As a percentage of total costs and expenses, the Group's operating expenses comprised 22% for each of the six months periods ended 30 June 2020 and 30 June 2021.

### *Other Costs and Expenses*

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 13%, or ₱97 mn, from ₱719 mn in the six months ended 30 June 2020 to ₱816 mn in the six months ended 30 June 2021. The increase was mainly due to higher cost of real estate sales following the increase in revenue recognized. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% for each of the six months periods ended 30 June 2020 and 30 June 2021.

### **Operating Profit**

As a result of the foregoing, the Group's operating profit increased by 18%, or ₱2.3 bn, from ₱12.7 bn in the six months ended 30 June 2020 to ₱15.0 bn in the six months ended 30 June 2021.

### **Income Before Income Tax**

The Group's income before income tax increased by 111%, or ₱9.3 bn, from ₱8.4 bn in the six months ended 30 June 2020 to ₱17.7 bn in the six months ended 30 June 2021. The increase was due to higher operating profit and equity earnings.

### **Net Income**

As a result of the foregoing, coupled the application of the provisions of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the Group's Net Income to Equity Holders of AEV increased by 243%, or ₱9.5 bn, from ₱3.9 bn in the six months ended 30 June 2020 to ₱13.5 bn in the six months ended 30 June 2021.

Net income attributable to non-controlling interests for the six months ended 30 June 2021 increased to ₱3.2 bn, from ₱2.0 bn in the six months ended 30 June 2020. The increase was primarily due to higher consolidated net income of AboitizPower during the first six months of 2021.

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

The following discussion describes the performance of the Group's SBUs for the six months ended 30 June 2021 compared to the six months ended 30 June 2020.

#### **Power**

For the six months ended 30 June 2021, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱7.8 bn, a 171% increase from ₱2.9 bn in the six months ended 30 June 2020.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply businesses to Net Income to Equity Holders of AEV increased by 183%, from ₱2.7 bn in the six months ended 30 June 2020 to ₱7.7 bn in the six months ended 30 June 2021. The variance was primarily due to commissioning revenue from GNPD Unit 1, higher water inflows, higher demand, higher WESM dispatch, and other income from liquidated damages and business interruption claims. These factors offset the impact of the ongoing GNPower Mariveles Energy Center Ltd. Co.'s (GMEC) plant outage, which is currently expected to be resolved by September 2021.



Capacity sold increased from 3,388 megawatts (MW) for the six months ended 30 June 2020 to 3,600 MW for the six months ended 30 June 2021. Energy sold in the six months ended 30 June 2021 increased by 10% to 11,790 gigawatt-hours (GWh) from 10,764 GWh in the same period in 2020.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group increased by 36%, from ₱1,311 mn for the six months ended 30 June 2020 to ₱1,779 mn for the six months ended 30 June 2021. This increase was mainly driven by higher energy consumption resulting from recoveries in demand. Energy sales increased by 4% to 2,745 GWh during the six months ended 30 June 2021, from 2,629 GWh in the six months ended 30 June 2020.

### **Banking & Financial Services**

UnionBank's contribution to Net Income to Equity Holders of AEV increased by 92%, from ₱2.2 bn in the six months ended 30 June 2020 to ₱4.2 bn in the six months ended 30 June 2021. The increase was primarily attributable to higher net interest margins, and the increase in non-interest income which was mainly driven by higher trading gains, higher foreign exchange income, and higher fees and commissions.

### **Food**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group increased by 35% to ₱1.1 bn for the six months ended 30 June 2021, compared to ₱0.8 bn for the six months ended 30 June 2020.

For the six months ended 30 June 2021, the Food Group's Philippine Subsidiaries reported a net income of ₱0.9bn compared to ₱0.3 bn for the six months ended 30 June 2020. The increase was mainly due to the recovery of selling prices of the Farms business as the spread of the African Swine Fever lowered the supply of pork in the market. The improvement in the Farms business was partly offset by lower by-product contributions and higher operating and administration costs of the Flour business.

Before elimination of transactions within the Group, Pilmico International and its Subsidiaries, recorded net income of ₱157 mn for the six months ended 30 June 2021, a 69% decrease compared to ₱502 mn the six months ended 30 June 2020. This was due to higher raw materials costs for feeds.

### **Real Estate**

The contribution of AboitizLand to Net Income to Equity Holders of AEV for the six months ended 30 June 2021, before elimination of transactions within the Group, amounted to ₱385 mn, an improvement from the ₱39 mn net loss for the six months ended 30 June 2020. The increase was mainly due to higher revenue recognition resulting from increased construction activity for AboitizLand's residential business, and an increase in sales with higher spot down payments.

### **Infrastructure**

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group increased to ₱1.3 bn for the six months ended 30 June 2021, compared to

₱78 mn net loss for the six months ended 30 June 2020. This mainly came from the contribution of Republic which increased to ₱1.3 bn for the six months ended 30 June 2021, compared to a ₱10 mn net loss for the six months ended 30 June 2020. The increase was mainly due to stronger market demand driven by the residential and infrastructure segments, and reduced costs and increased overall efficiency.

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

### **Assets**

Consolidated assets (as of 30 June 2021 compared to 31 December 2020) increased by 2% to ₱623.6 bn, due to the following:

- Trade and other receivables (current and noncurrent) increased by 12% (₱44.0 bn as of 30 June 2021 compared to ₱39.4 bn as of 31 December 2020) mainly due to increased receivables of the the Power and Food Groups resulting from higher revenues.
- Inventories increased by 15% (₱24.8 bn as of 30 June 2021 compared to ₱21.6 bn as of 31 December 2020) mainly due to higher spare parts, supplies and fuel inventory of the Power Group, and higher raw materials inventory of the Food Group.
- Investments in and Advances to Associates and Joint Ventures increased by ₱5.6 bn (₱151.0 bn as of 30 June 2021 compared to ₱145.4 bn as of 31 December 2020) mainly due to ₱994 mn infusion into Unity Digital Infrastructure, Inc., AboitizPower's ₱952 mn additional infusion into GNPD, and the recording of ₱10.7 bn share in net earnings of Associates and Joint Ventures. This increase was partially offset by the ₱7.1 bn in dividends from Associates and Joint Ventures during the period.
- Other Current Assets increased by 40% (₱26.2 bn as of 30 June 2021 compared to ₱18.7 bn as of 31 December 2020) primarily due to an increase in short-term cash deposits.
- Other Noncurrent Assets increased by 7% (₱15.6 bn as of 30 June 2021 compared to ₱14.6 bn as of 31 December 2020) primarily due to additional investments in financial assets

The above increases were offset by the decrease in Cash & Cash Equivalents, which decreased by 13% (₱57.6 bn as of 30 June 2021 compared to ₱66.0 bn as of 31 December 2020). The decrease was mainly due to the movement of cash to short-term cash deposits, debt servicing, and dividend payments

### **Liabilities**

Total Liabilities (as of 30 June 2021 compared to 31 December 2020) increased by 1% to ₱387.6 bn due to the following:

- Long-term debt, which includes both current and non-current portions, increased by 1% (₱263.1 bn as of 30 June 2021 compared to ₱261.0 bn as of 31 December 2020) mainly due to the following: (i) the issuance of ₱8.0 bn of retail bonds by AboitizPower, and (ii) a ₱780 mn loan avilment by Therma Marine, Inc. These were offset by principal payments made on existing loans.
- Long-term obligation on Power Distribution System, which includes current and non-current portions, increased by 6% (₱194 mn as of 30 June 2021 compared to ₱183 mn as of 31 December 2020) due to the accretion of interest.
- Lease liabilities, which includes current and non-current portions, decreased by 7% (₱37.0 bn as of 30 June 2021 compared to ₱39.8 bn as of 31 December 2020) due to Therma Luzon, Inc.'s payment of its obligation to Power Sector Assets and Liabilities Management Corporation (PSALM).

- Trade and other payables, inclusive of noncurrent portion, increased by 12% (₱41.6 bn as of 30 June 2021 compared to ₱37.3 bn as of 31 December 2020) mainly due to the increase of trade and fuel purchases in the Power Group
- Income tax payable decreased by 37%, from ₱1.0 bn as of 31 December 2020 to ₱0.6 bn as of 30 June 2021, mainly due to the application of the provisions of the CREATE Act.
- Net derivative asset and liabilities (current and noncurrent) changed from ₱2.0 bn liability as of 31 December 2020 to ₱0.2 bn asset as of 30 June 2021. This was mainly due to the Power Group's hedging gains.
- Deferred Income Tax Liabilities (net of Deferred income tax assets) decreased by 74% (₱93 mn as of 30 June 2021 compared to ₱358 mn asset as of 31 December 2020) mainly due to the application of the provisions of the CREATE Act.
- Pension Liabilities (net of Pension assets) increased by 13% (₱519 mn as of 30 June 2021 compared to ₱459 mn as of 31 December 2020) mainly due to additional retirement cost recorded by the Group.

## Equity

Equity attributable to equity holders of the parent (as of 30 June 2021 compared to 31 December 2020) increased by ₱10.6 bn, to ₱193.7 bn from ₱183.1 bn, due to the following:

- ₱13.5 bn net income recorded during the first six months of 2021; and
- ₱2.3 bn movement in cumulative translation adjustments, mainly from hedging gains.

These were partly offset by the ₱5.1 bn cash dividends paid during the first half of 2021.

## MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the six months ended 30 June 2021, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates and Joint Ventures.

Compared to the cash inflow in the six months ended 30 June 2020, consolidated cash generated from operating activities in the six months ended 30 June 2021 decreased by ₱1.1 bn to ₱16.9 bn. This was mainly due to higher working capital requirements, which were partly offset by higher earnings before interest, depreciation and amortization.

As of 30 June 2021, ₱5.4 bn net cash was used in investing activities compared to ₱1.7 bn during the six months ended 30 June 2020. This was mainly due to additional short-term cash deposits and investment in financial assets, and higher equity infusions to Associates and Joint Ventures compared to the same period in 2020.

Net cash used in financing activities was ₱20.1 bn for the six months ended 30 June 2021 compared to ₱12.3 bn generated in the six months ended 30 June 2020. The decrease was largely attributed to the (i) payment of cash dividends in the first quarter of 2021, and (ii) payment of principal and interest on existing loans.

For the six months ended 30 June 2021, net cash outflows surpassed cash inflows, resulting in a 13% decrease in cash and cash equivalents from ₱66.0 bn as of year-end 2020 to ₱57.6 bn as of 30 June 2021.

## FINANCIAL RATIOS

The Group's financial ratios remained healthy in the six months ended 30 June 2021. Current Ratio decreased to 1.5x from the end-2020 level of 1.6x, as current liabilities grew more than current assets. Debt-to-Equity Ratio declined to 1.6:1 from year-end 2020's 1.7:1, with total equity increasing more than total liabilities during the first six months of 2021.

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

Based on information provided by UnionBank Economic Research Unit, the Company expects the Philippines' GDP to grow by 4.0% in 2021 and 5.8% in 2022. A more robust economic recovery may take place during 2021 in the event of an immediate and non-risk averse re-opening of the economy, a higher fiscal stimulus program on top of an already accommodative monetary policy since 2020, and the achievement of herd immunity on the back of an efficient and quick rollout of the COVID-19 vaccination program.

### **Power SBU**

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

Despite increased competition in the power generation market, the AboitizPower believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of six (6) new power generation projects: (1) the GNPower Dinginin project; (2) the SN Aboitiz Power-Magat Floating Solar project; (3) the APRI steam drilling project; (4) the TMI Hybrid Battery Energy Storage System (BESS) project; (5) the SNAP Magat BESS project; and (6) the PV (Photovoltaic) Sinag Power project.

The GNPower Dinginin project is in the final stages of construction, with Unit 1 achieving first synchronization last 5 February 2021. The commissioning and testing of Unit 1 is currently ongoing. The target date for commercial operations (including the issuance of the appropriate ERC Certificate of Compliance/authority) has been moved from August 2021 to late-September 2021, while complete turnover of the unit by the EPC contractor is expected to extend beyond said date. For Unit 2, progress of the construction is going well, with the completion of the chemical cleaning of the boiler. Developments are still hampered by travel bans and slow processing of travel authorizations for foreign experts and personnel. Accordingly, the target date for Unit 2's commercial operations (including the issuance of the appropriate ERC COC/authority) is scheduled around the second quarter of 2022.

In June 2019, SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power Magat) switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The SN Aboitiz Power Magat floating solar project has proven its technical and commercial viability. SN Aboitiz Power Magat is working on the renewable energy service contract application with the Department of Energy (DOE). Since the National Irrigation Administration (NIA) is the government agency in charge of dams and reservoirs, SN AboitizPower Magat secured an extension of the memorandum of understanding with NIA on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir. Based on the results of the pre-feasibility studies, phase one of the project will be for 67 MW. The plan is to install up to 150 MW, depending on the final technical solution and layout.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has

commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of additional steam capacity by 2023. The two make-up wells for MakBan had been completed and started flowing into the system since April 10 and June 8, respectively, providing added steam to Makban Plant B. The new wells have provided an incremental increase of approximately 10MW to the plant's generation capacity. Another well with a projected 5 MW capacity was also completed on August 4, 2021. A total of three new make-up wells was completed in Makban, contributing to around 15 MW of MakBan's generation. Together with the 11 MW well at Tiwi which was completed last 2020, APRI and the Philippine Geothermal Production Company, Inc. (PGPC) are expected to complete 4 out of the 12 wells this year. APRI is also developing a 14 MW Binary power plant project in Tiwi, Albay. Negotiations with top ranked bidders for design optimization and final contracting are still ongoing. APRI is expected to award the project by year-end, while commissioning is targeted by 2023. These projects are significant as they will allow APRI to optimize its current net sellable capacity of 290 MW.

In November 2020, AboitizPower announced its two battery projects. Therma Marine, Inc.'s (TMI) Hybrid BESS project (the "TMI BESS") is located in Maco, Compostela Valley. It has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with TMI's Maco oil barge. The project is currently 50% complete and commercial operations are currently targeted to commence in the first half of 2022. TMI's hybrid BESS is one of the 12 projects with a total capacity of 248 MW for regulating and contingency reserves which the AboitizPower is targeting to develop in the next 10 years. It will serve as a model for future battery investments as well as hybrid renewable energy projects.

SN Aboitiz Power-Magat's BESS project (the "SNAP BESS") is located in Ramon, Isabela. It has a storage capacity of 20 MW and will be used to provide ancillary services. Early work activities have been completed, including site surveys and basic engineering design. Early work activities have been completed, including site surveys and basic engineering design. The project is expected to commence commercial operations in the second half of 2024. In connection with the project, SN AboitizPower Magat is also looking at upgrading the Magat-Santiago transmission line which is now included in the Transmission Development Plan of the National Grid Corporation of the Philippines. The benefit of this upgrade is to ensure full dispatch of the Magat power plant capacity, the battery energy storage system, and the proposed expansion in the floating solar.

PV (Photovoltaic) Sinag Power project is a 74 MW plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. Preparations for its planned construction and execution are in progress. The permits are 75% complete and the AboitizPower is on target to obtain all the permits and clearances necessary prior to start of the construction. The planned issuance of the notice to proceed for the solar plant and transmission line works is expected on October 30, 2021. The project is expected to commence commercial operations by the end of 2022.

The AboitizPower is currently planning to double its net attributable capacity by the end of the decade, with a target of 9,200 MW by 2030. It will achieve a 50:50 balance between its renewable ("Cleanergy") and thermal capacities without new coal builds. This is expected to come from a portfolio of renewables and selective baseload builds.

The AboitizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards (RPS) by the DOE starting in 2021. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The AboitizPower will continue to pursue international opportunities, with a

continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments. The AboitizPower will significantly grow Cleanergy by 3,700 MW, both domestically and internationally, and bring its renewables portfolio to 4,600 MW by 2030.

The AboitizPower is optimizing its existing baseload facilities to meet the existing critical market needs. Its options for a third unit in its existing baseload facilities remain open to address future baseload needs of the market if called upon. For baseload growth, the AboitizPower is shifting its focus to gas. The AboitizPower has early feasibility studies and, within the next 10 years, is targeting to build one gas plant with a capacity of 1,000 MW, unless a cleaner technology proves to be the more economical option.

AboitizPower fully supports the DOE's coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. The AboitizPower has been a pioneer of renewable energy in the country and currently has the highest megawatts in renewable installed capacity based on market control. AboitizPower's diversification into thermal technologies was primarily driven by the country's need for a reliable, accessible, and affordable power supply.

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

AboitizPower, together with its partners, has allotted ₱23 bn for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for GNPD's construction, as well as for the AboitizPower's battery energy storage system projects.

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

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on the Business on page 80 of the Company's 2021 Definitive Information Statement.)

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

UnionBank continues to pursue its business transformation roadmap towards its vision to become one of the top three universal banks in the Philippines in terms of return on equity, return on assets, and cost-efficiency. Rather than traditional metrics such as asset size or branch network, this transformation roadmap shifts the Bank's focus on providing financial value to stakeholders, operational excellence, customer franchise or share of wallet, unique customer experience, and delivering superior and innovative products and services.

To fulfill its vision, the Bank's primary goal is to become one of the country's great retail banks by increasing its core earning asset base, attaining balanced sources of revenues, and shifting towards a recurring income business model as it fortifies its balance sheet.

The Bank has shown progress in achieving its primary goal. At present, the majority of the Bank's revenues are already recurring in nature as loan portfolio has grown above industry average over the years (UBP: 5yr average at 12% vs. industry at 11%). The loan portfolio that the Bank has built today is a product of above-industry growth in the past, which generates the level of revenues that we have today.

Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: (i) Capital, (ii) Branch Transformation, (iii) Corporate Relationships, (iv) Processes, (v) Partners, and (vi) its unique UnionBank DNA. It leverages on Capital by prompting a shift from trading to building recurring income to generate stable returns and predictability in the growth of shareholder value. It leverages on Branch Transformation by establishing the competence of the Bank's sales force, rather than expanding the brick-and-mortar network, to cater to changing customer expectations. It leverages on Corporate Relationships, by providing superior cash management solutions to anchor clients and in the process, penetrate their entire ecosystem. It leverages on Processes by building the foundation of the Bank's automation and digital transformation initiatives. It leverages on Partners by building synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA by building the right culture and organizational capabilities. The Bank also leverages its subsidiaries, such as City Savings Bank, Inc. (CitySavings), to serve the unbanked or underbanked segment for inclusive prosperity.

In 2015, the Bank embarked on a Digital Transformation Strategy to gain a competitive advantage and capitalize on the eventual shift of the Philippine banking industry towards digitalization. The Bank's Digital Transformation Strategy consisted of two objectives:

- 1) To strengthen its business model by repositioning itself into an agile and digitally-transformed universal bank. The Bank's strategy was (i) to apply higher technologies into its core banking systems and processes to quickly respond to changing customer behavior; and (ii) to employ its digitized processes to transform CitySavings and its subsidiaries into digital mass market focused-banks. The goal was to reach the underbanked and unbanked segments and employ the Bank's digitized processes to improve operational efficiencies in order to ramp up scale and accelerate achieving inclusive prosperity.
- 2) To search for new business models where banking may become embedded or disintermediated in people's day-to-day lives. The objective was to immerse the Bank in emerging technologies such as blockchain and the token economy which may disrupt the business of banking. The Bank sought to develop, enable, and invest in financial technologies ("fintech") companies, as their business models may evolve into the future of the financial landscape. Moreover, the Bank planned to make technology its core and to deliver digital platforms and solutions to meet its clients' banking needs. All these served to integrate the Bank in any supply and demand chain, making the Bank indispensable in a future where banking will no longer be a transaction choice but part of an integrated experience. These have, since 2019, been led by UBX PH, the Bank's technology and innovation Subsidiary.

Coming from Phase 1 (i.e. building the foundational infrastructure to be "Digital to the Core") and Phase 2 (i.e. launch of critical customer channels), UnionBank is already in Phase 3 of its Digital Transformation – the monetization and commercialization of the Bank's digital transformation. With the key channels and platforms now in place, the Bank is focused on accelerating its customer acquisition and deepening engagement across all digital channels to achieve sustained growth of its lending and deposit businesses and, at the same time, reap operational efficiencies from its digital investments.

UBX PH is also ramping up operations with its flagship platforms, namely: (i) *i2i* (a financial platform for financial institutions); (ii) *BUX* (a payment gateway and logistics fulfillment platform for online merchants); (iii) *Sentro* (a free online shop builder embedded with a payment gateway); and (iv) *SeekCap* (a lending marketplace for MSMEs offering various financing options and faster approvals).

Without a doubt, 2020 was a challenging year across different industries due to the pandemic. The Bank is aligned with the consensus expectation that there will be a gradual path to economic recovery. Thus, while the Bank sees improvements in business activity and consumer sentiment in 2021, risks remain based on the economic indicators of certain sectors that have not yet fully recovered.

Consequently, the Bank expects a low interest environment to persist to help stimulate recovery until certain economic growth factors such as credit demand or consumer spending normalize.

The pandemic also accelerated the shift of consumer behavior towards digital banking. The industry and the Bank experienced immense growth in electronic transactions (e.g., fund transfers, bills payment, etc.), as well as increased users of digital channels and applications in 2020. The Bank expects this trend to continue, especially as more Filipinos discover and experience the advantages of digital payments and digital banking.

With the Bank's digital thrust, the Bank believes it is well-positioned to leverage on these trends as it carries on with the commercialization program of its transformation. The Bank aims to (i) accelerate digital acquisition of customers; (ii) continue to maximize engagement via digital marketing, data science, and artificial intelligence; (iii) progress towards DevSecOps to ramp up product development and testing; and (iv) continue pioneering experimentations to remain ahead of developments in the industry. To support these initiatives, the Bank has allotted more than ₱2 bn for capital expenditures in 2021.

The Bank continues to believe that its strong capitalization and above-industry profitability and efficiency ratios will continue to provide it with a cushion against potential economic headwinds.

### **Food SBU**

The Food Group, composed of AEV's non-listed multinational food Subsidiaries, is an integrated regional agribusiness and food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming, and commodity trading. It remains one of the Philippines' top flour, feeds, and farm market participants and has a nationwide presence. The Food Group also operates in the ASEAN and across the Asia-Pacific regions through Pilmico International Pte. Ltd. and its subsidiaries - which includes Gold Coin Management Holdings Limited (Gold Coin) and is well-positioned in the Asia Pacific as a manufacturer and producer.

Leveraging on the global trend of increasing protein consumption, the Food Group intends to build a comprehensive animal nutrition platform in Asia. This requires a good base of products and services that facilitates the creation of a portfolio of offerings that will serve both existing and future customers and markets. At the same time, the Food Group continues to utilize a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

The acquisition of the Gold Coin and its subsidiaries (the "Gold Coin Group") has allowed the Food Group to expand its customer base and geographic reach. The Company currently believes the Food Group to be the fourth largest animal feed producer in Southeast Asia based on internal market data on the capacities of major players within the market. The Food Group has and continues to harness synergies in distribution, localized operations, cross-selling, research and development, raw materials, and logistics costs.

The Food Group continues to face the challenges of the COVID-19 global pandemic and the African Swine Fever (ASF). But trusting in its strategy of "Balance, Optimize, and Develop", the Food Group was able to mitigate the decline in its bottom-line in 2020 and continue to improve on it to-date. This was evidenced by the increase in the first half of 2021 net income from the rebound of the Farms business from a loss in the same period in the previous year. For the remaining months of 2021, the Food Group continues to maintain a balanced portfolio that will maximize opportunities and minimize associated risks, amidst the continuing challenges posed by COVID-19 and ASF. This will be optimized through execution excellence founded on harmonized processes and systems of the entire Food Group. Furthermore, the Food Group will continue to build and develop capabilities to innovate and expand the business. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the coming years.

The Flour business will continue employing the improved two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon for future exploration of new geographical territory. The Flour business likewise intends to move forward



in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

The Farms business continues to face the challenges of ASF in the swine farming industry as it brings a trade-off of risk and reward. It is believed that ASF has wiped out over a third of the Philippines' pig stocks and has resulted in a severe shortage of pork, an important part of the Filipino diet, and has led to a price increase of many food items. The Food Group sees an expansion opportunity to capture the demand and benefit on the high prices of pig and pork products. During the second quarter of 2021, the Food Group began construction in Nueva Ecija of its third breeder farm facility. The new breeder farm will have an additional capacity of 2,500 sow level and is expected to be completed by September 2022. The expansion is anchored on the confidence brought about by the improved biosecurity protocols, and methodology, that will surely thrive amidst the spread of ASF in the country. Farms' sow level capacity is expected to reach 29,020 heads by 2029. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain.

In August 2020, the Food Group operationalized its meat fabrication and processing plant in Tarlac, which is expected to provide more stable profitability through selling high-margin pork meats compared to live hog selling. The pork meat products are now made available in the Philippines through different digital platforms such as Lazada and via online selling from the Food Group's branded meat store – "The Good Meat". Two new physical stores will be fully operational by the end of the year with a capacity of 2 metric tons (MT) per day per store. This initiative will do two things for the Group- further develop a business-to-customer (B2C) channel and provide an expansion to the supply chain which will ensure better distribution to all customers in the relevant areas.

The targeted increase in layers capacity still remains, which is expected to result in a monthly production of 22 mn eggs by 2025.

Feeds Philippines seeks to solidify its market position through expanding production in strategic locations in the Visayas and Mindanao regions in the next five years. Feeds Philippines operationalized its third feed mill in Iligan in November 2020, and now serves the growing requirements of its Visayas and Mindanao customers. To support the wider market, the Food Group employs platform improvements in logistics to enhance operational agility and improve customer experience. Lastly, continuous product developments through precise nutrition and feeding management, the introduction of Pet Food, and building-up of Specialty Nutrition will be key to a strengthened and diversified Feeds portfolio.

The Gold Coin Group will pursue (i) fast-growing segments like aqua feeds and (ii) attractive geographies where it has a captive market and the ability to compete. This year, China will pursue geographic expansion to Guangxi via capital light options (leasing) to serve the customers from Guizhou province (currently being supplied by Yunnan) and save on freight at the same time.

These carefully selected and calibrated investments are expected to capture greater returns, while steadily building a strong and diversified regional food business integrated across the business system.

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

With all of these strategies in place and in the pipeline, Food Group aims to achieve better results amidst any unforeseeable future challenges.

Food Group has allotted ₱4 bn for capital expenditures in 2021.

## **Infrastructure SBU**

### *Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)*

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

### *Industrial*

To capitalize on emerging market opportunities, Aboitiz InfraCapital aims to scale the growth of its industrial-anchored mixed-use estates through the timely completion of (i) construction activities within the Integrated Economic Centers (IEC), and (ii) critical land banking activities. Over the second quarter of 2021, construction activities within the IEC have progressed as targeted and remained on track to be completed within schedule.

Lima Land, Inc. (LIMA Land) continues to strengthen its portfolio with 72% of its current inventory already reserved and a healthy pipeline of prospective locators as it ramps up the acquisition, planning, and design developments of its additional 47 hectares of inventory. The completion of this expansion could generate up to 20,000 new jobs in Batangas and neighboring areas. Furthermore, the planning activities for a 40-hectare industrial expansion by West Cebu Industrial Park in Balamban, Cebu is nearly complete and is expected to commence construction by January of 2022. With the limited availability of industrial lots in PEZA-proclaimed economic zones in Cebu, this expansion project addresses the demand for both new and expanding locators in medium to heavy industries.

### *Commercial*

LIMA Estate's 30-hectare commercial area is the first master planned commercial business district (CBD) to rise in the province of Batangas. It currently houses various commercial components such as The Outlets at Lipa, LIMA Exchange, LIMA Park Hotel, and LIMA Transport Hub.

Recently opened four hectares of commercial lot inventory within the LIMA CBD. Lot sizes range from 1,800 up to 5,000 square meters, ideal for BPO companies, offices, dormitories, condominiums, schools, hospitals, hotels, civic centers, and other commercial uses. These types of establishments will complement existing commercial components in the zone. As of June 2021, 46% of the total commercial lots within the LIMA CBD have been sold and investors may start construction by the first quarter of 2022.

Leveraging on the anticipated boom of business process outsourcing (BPO) companies outside Metro Manila, LIMA Land is set to build a seven-tower office complex to be located at the heart of its CBD, with the first tower LIMA Tower One, set to break ground by late this year.

While Aboitiz InfraCapital maintains a cautious outlook in 2021, it remains optimistic about long-term growth. With the vision to turn them into smart developments in the near future, initiatives to develop the industrial zones into fully integrated economic centers will continue. Critical land banking for the expansion of the parks will continue to be pursued. Easing government restrictions and increased consumer confidence in safety protocols are expected to lead to a continued improvement in foot traffic and tenant sales in 2021, albeit still below pre-COVID levels.

### *Water*

#### *Lima Water Corporation (Lima Water)*

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

LWC is optimistic that the increasing water consumption trend will continue with new production lines from existing and new locators in LTC. Lima Water remains committed to supporting its customers and ensuring service continuity through its robust business continuity plans.

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

Apo Agua is the project company owned by AEV and J.V. Angeles Construction Corporation (JVACC), organized to design, construct and operate a hydroelectric powered-bulk water treatment facility and a conveyance system which will deliver at least 300 mn liters per day of treated water to the Davao City Water District (DCWD) over 30 years.

A total of around 65 kilometers of pipes of varying sizes are being laid, leading to eight off-take points of the DCWD spread across Davao City. Although construction was suspended during the second quarter of 2020 when the City was placed under enhanced community quarantine, construction has since resumed with strict social distancing protocols in place.

To mitigate the impact of the pandemic on the project, Apo Agua and its contractor, JVACC, increased its human resource count to over 5,000 workers to support the aggressive recovery plan in line with the target of achieving the first drop of water by the end of 2021.

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

#### *Digital Infrastructure*

In line with the Department of Information and Communication Technology's Department Circular No. 8, Aboitiz InfraCapital received the Independent Tower Company (ITC) Certificate of Registration for its towers subsidiary on February 24, 2021. The ITC Certificate of Registration recognizes Aboitiz InfraCapital's tower subsidiary as a common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites and allow the company to secure contracts with mobile network operators.

In April 2021, Aboitiz InfraCapital announced the launch of its joint venture telecommunications infrastructure platform with Partners Group, Unity Digital Infrastructure, Inc. (Unity). To date, Unity has secured master lease agreements (MLA) for pilot sites with two Mobile Network Operators (MNOs).

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

#### *Regional Airports*

The Department of Transportation (DOTr) granted Aboitiz InfraCapital Original Proponent Status to its unsolicited proposals to operate, maintain, and expand the new Bohol-Panglao International Airport on September 3, 2018. The same status was received from Civil Aviation Authority of the Philippines (CAAP) for Laguindingan Airport on February 26, 2019. On November 29, 2019, Aboitiz InfraCapital obtained the approval of the National Economic Development Authority Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approved the proposal for Laguindingan Airport on December 20, 2019.

In the face of the unprecedented impact of COVID-19 on the air travel and airport business, Aboitiz InfraCapital remains keen on pursuing its unsolicited proposals for the Bohol Panglao International Airport and Laguindingan Airport. Aboitiz InfraCapital believes that these projects are vital to reviving the economy and are aligned with its objective to support regional growth centers outside of the National Capital Region. Aboitiz InfraCapital continues to discuss the best and most prudent way to move forward with the projects with the government.

*Republic Cement and Building Materials, Inc.*

Cement market demand in the first half of 2021 was stronger compared to the same period in 2020, but slightly better than the same period in 2019. The recovery in market demand was primarily driven by the residential and infrastructure segments.

The outlook for the remainder of the year is cautiously optimistic. While the government has allotted a significant proportion of the 2021 national budget for infrastructure, slow economic recovery would also lead to slow recovery in market demand. Given the high levels of cost inflation expected in the second half of the year, particularly in relation to fuel and electricity costs, RCBM will continue to focus on managing its cost base effectively.

The Department of Trade Industry has started the investigation on the possible imposition of anti-dumping duty on cement imports from Vietnam.

RCBM remains committed to serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Two new mills are being commissioned which provide RCBM with additional 2.3 mn tonnes per annum (MTPA) capacity to serve the market needs. The operational excellence initiatives, cost cutting and cash optimization measures implemented since 2020 are expected to help mitigate potential impact of external headwinds that RCBM will face in the second half of this year.

RCBM will also continue to staunchly support the Philippine government's *Go Lokal* and *Buy Lokal* programs, as an industry leader and proud manufacturer of the country's best quality cement used in building a safer, greener, and stronger Republic.

**Land SBU**

*Aboitiz Land, Inc. (AboitizLand)*

AboitizLand continues to improve its operations in 2021 and is optimistic that it will continue to perform strongly by the end of the year. AboitizLand's hybrid marketing strategy of engaging vecinos both online and offline has proven to be effective as seen in its sales performance. Its digital initiatives are progressing and are all currently on track and these will help further boost its operational efficiency.


Furthermore, AboitizLand continued the sales momentum generated in the previous year generating P2.6 bn in the first half of this year, which was a 125% increase in sales compared to the same period in 2020. Furthermore, AboitizLand has been able to keep its cost-to-sales ratio at the same level as the previous year. Based on its performance in the previous quarter, AboitizLand expects that it will beat its current sales target of P2.9 bn in booked sales.

**PART II--OTHER INFORMATION**

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

## SIGNATURES

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

Issuer	<b><u>ABOITIZ EQUITY VENTURES INC.</u></b>
Principal Accounting Officer	 <b><u>Marlita M. Villacampa</u></b>
Signature and Title	<b><u>First Vice President and Comptroller</u></b>
Date	<b><u>August 13, 2021</u></b>
Authorized Officer of the Issuer	 <b><u>Manuel Alberto R. Colayco</u></b>
Signature and Title	<b><u>Senior Vice President and Chief Legal Officer/Corporate Secretary/Chief Compliance Officer</u></b>
Date	<b><u>August 13, 2021</u></b>

## Aboitiz Equity Ventures, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As of June 30, 2021 (with Comparative Figures as of December 31, 2020) and  
For the Six-Month Periods Ended June 30, 2021 and 2020

**ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET**

(With Comparative Figures as of December 31, 2020)

(Amounts in Thousands)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱57,619,828	₱65,966,411
Trade and other receivables (Note 6)	42,364,182	38,026,254
Inventories	24,810,653	21,645,913
Land and improvements	2,948,822	3,039,972
Derivative asset (Note 24)	1,253,963	—
Other current assets (Note 7)	26,233,030	18,702,683
<b>Total Current Assets</b>	<b>155,230,478</b>	<b>147,381,233</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	217,160,673	219,538,095
Investments and advances (Note 8)	151,029,796	145,416,644
Intangible assets (Note 9)	70,622,385	67,776,489
Investment properties	11,064,495	10,937,685
Deferred income tax assets	1,950,101	2,041,497
Trade and other receivables - net of current portion (Note 6)	882,768	1,398,791
Net pension assets	115,892	115,023
Other noncurrent assets (Note 10)	15,565,097	14,550,470
<b>Total Noncurrent Assets</b>	<b>468,391,207</b>	<b>461,774,694</b>
<b>TOTAL ASSETS</b>	<b>₱623,621,685</b>	<b>₱609,155,927</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 11)	₱40,283,265	₱35,611,592
Bank loans (Note 12)	29,076,719	29,330,883
Current portions of:		
Long-term debts (Notes 13 and 14)	25,748,592	17,417,474
Long-term obligation on Power Distribution System (PDS)	40,000	40,000
Lease liabilities (Note 15)	7,668,028	7,283,183
Derivative liability (Note 24)	384,581	982,348
Income tax payable	632,350	1,006,445
<b>Total Current Liabilities</b>	<b>₱103,833,535</b>	<b>₱91,671,925</b>

(Forward)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Noncurrent Liabilities</b>		
Noncurrent portions of:		
Long-term debts (Notes 13 and 14)	₱237,338,267	₱243,623,606
Lease liabilities (Note 15)	29,320,106	32,485,663
Trade and other payables (Note 11)	1,322,217	1,657,982
Long-term obligation on PDS	154,484	143,436
Customers' deposits	7,215,532	6,990,008
Decommissioning liability	5,112,476	5,008,033
Deferred income tax liabilities	2,042,730	2,399,529
Net pension liability	634,844	574,217
Derivative liability - net of current portion (Note 24)	654,021	1,001,529
<b>Total Noncurrent Liabilities</b>	<b>283,794,677</b>	<b>293,884,003</b>
<b>Total Liabilities</b>	<b>387,628,212</b>	<b>385,555,928</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock	5,694,600	5,694,600
Additional paid-in capital	13,013,197	13,013,197
<i>Other equity reserves:</i>		
Gain on dilution	5,043,152	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	469,540	469,540
Acquisition of non-controlling interests	(11,727,718)	(11,727,718)
Accumulated other comprehensive loss (Note 17)	(1,683,568)	(3,959,403)
Retained earnings (Notes 16 and 25)		
Appropriated	9,200,000	9,200,000
Unappropriated	174,315,549	165,976,675
Treasury stock at cost	(647,672)	(647,672)
	<b>193,677,080</b>	<b>183,062,371</b>
<b>Non-controlling Interests (Note 25)</b>	<b>42,316,393</b>	<b>40,537,628</b>
<b>Total Equity</b>	<b>235,993,473</b>	<b>223,599,999</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱623,621,685</b>	<b>₱609,155,927</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



**ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Earnings Per Share Amounts)

	For the six-month period ended June 30		For the quarter ended June 30	
	2021	2020	2021	2020
<b>REVENUES</b> (Note 18)	<b>₱102,334,189</b>	₱94,606,065	<b>₱55,799,139</b>	₱49,016,903
<b>COSTS AND EXPENSES</b> (Note 19)	<b>87,373,336</b>	81,955,456	<b>48,797,568</b>	42,929,852
<b>FINANCIAL INCOME (EXPENSE)</b>				
Interest income (Notes 5 and 6)	281,869	612,770	152,174	270,109
Interest expense (Note 23)	(8,831,936)	(9,092,388)	(4,432,973)	(4,410,970)
	<b>(8,550,067)</b>	(8,479,618)	<b>(4,280,799)</b>	(4,140,861)
<b>OTHER INCOME - NET</b>				
Share in net earnings of associates and joint ventures (Note 8)	10,684,450	3,105,353	4,205,411	1,284,948
Other income (expense) - net (Note 20)	643,524	1,149,215	428,616	1,260,328
	<b>11,327,974</b>	4,254,568	<b>4,634,027</b>	2,545,276
<b>INCOME BEFORE INCOME TAX</b>	<b>17,738,760</b>	8,425,559	<b>7,354,799</b>	4,491,466
<b>PROVISION FOR INCOME TAX</b>	<b>1,046,841</b>	2,530,111	<b>145,047</b>	1,594,283
<b>NET INCOME</b>	<b>₱16,691,919</b>	₱5,895,448	<b>₱7,209,752</b>	₱2,897,183
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱13,462,379	₱3,924,626	₱5,835,244	₱1,896,617
Non-controlling interests	3,229,540	1,970,822	1,374,508	1,000,566
	<b>₱16,691,919</b>	₱5,895,448	<b>₱7,209,752</b>	₱2,897,183
<b>EARNINGS PER SHARE</b> (Note 21)				
Basic and diluted, for net income for the period attributable to ordinary equity holders of the parent	<b>₱2.39</b>	₱0.70	<b>₱1.04</b>	₱0.34

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

## ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the six-month period ended June 30		For the quarter ended June 30	
	2021	2020	2021	2020
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱13,462,379	₱3,924,626	₱5,835,244	₱1,896,617
Non-controlling interests	3,229,540	1,970,822	1,374,508	1,000,566
	<b>16,691,919</b>	<b>5,895,448</b>	<b>7,209,752</b>	<b>2,897,183</b>
<b>OTHER COMPREHENSIVE INCOME (Note 17)</b>				
<i>Items that will be reclassified to consolidated statements of income:</i>				
Net movement in cumulative translation adjustments	2,695,767	(1,548,960)	1,750,578	(847,204)
Share in movement in cumulative translation adjustments of associates and joint ventures	334,975	40,808	337,129	3,958
Share in movement in net unrealized mark-to-market losses on FVOCI investments of associates	—	(3,122)	—	(3,124)
Movement in net unrealized mark-to-market gains (losses) on FVOCI investments	(1,049)	2,287	545	7,483
	<b>3,029,693</b>	<b>(1,508,987)</b>	<b>2,088,252</b>	<b>(838,887)</b>
<i>Items that will not be reclassified to consolidated statements of income:</i>				
Share in movement in actuarial gains (losses) on defined benefit plans of associates and joint ventures, net of tax	(1,072)	654	—	—
Movement in actuarial gains (losses) on defined benefit plans, net of tax	(6,954)	400	(8,273)	400
	<b>(8,026)</b>	<b>1,054</b>	<b>(8,273)</b>	<b>400</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱19,713,586</b>	<b>₱4,387,515</b>	<b>₱9,289,731</b>	<b>₱2,058,696</b>
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱15,738,214	₱2,583,772	₱6,530,853	₱1,182,413
Non-controlling interests	3,975,372	1,803,743	1,681,115	876,283
	<b>₱19,713,586</b>	<b>₱4,387,515</b>	<b>₱8,211,968</b>	<b>₱2,058,696</b>

See accompanying Notes to Consolidated Financial Statements.

**ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021 AND 2020**  
**(Amounts in Thousands, Except Dividends Per Share Amounts)**

	Attributable to equity holders of the parent											
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non- controlling Interest	Accumulated Other Comprehensive Income (Note 17)	Retained Earnings		Treasury Stock	Non-controlling Interest	Total	
							Appropriated (Note 16)	Unappropriated (Note 16)				Total
Balances at January 1, 2021	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,727,718)	(P3,959,403)	P9,200,000	P165,976,675	(P647,672)	P183,062,371	P40,537,628	P223,599,999
Net income for the period	—	—	—	—	—	—	—	13,462,379	—	13,462,379	3,229,540	16,691,919
Other comprehensive income	—	—	—	—	—	2,275,835	—	—	—	2,275,835	745,832	3,021,667
Total comprehensive income for the period (Note 17)	—	—	—	—	—	2,275,835	—	13,462,379	—	15,738,214	3,975,372	19,713,586
Cash dividends - P0.91 per share (Note 16)	—	—	—	—	—	—	—	(5,123,505)	—	(5,123,505)	—	(5,123,505)
Cash dividends paid to non-controlling interests (Note 25)	—	—	—	—	—	—	—	—	—	—	(2,189,180)	(2,189,180)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(7,427)	(7,427)
Balances at June 30, 2021	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,727,718)	(P1,683,568)	P9,200,000	P174,315,549	(P647,672)	P193,677,080	P42,316,393	P235,993,473
Balances at January 1, 2020	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,590,375)	(P2,648,022)	P4,200,000	P162,864,330	(P565,246)	P176,481,176	P40,713,904	P217,195,080
Net income for the period	—	—	—	—	—	—	—	3,924,626	—	3,924,626	1,970,822	5,895,448
Other comprehensive loss	—	—	—	—	—	(1,340,854)	—	—	—	(1,340,854)	(167,079)	(1,507,933)
Total comprehensive income (loss) for the period (Note 17)	—	—	—	—	—	(1,340,854)	—	3,924,626	—	2,583,772	1,803,743	4,387,515
Cash dividends - P1.30 per share	—	—	—	—	—	—	—	(7,321,269)	—	(7,321,269)	—	(7,321,269)
Acquisition of treasury shares	—	—	—	—	—	—	—	—	(82,426)	(82,426)	—	(82,426)
Appropriation during the year	—	—	—	—	—	—	5,000,000	(5,000,000)	—	—	—	—
Cash dividends paid to non-controlling interests (Note 25)	—	—	—	—	—	—	—	—	—	—	(3,146,866)	(3,146,866)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(311,127)	(311,127)
Balances at June 30, 2020	P5,694,600	P13,013,197	P5,043,152	P469,540	(P11,717,875)	(P3,988,876)	P9,200,000	P154,467,687	(P647,672)	P171,533,753	P39,059,654	P210,593,407

## ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six-month period ended June 30		For the quarter ended June 30	
	2021	2020	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	₱17,738,760	₱8,425,559	₱7,354,799	₱4,491,466
Adjustments for:				
Interest expense (Notes 15 and 23)	8,831,936	9,092,388	4,432,973	4,410,970
Depreciation and amortization	6,297,112	6,221,805	3,209,795	3,173,761
Net unrealized foreign exchange losses (gains)	511,556	(545,259)	332,107	(635,917)
Loss (gain) on sale/disposal of:				
Property, plant and equipment (Note 20)	(7,143)	44,344	31,093	(2,730)
Fair value through profit or loss (FVTPL) and Fair value through other comprehensive income (FVOCI) investments (Note 20)	(27,709)	3,999	(24,390)	3,854
Unrealized mark-to-market losses (gains) on derivatives	(36,942)	30,428	(23,022)	11,661
Unrealized mark-to-market losses (gains) on FVTPL investments (Note 20)	(60,505)	8,155	(42,117)	(90,876)
Dividend income (Note 20)	(2,255)	(3,376)	(1,351)	(2,183)
Interest income	(281,869)	(612,770)	(152,174)	(270,109)
Share in net earnings of associates and joint ventures (Note 8)	(10,684,450)	(3,105,353)	(4,205,411)	(1,284,948)
Operating income before working capital changes	22,278,491	19,559,920	10,912,302	9,804,949
Increase in operating assets	(9,717,666)	(3,926,694)	(7,888,546)	(3,971,219)
Increase in operating liabilities	5,265,812	4,561,355	2,971,580	2,687,333
Net cash generated from operations	17,826,637	20,194,581	5,995,336	8,521,063
Income and final taxes paid	(952,399)	(2,177,798)	519,314	(1,730,650)
Net cash flows from operating activities	16,874,238	18,016,783	6,514,650	6,790,413
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash dividends received (Note 8)	7,803,661	3,354,064	1,160,527	774,539
Interest received	235,461	585,034	100,691	262,295
Sale of or additions to FVTPL and FVOCI investments	(1,011,267)	39,347	20,117	(70,687)
Additions to:				
Property, plant and equipment and investment properties	(3,262,367)	(2,736,477)	(1,978,515)	(2,000,590)
Investments in and advances to associates (Note 8)	(2,298,456)	(1,751,364)	(1,036,315)	(262,544)
Short-term cash deposits	(6,564,500)	—	(6,564,500)	—
Increase in intangible assets	(2,404,162)	(1,330,125)	(1,275,512)	(564,373)
Decrease in other noncurrent assets	1,527,465	148,417	970,695	4,294,035
Proceeds from sale of shares of associates and joint ventures	609,000	—	609,000	—
Net cash flows from (used in) investing activities	(5,365,165)	(1,691,104)	(7,993,812)	2,432,675
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from (payments of) long-term debts - net of transaction costs (Note 13 and 14)	(399,043)	19,280,292	(5,511,412)	1,934,779
Net proceeds from (payments of) bank loans (Notes 11)	(254,164)	14,395,521	(2,943,585)	882,219
Acquisition of treasury shares	—	(82,426)	—	—
Acquisition of non-controlling interest	—	(165,196)	—	(165,196)
Cash dividends paid and other changes to non-controlling interest (Note 25)	(2,189,180)	(3,146,866)	(299,200)	(1,997,674)
Cash dividends paid to equity holders of the parent (Note 16)	(5,123,505)	(7,321,269)	—	(7,321,269)
Interest paid	(6,974,290)	(6,741,121)	(2,734,097)	(2,656,010)
Payments of lease liabilities (Note 15)	(5,173,176)	(3,879,335)	(2,513,465)	(1,681,079)
Net cash flows from (used in) financing activities	(20,113,358)	12,339,600	(14,001,759)	(11,004,230)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(8,604,285)</b>	<b>28,665,279</b>	<b>(15,480,921)</b>	<b>(1,781,142)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>257,702</b>	<b>198,572</b>	<b>349,319</b>	<b>272,994</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>65,966,411</b>	<b>46,424,663</b>	<b>72,751,430</b>	<b>76,796,662</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>₱57,619,828</b>	<b>₱75,288,514</b>	<b>₱57,619,828</b>	<b>₱75,288,514</b>

See accompanying Notes to Consolidated Financial Statements.

## ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. Corporate Information

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

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

#### 2. Group Information

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

The following are the subsidiaries as of June 30, 2021 and December 31, 2020:

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			June 30, 2021		December 31, 2020	
			Direct	Indirect	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	77.00	–	77.00	–
AboitizPower International Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	–	100.00	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	100.00	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	–	100.00	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	–	100.00	–	100.00
Malvar Enerzone Corporation (MVEZ)	Power	Philippines	–	100.00	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	–	100.00	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	–	100.00	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	–	100.00	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	–	99.93	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI)	Holding	Philippines	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun)	Power	Philippines	–	100.00	–	100.00
AboitizPower International B.V.	Holding	Netherlands	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	–	60.00	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			June 30, 2021		December 31, 2020	
			Direct	Indirect	Direct	Indirect
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
PV Sinag Power, Inc.*	Power	Philippines	–	100.00	–	100.00
Amihan Power, Inc. *	Power	Philippines	–	100.00	–	100.00
Aboitiz Solar Power, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc. *	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	–	100.00	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
Sinag Solar Power Corporation (formerly AP Solar Tiwi, Inc.)*	Power	Philippines	–	100.00	–	100.00
Retensol, Inc. *	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. *	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
La Filipina Elektrika, Inc. (LFEI) <sup>1*</sup>	Power	Philippines	–	100.00	–	40.00
Maaraw Renewable Energy Corporation <sup>2*</sup>	Power	Philippines	–	100.00	–	–
Wind Renewable Energy Corporation <sup>2*</sup>	Power	Philippines	–	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. (TPVI)	Power	Philippines	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (Formerly, GNPower Mariveles Coal Plant Ltd. Co.) (GMEC)	Power	Philippines	–	78.33	–	78.33
Therma Dinginin Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power	Philippines	–	80.00	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	–	60.00	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	100.00	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	100.00	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	100.00	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	100.00	–	100.00	–

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			June 30, 2021		December 31, 2020	
			Direct	Indirect	Direct	Indirect
Lima Land, Inc. (LLI)	Real estate	Philippines	–	100.00	–	100.00
Propiedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	60.00	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	–	100.00	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	–	60.00	–	60.00
ALLRise Development Corp. (formerly A2 Airport Partners, Inc.) and Subsidiaries	Real estate	Philippines	–	50.00	–	50.00
78 Point Blue, Inc.	Real estate	Philippines	–	100.00	–	100.00
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	–	100.00	–	100.00
Firmwall Systems, Inc.	Real estate	Philippines	–	100.00	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	–	100.00	–	100.00
Pilmico International Pte. Ltd. (PIPL) and Subsidiaries	Holding	Singapore	–	100.00	–	100.00
Pilmico Vietnam Company Limited (PVCL)	Food manufacturing	Vietnam	–	100.00	–	100.00
Abaqa International Pte Ltd. (formerly Comfez Pte. Ltd.)	Trading	Singapore	–	100.00	–	100.00
Gold Coin Management Holdings Pte. Ltd. (GCMH) and Subsidiaries	Holding	Singapore	–	100.00	–	100.00
GC Investment Holdings Limited	Holding	Hong Kong	–	100.00	–	100.00
Gold Coin (ZhangJiang) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Animal Husbandry (Zhangzhou) Co. Ltd*	Feedmills	China	–	100.00	–	100.00
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin (Yunnan) Co. Limited*	Feedmills	China	–	100.00	–	100.00
Gold Coin Agriculture (Guangxi) Co. Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Management (Shenzhen) Co. Ltd.	Holding	China	–	100.00	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	–	100.00	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	–	100.00	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd. (GCFHN)	Feedmills	Vietnam	–	100.00	–	100.00
Glen Arbor Holdings (Singapore) Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	–	100.00	–	100.00
Gold Coin Group Limited	Holding	Hong Kong	–	100.00	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	–	–	–	100.00
Gold Coin Feedmill Binh Duong Company (GCFBDC)	Feedmills	Vietnam	–	100.00	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	–	100.00	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	–	100.00	–	100.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Gold Coin Aqua Feed Incorporated	Holding	British Virgin Island	–	100.00	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	–	70.00	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	–	93.90	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	–	100.00	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	–	100.00	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	–	99.90	–	99.90
PT Ayam Unggul (PTAYAM)	Feedmills	Indonesia	–	60.00	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	–	100.00	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	–	40.00	–	40.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			June 30, 2021		December 31, 2020	
			Direct	Indirect	Direct	Indirect
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	–	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
Pilmico Aqua Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Aboitiz Data Innovation Pte. Ltd. <sup>2*</sup>	Data Analytics	Singapore	–	100.00	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	100.00	–	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	73.31	26.69	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	100.00	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	100.00	–	100.00	–
Aboitiz Infracapital, Inc. (AIC) and Subsidiaries	Holding	Philippines	100.00	–	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	–	100.00	–	100.00
Apo Agua Infraestructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	2.39	67.61	22.22	47.78

<sup>1</sup>In 2021, ARI acquired 100% of LFEI from TPI (40%) and La Filipina Uy Gongco Corporation (60%). As a result, LFEI (formerly an associate) became a subsidiary

<sup>2</sup>Incorporated in 2021.

\* No commercial operations as of June 30, 2021.

### Interest in Joint Operations

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

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

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

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

### Basis of Preparation

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



### Statement of Compliance

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

On July 28, 2021, the Audit Committee of the Board of Directors (BOD) of the Company approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the change reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

As of January 1, 2021, the Group has fully adopted the provisions of PFRS 15 in relation to its real estate segment as described below:

- Philippines Interpretation Committee (PIC) Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A No: 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 7, 2019, the Philippine SEC issued SEC Memorandum Circular (MC) Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

The Group has already applied the provisions of these PIC Q&As except for the availment of the deferral option with respect to the accounting for significant financing component as provided in PIC Q&A No. 2018-12 in its most recent annual consolidated financial statements as of and for the year ended December 31, 2020. As of January 1, 2021, the Group completed the evaluation of the impact which is as follows:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitutes a significant financing component. Adoption of this guidance impacted interest income, interest expense, revenue from real estate sales, contract asset, provision for deferred income tax, deferred income tax asset or liability.

The Group has concluded that the impact to the unaudited interim consolidated financial statements, including the effect on all comparative periods presented, and the opening balance of retained earnings is not significant.

- Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group has concluded that the impact to the unaudited interim consolidated financial statements is not significant as its current policy in accounting for the cancellation of real estate sales is aligned with one of the approaches allowed by PIC Q&A 2020-05 where the cumulative amount of previously recognized real estate sales and the related costs of sales are reversed.

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

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group also included, as one of its main considerations, the continuing impact of COVID-19 pandemic in making significant judgments and assumptions.

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

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

### Judgments

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

#### *Nonconsolidation of certain investees*

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

The Group has 60% and 70% interest in AA Thermal, Inc (AA Thermal) and GN Power Dinginin Ltd. Co. (GNPD) respectively.

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

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.40% ownership interest in Republic Cement and Building Materials, Inc., 99.72% ownership interest in Republic Cement Mindanao, Inc., and 100% ownership interest in Republic Cement Land and Resources, Inc.

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH.

Consequently, the Group accounts for MORE, a joint venture, and AEV CRH and GNPD, associates, using the equity method in the consolidated financial statements.

#### *Determining a joint operation*

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

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## 5. Cash and Cash Equivalents

	June 30, 2021	December 31, 2020
Cash on hand and in banks	P <b>23,299,008</b>	P22,224,763
Short-term deposits	<b>34,320,820</b>	43,741,648
	<b>P57,619,828</b>	P65,966,411

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

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## 6. Trade and Other Receivables

	June 30, 2021	December 31, 2020
Trade receivables		
Power	P <b>20,676,297</b>	P17,726,379
Real estate	<b>7,855,506</b>	7,593,207
Food manufacturing	<b>9,230,764</b>	7,901,937
Holding and others	<b>832,230</b>	1,096,632
	<b>38,594,797</b>	34,318,155
Nontrade receivables	<b>6,904,002</b>	6,521,500
Dividends receivable	<b>600,000</b>	1,498,000
Advances to contractors	<b>470,103</b>	234,799
Others	<b>314,757</b>	276,282
	<b>46,883,659</b>	42,848,736
Less allowance for expected credit losses	<b>3,636,709</b>	3,423,691
	<b>43,246,950</b>	39,425,045
Less noncurrent portion	<b>882,768</b>	1,398,791
	<b>P42,364,182</b>	P38,026,254

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

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

Other receivables include accrued interest income.

### *Trade Receivables of Real Estate Group*

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱7.5 billion and ₱306.8 million, respectively, as of June 30, 2021, and ₱7.3 billion and ₱301.4 million, respectively, as of December 31, 2020.

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## **7. Other Current Assets**

	<b>June 30, 2021</b>	December 31, 2020
Short term cash deposits	<b>₱7,524,960</b>	₱960,460
Restricted cash	<b>5,935,117</b>	5,324,213
Input value added tax (VAT)	<b>2,853,365</b>	3,452,005
Prepaid expenses	<b>2,435,403</b>	2,239,858
Insurance assets	<b>2,259,664</b>	2,227,427
Deposits for land acquisition	<b>1,058,123</b>	885,788
Biological assets	<b>877,164</b>	800,264
Advances to (National Grid Corporation of the Philippines (NGCP)	<b>615,792</b>	1,167,296
Advances to suppliers	<b>372,789</b>	106,870
Others	<b>2,300,653</b>	1,538,502
	<b>₱26,233,030</b>	₱18,702,683

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

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

Advances to NGCP pertain to TVI's cost of construction and installation of substation and transmission facilities which is subject for reimbursement after completion of the project. The substation is 100.0% completed.

"Others" include asset held for sale and prepayments to regulatory agencies.

## 8. Investments and Advances

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

	Nature of Business	Percentage of ownership	
		June 30, 2021	December 31, 2020
MORE <sup>1</sup>	Holding	83.33	83.33
GNPD **	Power generation	70.00	70.00
AEV CRH	Holding	60.00	60.00
AA Thermal <sup>2</sup>	Holding	60.00	60.00
Cebu District Property Enterprise, Inc. (CDPEI) <sup>1</sup> **	Real estate	50.00	50.00
Unity Digital Infrastructure Inc. (UDII, formerly Aboitiz Airports Advisory Services Corporation) <sup>3*</sup>	Services	50.00	100.00
Union Bank of the Philippines (UBP)	Banking	49.34	49.34
Hijos de F. Escaño, Inc.	Holding	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	45.00	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	44.87	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	42.84	42.84
STEAG State Power Inc. (STEAG)	Power generation	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	25.00	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	20.00	20.00
Western Mindanao Power Corporation (WMPC)	Power distribution	20.00	20.00
Gold Coin Feed Mills (Brunei) Sdn. Bhd. ***	Feedmills	20.00	20.00
Balibago Water Systems, Inc. (BWSI) <sup>3</sup>	Water infrastructure	15.94	15.94
Singlife Philippines Inc. [SLPI, formerly Singapore Life (Philippines), Inc.] <sup>3**</sup>	Insurance	15.00	15.00
Cebu Homegrown Developers, Inc. (CHDI) <sup>1**</sup>	Real estate	—	50.00
LFEI <sup>4**</sup>	Power generation	—	40.00

<sup>1</sup>Joint ventures.

<sup>2</sup>Economic interest.

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

<sup>4</sup>In 2021, ARI acquired 100% of LFEI from TPI (40%) and La Filipina Uy Gongco Corporation (60%). As a result, LFEI (formerly an associate) became a subsidiary

<sup>5</sup>In 2021, the Group reduced its effective ownership in UDII to 50% upon entry of new joint venture partner.

\*\*No commercial operations as of June 30, 2021.

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

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

In 2021, the Group, through TPI and AA Thermal, made capital contributions to GNPD amounting to ₱952.1 million.

In 2021, the Group also made capital contributions to CDPEI amounting to ₱310.0 million.

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

	June 30, 2021	December 31, 2020
UBP	P57,437,947	P55,369,791
GNPD/AA Thermal	46,483,903	41,859,316
AEV CRH	24,297,741	24,297,741
MORE	7,810,878	10,653,803
CEDC	3,739,790	3,409,799
STEAG	3,201,292	3,855,162
CRH ABOITIZ	2,395,561	1,146,868
CDPEI	1,728,708	1,417,499
SFELAPCO/PEVI	1,005,423	928,495
UDII	994,068	—
BWSI	598,766	580,523
Others	540,692	481,026
RP Energy	520,784	522,347
WMPC	205,428	168,244
SPPC	52,904	53,246
CHDI	—	652,257
	<b>151,013,885</b>	<b>145,396,117</b>
	June 30, 2021	December 31, 2020
Acquisition cost:		
Balance at beginning of period	P102,434,357	P99,669,607
Additions during the period	2,303,072	2,764,750
Disposals during the period	(660,000)	—
Balance at end of period	104,077,429	102,434,357
Accumulated share in net earnings:		
Balances at beginning of period	44,585,338	41,228,330
Share in net earnings for the period	10,684,450	9,019,033
Newly consolidated subsidiary	1,007	—
Disposals during the period	6,742	—
Cash dividends received and receivable	(7,051,406)	(5,662,025)
Balance at end of period	48,226,131	44,585,338
Gain on dilution	1,014,136	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates	125,612	125,612
Share in cumulative translation adjustments of associates and joint ventures	(364,455)	(699,430)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	(1,384,237)	(1,383,165)
	<b>151,694,616</b>	<b>146,076,848</b>
Less allowance for impairment losses	680,731	680,731
	<b>151,013,885</b>	<b>145,396,117</b>
Advances to associates	15,911	20,527
	<b>P151,029,796</b>	<b>P145,416,644</b>



## 9. Intangibles

Set out below is the carrying amount of the Group's intangible assets as of June 30, 2021 and the movements for the three-month period then ended:

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
<b>Cost:</b>							
Balances at beginning of period	₱55,170,011	₱12,068,755	₱3,078,431	₱1,029,421	₱99,746	₱943,446	₱72,389,810
Additions during the period	—	2,404,161	—	66,393	—	21,527	2,492,081
Exchange differences /Others	533,117	9,146	—	—	—	106	542,369
Balances at end of period	55,703,128	14,482,062	3,078,431	1,095,814	99,746	965,079	75,424,260
<b>Accumulated amortization:</b>							
Balances at beginning of period	—	3,403,951	583,620	—	88,835	536,915	4,613,321
Amortization	—	81,945	38,480	—	1,984	66,145	188,554
Balances at end of period	—	3,485,896	622,100	—	90,819	603,060	4,801,875
<b>Net book values</b>	<b>₱55,703,128</b>	<b>₱10,996,166</b>	<b>₱2,456,331</b>	<b>₱1,095,814</b>	<b>₱8,927</b>	<b>₱362,019</b>	<b>₱70,622,385</b>

## 10. Other Noncurrent Assets

	June 30, 2021	December 31, 2020
Prepaid taxes	₱3,869,973	₱3,559,354
Financial assets at FVOCI	3,234,130	2,215,044
Input VAT and tax credit receivable	3,043,400	3,076,027
Advances to contractors and projects	1,435,486	2,030,652
Financial assets at FVTPL	1,107,663	1,009,554
Receivable from NGCP	1,023,885	920,682
Prepaid rent and other deposits	704,801	845,586
Biological assets	136,954	133,440
Debt investments at amortized cost	82,400	101,161
Others	926,405	658,970
	<b>₱15,565,097</b>	<b>₱14,550,470</b>

Prepaid taxes are composed of creditable withholding taxes.

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## 11. Trade and Other Payables

	June 30, 2021	December 31, 2020
Trade payables	P26,477,355	P21,245,087
Output VAT	4,483,924	3,583,387
Nontrade and other payables	2,263,843	2,236,388
Accrued expenses		
Interest	2,478,267	2,880,135
Taxes and fees	851,017	941,214
Others	1,957,476	1,795,287
Amounts due to contractors and other third parties	2,008,367	3,501,864
PSALM deferred adjustment	1,042,861	1,042,861
Unearned revenue	42,372	43,351
	<b>41,605,482</b>	<b>37,269,574</b>
Less noncurrent portion	1,322,217	1,657,982
	<b>P40,283,265</b>	<b>P35,611,592</b>

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

Accrued taxes and fees represent accrual of real property tax, transfer tax and other fees.

Other accrued expenses include fuel and lubricant costs, freight expense, materials and supplies that are due within 12 months.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

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

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## 12. Bank Loans

	June 30, 2021	December 31, 2020
Philippine peso loans	P22,993,500	P25,582,500
Vietnamese dong loans	2,701,518	2,022,115
Chinese yuan loans	1,595,064	1,074,805
US dollar loans	1,024,800	192,092
Indonesia rupia loans	182,027	—
Other foreign currency-denominated loans	579,810	459,371
	<b>P29,076,719</b>	<b>P29,330,883</b>

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 0.92% - 8.50% and 1.15% to 5.55% in 2021 and 2020, respectively. These loans will mature on various dates within 12 months.

### 13. Long-term Debts

	June 30, 2021		December 31, 2020	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	2.84% - 6.32%	P37,888,380	2.84% - 6.32%	P37,888,380
Subsidiaries:				
GMEC				
Financial institutions - unsecured	LIBOR + 1.70% - 4.85%	33,646,554	LIBOR + 1.70% - 4.00%	33,711,803
Therma Marine				
Financial institutions - secured	4.54%	780,277	—	—
TVI				
Financial institutions – secured	5.56% - 9.00%	27,983,935	5.56% - 9.00%	29,418,667
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	3.13% - 8.51%	52,950,000	3.13% - 8.51%	44,950,000
Financial and nonfinancial institutions - Foreign currency - unsecured	LIBOR + 1.20%	10,736,000	LIBOR + 1.20%	14,406,900
TSI				
Financial institutions - secured	5.26%	18,073,856	5.26%	18,729,025
APRI				
Financial institutions - secured	4.48% - 5.20%	6,248,800	4.48% - 5.20%	6,873,920
Hedcor Bukidnon				
Financial institutions - secured	4.00% - 5.34%	9,014,858	4.00% - 5.34%	9,315,000
HSI				
Fixed rate corporate notes - unsecured	4.63% - 5.42%	3,702,399	4.63% - 5.42%	3,702,401
PFC				
Financial institutions - unsecured	4.18% - 5.16%	2,870,000	4.18% - 5.16%	2,877,500
PANC				
Financial institutions - unsecured	4.50%	2,540,000	4.50%	2,570,000
VECO				
Financial institution - unsecured	4.73% - 4.81%	579,000	4.73% - 4.81%	579,000
LHC				
Financial institutions - secured	LIBOR + 2.00%	168,360	LIBOR + 2.00%	271,330
DLP				
Financial institution - unsecured	4.73% - 4.92%	434,250	4.73% - 4.92%	434,250
HI				
Financial institution - secured	7.41% - 7.87%	1,593,001	7.41% - 7.87%	1,630,000
SEZ				
Financial institution - unsecured	5.00%	56,500	5.00%	56,500
CLP				
Financial institution - unsecured	4.73% - 4.92%	86,850	4.73% - 4.92%	86,850
TPVI				
Financial institution - unsecured	3.32% - 5.06%	1,500,254	3.32% - 5.06%	1,500,000
AESI				
Financial institution - secured	4.87%	594,000	4.87%	600,000
Apo Agua				
Financial institutions Philippine peso - secured	5.75% - 8.26%	9,000,000	5.75% - 8.26%	9,000,000
AEV International				
Financial institutions: Foreign currency - secured	3.26% - 3.72%	10,882,400	3.26% - 3.72%	10,709,129
US Dollar bonds Foreign currency - unsecured	4.20%	19,520,000	4.20%	19,209,200
GCMH				
Financial institution - unsecured	LIBOR + 1.44%	1,952,000	LIBOR + 2.55%	1,920,920
PTAYAM				
Financial institution - unsecured	JIBOR + 3.48%	118,252	JIBOR + 3.48%	119,082
GCFHN				
Financial institution - unsecured	4.00% - 4.90%	74,424	4.00% - 4.90%	89,112
TCP				
Financial institution - unsecured	6.50%	222,100	6.50%	235,360
Joint Operation - PEC				
Financial institution - secured	5.77% - 6.27%	11,775,801	5.50% - 8.31%	12,251,259
Total		264,992,251		263,135,588
Deferred financing costs		(1,905,392)		(2,094,508)
		263,086,859		261,041,080
Less current portion		25,748,592		17,417,474
Noncurrent portion		P237,338,267		P243,623,606

### Loan covenants

The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of June 30, 2021 and December 31, 2020.

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## 14. Debt Securities

As of June 30, 2021, AEV and AP registered and issued peso-denominated fixed-rate retail bonds totaling ₱75.9 billion under the following terms:

<b>Maturity</b>	<b>Issuer</b>	<b>Annual Interest Rate</b>	<b>Amount</b>
10-year bonds to mature on November 21, 2023	AEV	4.62%	₱1,800,000
7-year bonds to mature on August 6, 2022	AEV	5.01%	8,467,030
12-year bonds to mature on August 6, 2027	AEV	6.02%	5,071,350
5-year bonds to mature on June 18, 2024	AEV	6.02%	3,350,000
10-year bonds to mature on June 18, 2029	AEV	6.32%	1,650,000
5-year bonds to mature on November 16, 2027	AEV	3.31%	696,700
5-year bonds to mature on November 16, 2023	AEV	2.84%	6,853,300
12-year bonds to mature on September 10, 2026	AP	6.10%	3,400,000
10-year bonds to mature on September 10, 2021	AP	5.21%	6,600,000
10-year bonds to mature on July 3, 2027	AP	5.34%	3,000,000
5.25-year bonds to mature on January 25, 2024	AP	7.51%	7,700,000
7-year bonds to mature on October 25, 2025	AP	8.51%	2,500,000
7-year bonds to mature on October 14, 2026	AP	5.28%	7,250,000
2-year bonds to mature on July 6, 2022	AP	3.13%	9,000,000
5-year bonds to mature on July 6, 2025	AP	3.94%	550,000
5-year bonds to mature on March 16, 2026	AP	3.82%	8,000,000

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## 15. Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of June 30, 2021 and the movements for the six-month period then ended:

	Right-of-use assets				Total	Lease Liabilities
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others		
As of January 1	₱3,413,409	₱389,708	₱32,504,564	₱92,073	₱36,399,754	₱39,768,846
Additions	299	40,115	—	69,197	109,611	109,313
Amortization expense	(97,496)	(79,982)	(523,968)	(9,713)	(711,159)	—
Capitalized amortization	(1,077)	—	—	—	(1,077)	—
Interest expense	—	—	—	—	—	1,932,071
Payments	—	—	—	—	—	(5,173,176)
Others	6,925	3,212	—	176,066	186,203	351,080
As of June 30	₱3,322,060	₱353,053	₱31,980,596	₱327,623	₱35,983,332	₱36,988,134

Set out below are the amounts recognized in the consolidated statement of income for the six month period ended June 30, 2021:

Amortization expense of right-of-use assets	₱711,159
Interest expense on lease liabilities	1,932,071
Rent expense - low-value assets	4,300
Rent expense - short-term leases	83,372
	<u>₱2,730,902</u>

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## 16. Retained Earnings

On March 5, 2021, the BOD approved the declaration of a regular cash dividend of ₱0.91 per share (₱5.1 billion) to all stockholders of record as of March 19, 2021. These dividends were taken out of the unrestricted retained earnings as of December 31, 2020, and were paid on March 31, 2021.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱151.1 billion and ₱143.6 billion as of June 30, 2021 and December 31, 2020, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements.

## 17. Other Comprehensive Income

	June 30, 2021	December 31, 2020
<b>Cumulative Translation Adjustments</b>		
Balance at beginning of period	(P474,733)	(P944,486)
Movements	2,025,823	469,753
Balance at end of period	1,551,090	(474,733)
<b>Actuarial Losses on Defined Benefit Plans</b>		
Balances at beginning of period	(1,468,919)	(861,868)
Movements	(6,954)	(607,051)
Balance at end of period	(1,475,873)	(1,468,919)
<b>Net Unrealized Gains (Losses) on Financial Assets at FVOCI</b>		
At beginning of period	3,009	3,135
Movements	(1,049)	(126)
Balance at end of period	1,960	3,009
<b>Share in Cumulative Translation Adjustments of Associates and Joint Ventures</b>		
Balance at beginning of period	(765,424)	(137,020)
Movements	258,510	(628,404)
Balance at end of period	(506,914)	(765,424)
<b>Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures</b>		
Balance at beginning of period	(1,356,084)	(819,928)
Movements	(495)	(536,156)
Balance at end of period	(1,356,579)	(1,356,084)
<b>Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures</b>		
At beginning of period	102,748	112,145
Movements	—	(9,397)
Balance at end of period	102,748	102,748
	<b>(P1,683,568)</b>	<b>(P3,959,403)</b>

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

	January - June 2021		
	Before Tax Amount	Tax Expense	Net of Tax Amount
Net unrealized mark-to-market losses on FVOCI investments	(P1,049)	P—	(P1,049)
Movement in cumulative translation adjustments	2,695,767	—	2,695,767
Share in movement in cumulative translation adjustment of associates and joint ventures	334,975	—	334,975
Movement in actuarial losses on defined benefit plans	(9,934)	2,980	(6,954)
Share in actuarial losses on defined benefit plans of associates and joint ventures	(1,532)	460	(1,072)
<b>Other comprehensive income (loss) for the period - net of tax</b>	<b>P3,018,227</b>	<b>P3,440</b>	<b>P3,021,667</b>

	January -June 2020		
	Before Tax Amount	Tax Expense	Net of Tax Amount
Net unrealized mark-to-market gains on FVOCI investments	₱2,287	₱—	₱2,287
Share in net unrealized mark-to-market losses on FVOCI investments of associates and joint ventures	(3,122)	—	(3,122)
Movement in cumulative translation adjustments	(1,548,960)	—	(1,548,960)
Share in movement in cumulative translation adjustment of associates and joint ventures	40,808	—	40,808
Share in actuarial gains on defined benefit plans of associates and joint ventures	934	(280)	654
<b>Other comprehensive income (loss) for the period - net of tax</b>	<b>(₱1,507,482)</b>	<b>(₱451)</b>	<b>(₱1,507,933)</b>

## 18. Revenues

	Jan - Jun 2021	Jan - Jun 2020
Sale of:		
Power	₱60,227,887	₱52,945,609
Goods	39,945,610	39,091,204
Real estate	1,528,012	1,146,785
Service fees	440,933	409,114
Sale of swine at fair value	52,121	897,319
Others	139,626	116,034
	<b>₱102,334,189</b>	<b>₱94,606,065</b>

## 19. Costs and Expenses

	Jan - Jun 2021	Jan - Jun 2020
Cost of goods sold	₱35,901,680	₱34,252,523
Cost of purchased power	19,127,581	16,277,881
Cost of generated power	12,519,661	12,395,051
Cost of real estate sales	774,341	683,537
Operating expenses	19,008,361	18,310,972
Overhead expenses	41,712	35,492
	<b>₱87,373,336</b>	<b>₱81,955,456</b>

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**20. Other Income (Expense)**

	<b>Jan - Jun 2021</b>	Jan - Jun 2020
Net foreign exchange gains (losses)	<b>(P282,296)</b>	P308,422
Surcharges	<b>313,738</b>	145,513
Gain (loss) on disposal of:		
Property, plant and equipment	<b>7,143</b>	(44,344)
Financial assets at FVTPL	<b>27,709</b>	(3,999)
Non-utility operating income	<b>69,702</b>	290,191
Rental income	<b>78,948</b>	28,847
Unrealized valuation gains (losses) on financial assets	<b>60,505</b>	(8,155)
Dividend income	<b>2,255</b>	3,376
Others - net	<b>365,820</b>	429,364
	<b>P643,524</b>	<b>P1,149,215</b>

“Others - net” comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

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**21. Earnings per Common Share**

Earnings per common share amounts were computed as follows:

	<b>Jan - Jun 2021</b>	Jan - Jun 2020
a. Net income attributable to equity holders of the parent	<b>P13,462,379</b>	P3,924,626
b. Weighted average number of common shares issued and outstanding	<b>5,630,225</b>	5,630,225
c. Earnings per common share (a/b)	<b>P2.39</b>	<b>P0.70</b>

There are no dilutive potential common shares for the six-month periods ended June 30, 2021 and 2020.



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## 22. Operating Segment Information

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

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

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

In addition, The Group presents geographical segments based on two categories, as follows:

- Philippines, which represents the Group's local operations; and
- Rest of Asia, which represents the foreign operations of the Group across several countries in Asia.

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

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

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

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

January - June 2021

	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated	
<b>REVENUES</b>									
Third parties	P60,271,249	P—	P39,997,731	P1,717,590	P66,129	P281,490	P—	P102,334,189	
Inter-segment	79,868	—	806,473	42,067	1,203	283,167	(1,212,778)	—	
<b>Total revenue</b>	<b>P60,351,117</b>	<b>P—</b>	<b>P40,804,204</b>	<b>P1,759,657</b>	<b>P67,332</b>	<b>P564,657</b>	<b>(P1,212,778)</b>	<b>P102,334,189</b>	
<b>RESULTS</b>									
Segment results	P13,080,463	P—	P1,806,245	P406,551	(P90,849)	(P241,557)	P—	P14,960,853	
Unallocated corporate income (expenses) - net	450,657	—	(31,266)	(15,267)	18,794	220,606	—	643,524	
<b>INCOME FROM OPERATIONS</b>									
Interest expense	(7,112,740)	—	(406,652)	(31,747)	(259)	(1,293,729)	13,191	(8,831,936)	
Interest income	191,673	—	41,575	1,248	2,198	58,366	(13,191)	281,869	
Share in net earnings (losses) of associates and joint ventures	5,229,505	4,170,941	4,906	2,210	1,278,479	9,136,813	(9,138,404)	10,684,450	
Benefit from (provision for) income tax	(901,973)	—	(301,680)	85,552	(2,231)	73,491	—	(1,046,841)	
<b>NET INCOME (LOSS)</b>	<b>P10,937,585</b>	<b>P4,170,941</b>	<b>P1,113,128</b>	<b>P448,547</b>	<b>P1,206,132</b>	<b>P7,953,990</b>	<b>(P9,138,404)</b>	<b>P16,691,919</b>	
Depreciation and amortization	P5,463,731	P—	P698,549	P36,775	P16,496	P81,561	P—	P6,297,112	
<b>OTHER INFORMATION (as of June 30, 2021)</b>									
Segment assets	P85,507,662	P—	P29,418,265	P19,839,266	P2,855,287	P19,018,265	(P1,408,267)	P155,230,478	
Investments and advances	63,391,862	57,437,947	75,175	1,728,708	28,286,137	134,711,695	(134,601,728)	151,029,796	
Unallocated corporate assets	256,074,682	—	31,449,635	9,931,756	10,204,244	10,274,969	(573,875)	317,361,411	
<b>Consolidated total assets</b>									<b>P623,621,685</b>
Segment liabilities	P262,256,747	P—	P30,308,729	P11,541,087	P10,117,001	P72,051,354	(P1,956,630)	P384,318,288	
Unallocated corporate liabilities	1,421,184	—	31,299,881	825,321	17,009	(30,253,471)	—	3,309,924	
<b>Consolidated total liabilities</b>									<b>P387,628,212</b>

January - June 2020

	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated	
<b>REVENUES</b>									
Third parties	P53,013,658	P—	P39,988,523	P1,146,785	P42,468	P414,631	P—	P94,606,065	
Inter-segment	18,196	—	—	—	—	93,500	(111,696)	—	
<b>Total revenue</b>	<b>P53,031,854</b>	<b>P—</b>	<b>P39,988,523</b>	<b>P1,146,785</b>	<b>P42,468</b>	<b>P508,131</b>	<b>(P111,696)</b>	<b>P94,606,065</b>	
<b>RESULTS</b>									
Segment results	P11,035,524	P—	P2,087,829	P30,897	(P90,233)	(P413,408)	P—	P12,650,609	
Unallocated corporate income (expenses) - net	1,427,716	—	(139,927)	28,988	538	(168,100)	—	1,149,215	
<b>INCOME FROM OPERATIONS</b>									
Interest expense	(7,197,123)	—	(527,436)	(44,044)	—	(1,346,696)	22,911	(9,092,388)	
Interest income	405,295	—	32,900	6,945	10,166	180,375	(22,911)	612,770	
Share in net earnings (losses) of associates and joint ventures	979,818	2,174,343	8,020	(15,606)	(40,878)	3,342,161	(3,342,505)	3,105,353	
Benefit from (provision for) income tax	(1,882,509)	—	(618,947)	(12,999)	(3,050)	(12,606)	—	(2,530,111)	
<b>NET INCOME (LOSS)</b>	<b>P4,768,721</b>	<b>P2,174,343</b>	<b>P842,439</b>	<b>(P5,819)</b>	<b>(P123,457)</b>	<b>P1,581,726</b>	<b>(P3,342,505)</b>	<b>P5,895,448</b>	
Depreciation and amortization	P2,610,960	P—	P360,368	P22,175	P4,950	P49,592	P—	P3,048,045	
<b>OTHER INFORMATION (as of December 31, 2020)</b>									
Segment assets	P77,504,703	P—	P27,288,310	P19,182,052	P3,385,735	P21,443,628	(P1,423,195)	P147,381,233	
Investments and advances	61,828,801	55,369,791	71,020	2,069,756	26,025,132	126,890,485	(126,838,341)	145,416,644	
Unallocated corporate assets	258,591,615	—	41,561,960	8,300,160	8,023,658	454,533	(573,876)	316,358,050	
<b>Consolidated total assets</b>									<b>P609,155,927</b>
Segment liabilities	P261,578,030	P—	P28,397,739	P12,256,824	P9,824,430	P71,843,403	(P1,971,504)	P381,928,922	
Unallocated corporate liabilities	1,762,015	—	31,000,041	581,967	17,009	(29,734,026)	—	3,627,006	
<b>Consolidated total liabilities</b>									<b>P385,555,928</b>

Revenues and noncurrent operating assets by geographical locations are summarized below:

	Revenue		Property, Plant and Equipment		Intangible Assets	
	June 2021	June 2020	June 2021	December 2020	June 2021	December 2020
<b>Philippines</b>	<b>₱77,095,187</b>	₱68,399,128	<b>₱176,266,144</b>	₱178,347,621	<b>₱14,841,221</b>	₱12,503,579
<b>Rest of Asia</b>	<b>32,135,320</b>	26,318,633	<b>4,911,196</b>	4,790,720	<b>78,037</b>	102,899
	<b>₱109,230,507</b>	₱94,717,761	<b>₱181,177,340</b>	₱183,138,341	<b>₱14,919,258</b>	₱12,606,478

The revenue information above is based on the locations of customers. Noncurrent operating assets consist of property, plant and equipment and intangible assets.

### 23. Financial Risk Management Objectives and Policies

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

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

#### Risk Management Structure

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

#### *Financial risk committee*

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

#### *Treasury service group*

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

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

#### Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-

balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

*Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of June 30, 2021, 17.66% of the Group's long-term debt had annual floating interest rates ranging from 2.94% to 8.26%, and 82.34% are with fixed rates ranging from 2.84% to 9.00%. As of December 31, 2020, 15.50% of the Group's long-term debt had annual floating interest rates ranging from 1.62% to 4.90%, and 84.50% are with fixed rates ranging from 2.00% to 8.51%.

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

**June 30, 2021**

	Less than 1 year	1-5 years	More than 5 years	Total
<b>Long-term debts</b>				
<b>Floating rate</b>	<b>₱8,870,376</b>	<b>₱19,133,434</b>	<b>₱18,449,177</b>	<b>₱46,452,987</b>

**December 31, 2020**

	Less than 1 year	1-5 years	More than 5 years	Total
<b>Long-term debts</b>				
<b>Floating rate</b>	<b>₱2,448,799</b>	<b>₱30,086,294</b>	<b>₱8,007,950</b>	<b>₱40,543,043</b>

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

The interest expense recognized during the periods follows:

	Jan - Jun 2021	Jan - Jun 2020
Long-term debts	₱6,347,603	₱6,544,780
Lease liabilities	1,932,071	1,757,433
Bank loans	415,267	669,987
Other long-term obligations	136,798	119,335
Customers' deposits	197	853
	<b>₱8,831,936</b>	<b>₱9,092,388</b>

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of June 30, 2021 and 2020:

	Increase (decrease) in basis points	Effect on income before tax
<b>June 30, 2021</b>	<b>200</b>	<b>(P463,257)</b>
	<b>(100)</b>	<b>231,629</b>
June 30, 2020	200	(P413,528)
	(100)	206,764

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first six months of 2021 and 2020, due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

#### *Commodity Price Risk*

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

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

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

#### *Foreign exchange risk*

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of June 30, 2021 and December 31, 2020, foreign currency denominated borrowings account for 30.58% and 31.15%, respectively, of total consolidated borrowings.

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

	June 30, 2021		December 31, 2020	
	US dollar	Philippine peso Equivalent <sup>1</sup>	US dollar	Philippine peso Equivalent <sup>2</sup>
<b>Financial assets</b>				
Cash and cash equivalents	\$386,049	₱18,839,191	\$618,093	₱29,682,701
Short-term deposits	154,200	7,524,960	20,000	960,460
Trade and other receivables	42,261	2,062,337	111,091	5,334,947
Investments in FVTPL and FVOCI	43,447	2,120,214	21,789	1,046,395
<b>Total financial assets</b>	<b>625,957</b>	<b>30,546,702</b>	<b>770,973</b>	<b>37,024,503</b>
<b>Financial liabilities</b>				
Bank loans	21,000	1,024,800	78,054	3,748,384
Trade and other payables	151,939	7,414,623	240,418	11,545,608
Long-term debts	879,400	42,914,720	963,243	46,257,829
Lease liabilities	360,705	17,602,404	400,786	19,246,931
<b>Total financial liabilities</b>	<b>1,413,044</b>	<b>68,956,547</b>	<b>1,682,501</b>	<b>80,798,752</b>
<b>Net foreign currency denominated liabilities</b>	<b>(\$787,087)</b>	<b>(₱38,409,846)</b>	<b>(\$911,528)</b>	<b>(₱43,774,249)</b>

<sup>1</sup>\$1= ₱48.80

<sup>2</sup>\$1= ₱48.02

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

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
<b>June 30, 2021</b>	<b>US dollar strengthens by 5%</b>	<b>(₱1,920,492)</b>
	<b>US dollar weakens by 5%</b>	<b>1,920,492</b>
December 31, 2020	US dollar strengthens by 5%	(₱2,188,712)
	US dollar weakens by 5%	2,188,712

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

#### *Equity price risk*

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

As of June 30, 2021 and December 31, 2020, the Group's exposure to equity price risk is minimal.

### Credit Risk

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

### *Concentration risk*

Credit risk concentration of the Group's receivables according to the customer category as of June 30, 2021 and December 31, 2020 is summarized in the following table:

	<b>June 30, 2021</b>	December 31, 2020
Power distribution:		
Industrial	<b>₱5,089,099</b>	₱4,005,713
Residential	<b>1,821,535</b>	1,922,998
Commercial	<b>1,147,837</b>	1,144,382
City street lighting	<b>788,748</b>	764,702
Power generation:		
Power supply contracts	<b>9,227,564</b>	8,066,769
Spot market	<b>2,573,996</b>	1,821,815
	<b>₱20,648,779</b>	<b>₱17,726,379</b>

### Liquidity Risk

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

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

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

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of June 30, 2021 and December 31, 2020, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 10.87% and 8.02%, respectively. For its short-

term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents, short term cash deposits and trade and other receivables, which are all short-term in nature, have balances of ₱57.6 billion, ₱7.5 billion and ₱42.4 billion as of June 30, 2021, respectively and ₱66.0 billion, ₱1.0 billion and ₱38.0 billion as of December 31, 2020, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

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

### **June 30, 2021**

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
<b>Financial liabilities:</b>						
<b>Operating</b>						
Trade and other payables*	₱37,296,548	₱37,296,548	₱2,249,904	₱34,469,515	₱577,129	₱—
Customers' deposits	7,215,532	7,215,532	—	171	426,379	6,788,982
<b>Financing</b>						
Bank loans	29,076,719	29,076,719	—	29,076,719	—	—
Long-term debts	263,086,859	264,400,680	—	25,702,710	133,327,724	105,370,246
Lease liabilities	36,988,134	47,883,711	—	10,762,434	32,341,986	4,779,291
Long-term obligation on PDS	194,484	320,000	—	40,000	200,000	80,000
<b>Others</b>						
Derivative liabilities	1,038,602	1,038,602	—	384,581	654,021	—
	<b>₱374,896,878</b>	<b>₱387,231,792</b>	<b>₱2,249,904</b>	<b>₱100,436,130</b>	<b>₱167,527,239</b>	<b>₱117,018,519</b>

\*Excludes statutory liabilities

### **Capital Management**

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

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

No changes were made in the objectives, policies or processes during the periods ended June 30, 2021 and December 31, 2020.

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



Gearing ratios of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Bank loans	P <b>29,076,719</b>	P29,330,883
Long-term obligations	<b>300,074,993</b>	300,809,926
Cash and cash equivalents (including restricted cash and short-term cash deposits)	<b>(71,079,905)</b>	(72,251,084)
Net debt (a)	<b>258,071,807</b>	257,889,725
Equity	<b>235,993,473</b>	223,599,999
Equity and net debt (b)	<b>P494,065,280</b>	P481,489,724
Gearing ratio (a/b)	<b>52.23%</b>	53.56%

## 24. Financial Instruments

### Fair Value of Financial Instruments

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

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

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

	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	P <b>1,618,795</b>	P <b>1,485,954</b>	P2,140,226	P1,939,398
Financial liabilities:				
Lease liabilities	<b>36,988,134</b>	<b>35,035,811</b>	39,768,846	38,413,752
Long-term debt - fixed rate	<b>216,633,872</b>	<b>233,635,503</b>	220,498,037	245,613,118
PSALM deferred adjustment	<b>1,618,795</b>	<b>1,485,954</b>	2,140,226	1,939,398
Long-term obligation on PDS	<b>194,484</b>	<b>162,164</b>	183,436	162,164
	<b>P255,435,285</b>	<b>P270,319,432</b>	P262,590,545	P286,128,432

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

*Cash and cash equivalents, short-term cash deposits, trade and other receivables, short-term loans and trade and other payables*

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

*Lease liabilities*

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

*Fixed-rate borrowings*

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

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

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

*Customers' deposits*

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

*Financial assets at FVTPL and FVOCI*

These equity securities are carried at fair value.

*Derivative asset and liabilities*

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

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

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

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

The movements in fair value changes of all derivative instruments are as follows:

	<b>June 30, 2021</b>	December 31, 2020
At beginning of period	<b>(P1,983,877)</b>	(P2,334,937)
Net changes in fair value of derivatives designated as cash flow hedges	<b>2,059,858</b>	877,257
Net changes in fair value of derivatives not designated as accounting hedges	<b>36,942</b>	(4,848)
Fair value of settled instruments	<b>102,438</b>	(521,349)
At end of period	<b>P215,361</b>	(P1,983,877)

#### 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 June 30, 2021 the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Carried at fair value:</b>				
<b>Investments in financial assets:</b>				
<b>At FVTPL</b>	<b>P1,107,663</b>	<b>P1,107,663</b>	<b>P—</b>	<b>P—</b>
<b>At FVOCI</b>	<b>3,234,130</b>	<b>3,234,130</b>	<b>—</b>	<b>—</b>
<b>Derivative asset</b>	<b>1,253,963</b>	<b>—</b>	<b>1,253,963</b>	<b>—</b>
<b>Derivative liability</b>	<b>1,038,602</b>	<b>—</b>	<b>1,038,602</b>	<b>—</b>
<b>Disclosed at fair value:</b>				
<b>Lease liabilities</b>	<b>35,035,811</b>	<b>—</b>	<b>—</b>	<b>35,035,811</b>
<b>Long-term debt - fixed rate</b>	<b>233,635,503</b>	<b>—</b>	<b>—</b>	<b>233,635,503</b>
<b>Long-term obligation on PDS</b>	<b>162,164</b>	<b>—</b>	<b>—</b>	<b>162,164</b>

During the six-month period ended June 30, 2021, there were no transfers between Level 1 and Level 2 fair value measurements and transfers into and out of Level 3 fair value measurement.

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## 25. Other Disclosure

### a. Seasonality of Interim Operations

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

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

### b. COVID-19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon. The community quarantine is still in effect as March 31, 2021 varying in terms of restrictiveness. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

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

The Group has experienced the negative effect of the COVID-19 pandemic in its 2020 operations across most of its segments, varying in terms of magnitude. However, because of the diverse business portfolio of the Group covering different industries and to a certain extent, geographical location, the overall effect has been cushioned. In addition, significant improvements have been felt in the latter part of 2020 as the economy started to improve.

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

### c. Application of the Provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the consolidated financial statements of the Group as of and for the year ended December 31, 2020 because of their retroactive effect:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the consolidated financial statements of the Group as of and for the year ended December 31, 2020. Accordingly, current and deferred income taxes continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The Group reflected the changes in the current and deferred income taxes in its unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱0.6 billion.

d. Dividends to Non-Controlling Interests

The Company's material partly-owned subsidiary, AP and its subsidiaries, paid cash dividends amounting to ₱2.2 billion and ₱3.1 billion to non-controlling interests during the six-month periods ended June 30, 2021 and 2020, respectively.

e. Material Events and Changes

1. ₱8.0 billion AP bond issuance

In March 2021, AP issued the first tranche of its ₱30.0 billion debt securities program, equivalent to ₱8.0 billion. The Fixed Rate "Series A Bonds" has an interest rate of 3.82% per annum maturing in 2026. The bonds have been rated PRS Aaa by PhilRatings.

2. AboitizLand sale of its 50% equity stake in CHDI

In April 2021, AboitizLand entered into a Share Sale and Purchase Agreement with Ixidor Holdings, Inc. ("Ixidor") for the sale by AboitizLand of its entire interest in CHDI to Ixidor for ₱609.0 million.

3. AEV issuance of third tranche bonds

On August 9, 2021, the Company will issue the third tranche of retail bonds from its ₱30.0 billion fixed-rate retail bonds shelf registration program. The third tranche bonds has a principal amount of ₱5.0 billion and an oversubscription option of up to ₱5.0 billion. The bonds have been rated PRS Aaa by PhilRatings.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons were created during the interim period. There were also no events

that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

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

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

f. Material Adjustments

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

g. Contingencies

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

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

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**SCHEDULE A – RELEVANT FINANCIAL RATIOS**

	<b>Formula</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>LIQUIDITY RATIOS</b>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.5</b>	1.6
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	<b>1.1</b>	1.2
<b>SOLVENCY RATIOS</b>			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>1.6</b>	1.7
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.6</b>	2.7
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity}}$	<b>1.1</b>	1.2
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - Cash \& cash equivalents})}$	<b>52.2%</b>	53.6%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	<b>3.1</b>	2.7
<b>PROFITABILITY RATIOS</b>			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	<b>14.6%</b>	16.9%
Return on equity *	$\frac{\text{Net income after tax}}{\text{Total equity}}$	<b>Not Applicable</b>	9.0%

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

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**SCHEDULE B - USE OF PROCEEDS****(Amounts in Thousands)**1.) ₱7.6 billion bonds issued in 2020

	Projected Usage (Per Prospectus)	Actual Usage <sup>1</sup>
Payment of the maturing 2013 Series A Bonds	₱6,200,000	₱6,200,000
Payment of the maturing 2015 Series A Bonds	2,664,112	1,245,578
Partially finance the 2021 equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao	1,000,000	—
Bond issuance costs	135,888	104,422
<b>TOTAL</b>	<b>₱10,000,000</b>	<b>₱7,550,000</b>

<sup>1</sup>The full allotment for the oversubscription was not availed.2.) ₱5.0 billion bonds issued in 2019

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

3.) ₱24.0 billion bonds issued in 2015

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

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



4.) ₱8.0 billion bonds issued in 2013

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

**ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES****1) AGING OF RECEIVABLES**

AS OF : JUNE 30, 2021

(amounts in thousand pesos)

	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
<b>Trade Receivables</b>					
Power	15,182,826	1,094,055	435,505	3,936,393	20,648,779
Food Manufacturing	6,493,609	619,789	354,473	1,762,893	9,230,764
Real Estate	3,047,515	288,543	199,204	4,320,244	7,855,506
Holding and Others	733,162	20,787	33,807	44,474	832,230
	<b>25,457,112</b>	<b>2,023,174</b>	<b>1,022,989</b>	<b>10,064,004</b>	<b>38,567,279</b>
<b>Others</b>	<b>6,536,708</b>	<b>285,660</b>	<b>109,410</b>	<b>1,384,602</b>	<b>8,316,380</b>
	<b>31,993,820</b>	<b>2,308,834</b>	<b>1,132,399</b>	<b>11,448,606</b>	<b>46,883,659</b>
<b>Less Allowance for Expected Credit Losses</b>					<b>3,636,709</b>
					<b>43,246,950</b>

**2) ACCOUNTS RECEIVABLE DESCRIPTION**

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

**3) NORMAL OPERATING CYCLE**

Power Subsidiaries

Distribution - 60 days

Generation - 65 days

Food Subsidiaries - 90 days

Real Estate Subsidiaries - 30 days