

April 14, 2020

SECURITIES AND EXCHANGE COMMISSION

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

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

via PSE EDGE

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

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

via electronic mail

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

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

Gentlemen:

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

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES INC.

By:



MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 8 886-2338

Company Telephone Number

2018

Annual Report

1 2 3 1

Month Day

Fiscal Year

1 7 - A

FORM TYPE

4th Monday of April

0 4 2 7

Month Day

Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 177
OF THE REVISED CORPORATION CODE OF THE PHILIPPINES

1. For the year ended 2019
2. SEC Identification Number CE02536 3. BIR TIN 003-828-269-000-V
4. Exact name of registrant as specified in its charter Aboitiz Equity Ventures Inc.
5. Philippines 6. 
Province, country or other jurisdiction Industry Classification Code
of incorporation
7. 32nd Street, Bonifacio Global City, Taguig City, Metro Manila 1634
Address of principal office Postal Code
8. (02) 8 886-2800
Issuer's telephone number, including area code
9. NA
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Section 4 and 8 of the RSA.
- | | |
|---------------------|--|
| Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---------------------|--|

Common Stock ₱1 Par Value 5,630,225,457

Amount of Debt Outstanding (As of December 31, 2019) ₱310,590,437,000.00

Fixed-Rate Peso Retail Bonds Issued by the Company:

Issue Date	Series	Amount of Issuance	Maturity Date	Tenor
November 2013	Series A	₱6.2 billion	November 2020	7 years
November 2013	Series B	₱1.8 billion	November 2026	10 years
August 2015	Series A	₱10.5 billion	August 2020	5 years
August 2015	Series B	₱8.5 billion	August 2022	7 years
August 2015	Series C	₱5 billion	August 2027	12 years
June 2019	Series A	₱3.4 billion	June 2024	5 years
June 2019	Series B	₱1.7 billion	June 2029	10 years

For a discussion on the Company's bond issuances, please refer to Part I Item 1 (I)(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 classes of securities listed therein:

Philippine Stock Exchange**Common**

12. Check whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes (☒)

No (☐)

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

Yes (☒)

No (☐)

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

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

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

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

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

Yes (☐)

No (☒)

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

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

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

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PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview of the Business of the Registrant

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

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

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

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

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

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

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

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

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

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

A. PARENT COMPANY

(1) Business Development

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

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

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

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

(a) DESCRIPTION OF THE REGISTRANT

(i) Principal Products and Services

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

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

(ii) Sales

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

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

Note: Values in the above table are in mn.

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

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

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

Contribution to Revenue

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

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

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

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

(iii) Distribution Methods of the Product or Services

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

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

(iv) New Products/Services

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

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

(v) Competition

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

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

(vi) Sources of Raw Materials

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

(vii) Major Customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ix) Patents, Copyrights, and Franchises

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

Philippine IPO

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

International Trademarks Application (Madrid Protocol)

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

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

(x) Government Approvals

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

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

(xi) Effect of Existing or Probable Governmental Regulations

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

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

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

1. Tax Reform for Acceleration and Inclusion Law

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

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

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

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

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

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

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

2. Revised Corporation Code

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

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

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

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

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

3. The Philippine Competition Act

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Foreign Investments Act of 1991

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

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

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

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

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

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

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

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

5. Data Privacy Act of 2012

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

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

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

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

6. Registration under the BOI

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

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

(xii) Amount Spent on Research and Development

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

(xiii) Cost and Effects of Compliance with Environmental Laws

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

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

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

(xiv) Employees

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

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

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

*Only applies to UBP and CSB.

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

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

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

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

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

1. Project Risks

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

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

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

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

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

2. Regulatory Risks

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

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

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

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

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

3. Reputation Risks

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

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

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

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

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

4. Information Security Risks

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

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

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

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

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

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

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

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

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

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

6. Financial Risks

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

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

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

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

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

7. Talent Risk

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

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

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

8. Competition Risk

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

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

9. Emerging Risks

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

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

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

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

(b) REQUIREMENTS AS TO CERTAIN ISSUES OR ISSUERS

(i) Debt Issues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. STRATEGIC BUSINESS UNITS

I. POWER

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

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

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

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

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

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

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

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

(i) Principal Products and Services

GENERATION OF ELECTRICITY (POWER GENERATION BUSINESS)

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

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

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

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

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

Renewables

Aboitiz Renewables, Inc. (ARI)

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

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

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

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

Notes:

* Sum figures will differ due to rounding effect.

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

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

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

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

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

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

Hedcor, Inc. (Hedcor)

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

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

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

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

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

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

Hedcor Sibulan, Inc. (Hedcor Sibulan)

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

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

Hedcor Tudaya, Inc. (Hedcor Tudaya)

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

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

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

Hedcor Sabangan, Inc. (Hedcor Sabangan)

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

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

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

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

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

Large Hydros

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Geothermal

AP Renewables Inc. (APRI)

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

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

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

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

Solar

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

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

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

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

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

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

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

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

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

Renewables Pipeline

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

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

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

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

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

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

Non-Renewable Energy

Therma Power, Inc. (TPI)

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

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

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

* Sum figures will differ due to rounding effect

Oil Group

Therma Marine, Inc. (TMI)

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

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

Therma Mobile, Inc. (TMO)

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

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

East Asia Utilities Corporation (EAUC)

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

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

Therma Power-Visayas, Inc. (TPVI)

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

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

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

Cebu Private Power Corporation (CPPC)

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

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

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

Southern Philippines Power Corporation (SPPC)

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

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

Western Mindanao Power Corporation (WMPC)

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

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

Coal Group

Therma Luzon, Inc. (TLI)

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

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

Pagbilao Energy Corporation (PEC)

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

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

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

Therma South, Inc. (TSI)

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

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

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

Therma Visayas, Inc. (TVI)

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

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

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

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

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

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

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

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

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

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

Redondo Peninsula Energy, Inc. (RP Energy)

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

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

STEAG State Power Inc. (STEAG Power)

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

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

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

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

AA Thermal, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Generation Assets

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

Future Projects

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

DISTRIBUTION OF ELECTRICITY (POWER DISTRIBUTION BUSINESS)

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

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

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

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

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

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

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

Visayan Electric Company, Inc. (Visayan Electric)

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

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

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

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

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

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

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

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

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

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

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

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

Cotabato Light and Power Company (Cotabato Light)

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

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

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

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

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

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

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

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

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

Subic EnerZone Corporation (Subic EnerZone)

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

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

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

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

Mactan Enerzone Corporation (Mactan Enerzone)

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

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

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

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

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

Balamban Enerzone Corporation (Balamban Enerzone)

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

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

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

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

Lima Enerzone Corporation (Lima Enerzone)

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

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

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

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

Malvar Enerzone Corporation (Malvar Enerzone)

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

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

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

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

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

Aboitiz Energy Solutions, Inc. (AESI)

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

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

Adventenergy, Inc. (AdventEnergy)

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

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

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

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

Prism Energy, Inc. (Prism Energy)

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

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

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

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

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

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

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

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

(ii) Sales

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

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

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

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

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

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

Note: Values are in Million Pesos.

(iii) Distribution Methods of the Product or Services

POWER GENERATION BUSINESS

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

POWER DISTRIBUTION BUSINESS

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

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

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

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

RETAIL ELECTRICITY SUPPLY BUSINESS

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

(iv) New Products/Services

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

(v) Competition

POWER GENERATION BUSINESS

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

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

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

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

POWER DISTRIBUTION BUSINESS

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

RETAIL ELECTRICITY SUPPLY BUSINESS

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

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

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

(vi) Sources of Raw Materials and Supplies

POWER GENERATION BUSINESS

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

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

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

² Excluding SFELAPCO which is 20.284% owned by AboitizPower.

³ Excluding SFELAPCO which is 20.284% owned by AboitizPower.

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

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

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

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

POWER DISTRIBUTION BUSINESS

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

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

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

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

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

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

Transmission Charges

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

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

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

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

(vii) Major Customers

POWER GENERATION BUSINESS

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

POWER DISTRIBUTION BUSINESS

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

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

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

RETAIL ELECTRICITY SUPPLY BUSINESS

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

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

(viii) Patents, Copyrights, and Franchises

POWER GENERATION BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

*Awaiting issuance of renewal of COC from ERC.

POWER DISTRIBUTION BUSINESS

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

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

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

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

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

RETAIL ELECTRICITY SUPPLY BUSINESS

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

Trademarks

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

Philippine IPO

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

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

International Trademarks Application (Madrid Protocol)

AboitizPower has the following registered international trademarks:

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

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

(ix) Government Approval

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

(x) Effect of Existing or Probable Governmental Regulations

1. WESM in Mindanao

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

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

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

2. Independent Electricity Market Operator (IEMOP)

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

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

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

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

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

3. Proposed Amendments to the EPIRA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. ERC Regulation on Systems Loss Cap Reduction

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

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

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

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

6. Competitive Selection Process

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Ancillary Services Pricing and Cost Recovery Mechanism

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

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

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

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

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

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

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

9. Energy Efficiency and Conservation Act

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

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

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

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

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

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

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

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

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

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

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

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

11. Energy Virtual One-Stop Shop Act

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

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

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

12. Prescribing Revised Guidelines for Qualified Third Party

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Promulgating the Renewable Energy Market Rules

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

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

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

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

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

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

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

16. Feed-in-Tariff System

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

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

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

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

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

(xi) Cost and Effects of Compliance with Environmental Laws

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

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

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

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

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

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

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

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

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

II. FOOD MANUFACTURING

Overview of the Business

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

(i) Products and Services

Feeds and Flour

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

Flour Products

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

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

Feeds Products

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

Hog and Layer Farms

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

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

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

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

International Animal Nutrition

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

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

Pilmico Vietnam Company (PVN)

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

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

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

Gold Coin Feedmill (Binh Duong)

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

Pilmico VN Trading

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

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

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

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

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

(ii) Distribution

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

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

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

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

(iii) New Products

International Animal Nutrition

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

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

(iv) Competition

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

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

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

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

(v) Sources of Raw Materials

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

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

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

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

(vi) Major Customers

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

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

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

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

(viii) Patents, Copyrights, and Franchises

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

Philippine IPO

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

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

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

International Trademarks Application (Madrid Protocol)

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

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

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

International Trademarks Application (Non-Madrid Protocol)

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

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

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

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

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

(ix) Effect of Existing or Probable Governmental Regulations

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

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

(x) Major Risk/s Involved in the Business

Risks particular to the Food Group are as follows:

Outbreak of diseases, food safety and foodborne illness concerns could adversely affect the Food Group's financial condition and results of operations

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

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

The Food Group's financial performance may be materially and adversely affected by disruptions in the supply of, or price fluctuations in, major raw materials

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

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

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

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

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

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

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

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

The Food Group engages in derivative and hedging transactions

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

Sales of certain products may be adversely affected if the Food Group's relationship with dealers and distributors deteriorate

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

III. FINANCIAL SERVICES

Overview of the Business

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

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

For the year ended December 31, 2019:

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

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

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

(i) Principal Products and Services

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

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

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

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

⁴ Subject to regulatory approvals

⁵ Subject to regulatory approvals

(ii) Distribution Methods

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

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

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

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

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

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

(iv) Competition

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

(v) Major Customers

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

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

(vi) Patents, Copyrights, and Franchises

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

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

(vii) Government Approvals

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

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

(viii) Effect of Existing or Probable Governmental Regulations

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

Anti-Money Laundering Laws and Know Your Customer Procedures

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

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

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

Capital Adequacy

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

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

(ix) Major Risk/s Involved in the Business

Risks particular to the Financial Services Group are as follows:

UnionBank's ability to identify, assess, monitor and manage risks inherent in its business is anchored on the quality and timeliness of available industry and internal risk data

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

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

UnionBank may face increasing levels of non-performing loans (“NPLs”), provisions for impairment losses and delinquencies in its credit card portfolio, which may adversely affect UnionBank’s business, financial condition, results of operations, and capital adequacy

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

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

UnionBank may be unable to recover the assessed value of its collateral when its borrowers’ default on their obligations, which may expose UnionBank to significant losses

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

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

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

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

UnionBank's provisioning policies, which are based on Philippine Financial Reporting Standards expected credit loss standards and on other relevant Philippine regulations, may be more or less stringent than those in other countries

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

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

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

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

A downgrade of UnionBank's credit rating could have a negative effect on its business, financial condition and results of operations

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

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

IV. REAL ESTATE

Overview of the Business

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

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

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

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

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

(i) Products and Services

RESIDENTIAL BUSINESS

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

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

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

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

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

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

INDUSTRIAL BUSINESS

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

Lima Land, Inc.

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

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

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

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

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

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

COMMERCIAL BUSINESS

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

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

Cebu Praedia Development Corporation

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

CPDC is a wholly-owned subsidiary of AEV.

Propiedad del Norte, Inc.

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

PDNI is a wholly-owned subsidiary of AboitizLand.

Cebu Industrial Park Developers, Inc.

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

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

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

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

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

(ii) Distribution Methods

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

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

(iii) New Products and Services

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

(iv) Competition

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

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

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

(v) Sources of Raw Materials

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

(vi) Major Customers

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

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

(vii) Patents, Copyrights, and Franchises

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

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

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

(viii) Effect of Existing or Probable Governmental Regulations

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

(ix) Major Risk/s Involved in the Business

Risks particular to the Real Estate Group are as follows:

AboitizLand may not be able to acquire land for new projects

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

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

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

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

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

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

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

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

V. INFRASTRUCTURE

Overview of the Business

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

(i) Products and Services

ABOITIZ INFRACAPITAL

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

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

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

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

Lima Water Corporation

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

Apo Agua Infraestructura, Inc.

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

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

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

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

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

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

NAIA and Regional Airports

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

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

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

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

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

Towers

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

CEMENT

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

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

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

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

Republic Cement & Building Materials, Inc. (RCBM)

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

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

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

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

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

Republic Cement Mindanao, Inc. (RCMI)

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

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

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

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

Republic Cement Iligan, Inc. (RCII)

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

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

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

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

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

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

Republic Cement Services, Inc. (RCSI)

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

(ii) Distribution Methods

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

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

(iii) New Products and Services

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

(iv) Competition

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

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

(v) Sources of Raw Materials

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

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

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

Energy Requirements

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

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

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

(vi) Major Customers

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

(vii) Patents, Copyrights, and Franchises

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

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

(viii) Major Risk/s Involved in the Business

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

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

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

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

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

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

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

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

Item 2. Properties

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

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

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

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

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

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

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

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

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

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

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

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

International Animal Nutrition

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

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

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

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

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

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

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

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

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

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

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

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. The Supreme Court ordered all power industry participants (the DOE, ERC, PEMC, PSALM and the generation companies) to respond to MERALCO's counter-petition.

The Supreme Court set the consolidated cases for oral arguments on 21 January 2014 and 4 and 11 February 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

On March 31, 2020, petitioners in case no. G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of the date of this Offering Circular, these cases before the Supreme Court are still pending resolution and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs Therma Mobile, Inc., Supreme Court

CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila

SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City

PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated 4 August 2014"

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (“PEMC-ECO”) conducted an investigation on TMO for possible non-compliance with the Must-Offer- Rule for the period 26 October 2013 to 25 December 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 million.

TMO filed its letter request for reconsideration on 5 September 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated 30 January 2015, the PEMC Board of Directors (“**PEMC Board**”) denied TMO’s request for reconsideration and confirmed its earlier findings of 3,578 counts of breach of the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 million on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO’s rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO’s plant was confirmed during a dependable capacity testing conducted on 21 November 2013. At this period, TMO’s engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five years.

On 13 February 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On 16 February 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City Regional Trial Court (RTC). In its Order dated 24 February 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 million as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMCECO’s investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 million to answer for any damage that PEMC may suffer as a result of the Order. On 1 April 2015, the RTC rendered a Decision in favour of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals (“**CA**”) which sought to reverse and set aside the Decision of the RTC.

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

On 6 June 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the 14 December 2015 CA Decision. On 14 November 2016, TMO filed its Comment to PEMC’s Petition for Review. In its Motion for Leave to File Reply to Comment dated 9 December 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On 1 June 2017, TMO received the Supreme Court Notice dated 29 March 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO’s Comment and PEMC’s Reply.

As of March 31, 2020, PEMC’s Petition is still pending before the Supreme Court.

Consolidated Regulated Price Case (ERC vs. Various Generation Companies and PEMC) G.R. Nos. 246621-30, Petition for Review on Certiorari, Supreme Court;

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled “In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants” 28 March 2014

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated 3 March 2014 (the “ERC Order”), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

Pursuant to the ERC Order, on 18 March 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company’s affiliates and subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others.

The ERC, in its Order dated 15 October 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the “**Petitions**”) before the CA on 19 and 24 November and 1 and 4 December 2014, respectively. The CA ordered the consolidation of the Petitions on 9 October 2015.

On 7 November 2017, the CA granted the Petitions. The CA declared null and void ERC’s Orders dated 3 March 2014, 27 March 2014, 9 May 2014 and 15 October 2014 (the “**ERC Orders**”), and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and MERALCO filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated 29 March 2019, the CA denied the motions for reconsideration filed by the ERC and MERALCO, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, ERC, MERALCO and several entities filed their Petitions for Review on Certiorari with the Supreme Court, asking the latter to reverse and set aside the CA Decision dated 7 November 2017 and the CA Omnibus Resolution dated 29 March 2019. They also prayed that the Supreme Court reinstate the ERC Orders.

In September to October 2019, the SC issued Resolutions denying the Petitions for Review on Certiorari filed by several entities, including Calco Industries Inc., Paperland, Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan (AGHAM), Ateneo De Manila University, Citizenwatch, Riverbanks Dev’t. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated 7 November 2017 and Omnibus Resolution dated 29 March 2019.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to ERC’s Petition for Review on Certiorari. On January 28, 2020, TMO and TLI filed their Consolidated Comment

(to the Petition for Review on Certiorari dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated June 13, 2019) on February 11, 2020.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AEV's common shares are traded in the Philippine Stock Exchange, Inc.

The high and low stock prices of AEV's common shares for each quarter for the past two years and first quarter of 2019 were as follows:

	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	54.00	29.00	67.90	53.20	79.00	67.50
Second Quarter	N/A	N/A	60.95	46.70	69.85	53.95
Third Quarter	N/A	N/A	59.50	49.25	61.55	44.10
Fourth Quarter	N/A	N/A	56.60	48.95	56.90	44.85

The closing price of AEV common shares on March 31, 2020 is ₱37.70 per share.

(2) Holders

As of March 31, 2020, AEV has 8,377 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 5,630,225,457 shares.

The top 20 stockholders of AEV as of March 31, 2020 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.59%
2	PCD Nominee Corporation (Filipino)	Filipino	899,514,597	15.98%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	413,033,108	7.34%
5	Sanfil Management Corporation	Filipino	120,790,211	2.15%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	43,136,359	0.77%
9	Morefund Management & Development Corporation	Filipino	40,000,000	0.71%
10	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%
15	Parraz Development Corporation	Filipino	14,483,067	0.26%
16	Annabelle O. Aboitiz	Filipino	13,977,278	0.25%
17	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
18	Mary Anne Aboitiz Arculli	Filipino	10,767,556	0.19%

19	Arrayanes Corporation	Filipino	10,650,070	0.19%
20	UnionBank TISG For IMA#PH3Q201 692	Filipino	8,709,900	0.15%
	SUB-TOTAL		4,988,186,255	88.61%
	Other Stockholders		642,039,202	11.39%
	TOTAL SHARES		5,630,225,457	100.00%
	NET ISSUED AND OUTSTANDING SHARES		5,630,225,457	100.00%

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2020 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2020 (regular)	₱1.30	03/06/2020	₱7.32 bn	03/20/2020	04/03/2020
2019 (regular)	₱1.32	03/07/2019	₱7.44 bn	03/21/2019	04/05/2019
2018 (regular)	₱1.28	03/08/2018	₱7.21 bn	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 bn	03/21/2017	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 bn	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 bn	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least 1/3 of its previous year's earnings as cash dividends to its stockholders for subsequent years. There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 20, 2020.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

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

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures Inc. and its Subsidiaries should be read in conjunction with the audited consolidated financial statements and accompanying disclosures set forth elsewhere in this report. The critical accounting policies section discloses certain accounting policies and management judgments that are material to the Company's results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three comparative sections: the year ended December 31, 2019 compared with the year ended December 31, 2018, the year ended December 31, 2018 compared with the year ended December 31, 2017, the year ended December 31, 2017 compared with the year ended December 31, 2016.

TOP FIVE KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of the registrant and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEEES

Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its associates and joint ventures for each reporting period subsequent to acquisition of said investment. This account reflects the result of the operating performance of an associate or a joint venture and indicates its contribution to the Group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

REVIEW OF JAN-DEC 2019 OPERATIONS COMPARED TO JAN-DEC 2018

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2019	JAN-DEC 2018
EQUITY IN NET EARNINGS OF INVESTEEs	₱11,502,090	₱7,727,663
EBITDA	60,157,195	60,653,429
CASH FLOW GENERATED:		
Net cash flows from operating activities	42,757,046	38,417,349
Net cash flows used in investing activities	(39,883,146)	(30,762,254)
Net cash flows used in financing activities	(15,617,585)	(13,223,356)
Net Increase (Decrease) in Cash & Cash Equivalents	(12,743,685)	(5,568,261)
Cash & Cash Equivalents, Beginning	59,033,029	64,870,214
Cash & Cash Equivalents, End	46,424,663	59,033,029
	DEC 31, 2019	DEC 31, 2018
CURRENT RATIO	1.27	1.80
DEBT-TO-EQUITY RATIO	1.71	1.54

As can be gleaned from the resulting KPI values, profitability had been sustained and financial position remained liquid.

Consolidated EBITDA translated into substantial cash inflows coming from subsidiaries' operations and from dividend payments of associates and JVs. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With the debt growing while equity slightly decreased during the year, debt-to-equity ratio moved up to 1.71x (compared to end-2018's 1.54x). Current ratio declined to 1.27x (compared to end-2018's 1.80x) as current liabilities grew while current assets decreased.

RESULTS OF OPERATIONS

For the year ended December 31, 2019, AEV and its subsidiaries posted a net income attributable to the equity holders of parent ("Net Income to Equity Holders of AEV") ₱22.04 bn, a 1% year-on-year (YoY) decrease. This translated to earnings per share of ₱3.91 for the year in review. The Power Group still accounted for the bulk of income contribution at 57%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 30%, 7%, 4%, and 2%, respectively.

In 2019, the Group generated non-recurring gains of ₱515.5 mn (compared to ₱891.2 mn in non-recurring losses in 2018), representing net unrealized foreign exchange (forex) gains, and gains on reversal of impairment provisions. Without these one-off items, the Group's core net income for 2019 ₱21.52 bn, 7% lower than 2018. AEV recorded a 1% decrease in consolidated EBITDA for 2019 compared to 2018, declining from ₱60.65 bn to ₱60.16 bn.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

Revenues

Sale of Power

The Group's revenue from sale of power decreased by 5% or ₱6.13 bn, from ₱130.73 bn in 2018 to ₱124.61 bn in 2019. The decrease was primarily attributable to Therma Marine, Inc.'s (Therma Marine) and Therma Mobile, Inc.'s (Therma Mobile) expiration of contracts with customers, and GNPowr Mariveles Coal Plant Ltd. Co.'s (GMCP) and Therma South, Inc.'s (TSI) lower plant availability owing to unplanned outages during the year. These decreases were partly offset by higher electricity sales of the distribution utilities and fresh revenue contributions from TVI and Hedcor Bukidnon. The Group's sale of power comprised 70% and 62% as a percentage of total revenues during 2018 and 2019, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 46% or ₱21.87 bn, from ₱47.75 bn in 2018 to ₱69.63 bn in 2019. The increase was primarily attributable to the full year-to-date revenue contribution of the Gold Coin Group and the higher sales recorded by the Food Group's Philippine-based Subsidiaries owing to higher average selling prices and volume of the Feeds and Flour segments. The Group's sale of goods comprised 26% and 35% as a percentage of total revenues during 2018 and 2019, respectively.

Real Estate

The Group's revenue from real estate increased by 5% or ₱190.9 mn, from ₱3.93 bn in 2018 to ₱4.12 bn in 2019. The increase was primarily attributable to higher sales from the residential and commercial business segments following the ramp up in operational and business performance. As a percentage of total revenues, the Group's revenue from real estate comprised 2% during each of 2018 and 2019.

Other Revenues

The Group's combined revenue from fair value of swine, service fees and other sources decreased by 38.0% or ₱1.72 bn, from ₱4.53 bn in 2018 to ₱2.81 bn in 2019. The decrease was primarily attributable to lower swine sales resulting from the ASF spread in the Northern Luzon, and the deconsolidation of the revenue of PETNET in 2019. PETNET was sold to UnionBank, an associate, towards the end of 2018, and therefore, was no longer consolidated starting December 2018. As a percentage of total revenues, the Group's other revenues comprised 2% and 1% in 2018 and 2019, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power decreased by 0.4% or ₱318.4 mn, from ₱71.68 bn in 2018 to ₱71.36 bn in 2019. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 49% and 42% in 2018 and 2019, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 40% or ₱17.48 bn, from ₱43.69 bn in 2018 to ₱61.18 bn in 2019. The increase was primarily attributable to the full year costs of goods sold contribution of Gold Coin and higher feeds cost of the Farms segment. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 30% and 36% in 2018 and 2019, respectively.

Operating Expenses

The Group's operating expenses increased by 10% or ₱3.15 bn, from ₱30.40 bn in 2018 to ₱33.55 bn in 2019. The increase was primarily attributable to the full year-to-date operating expense contribution of Gold Coin and the increase in operating expenses contribution of the AboitizPower group due to the start of operations of TVI and full operations of Hedcor Bukidnon and Pagbilao Unit 3 operated by Pagbilao Energy Corporation (PEC) for 2019. As a percentage of total costs and expenses, the Group's operating expenses comprised 21% and 20% in 2018 and 2019, respectively.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 20% or ₱408.4 mn, from ₱2.01 bn in 2018 to ₱2.42 bn in 2019. The increase was primarily attributable to higher real estate sales cost, partly offset by lower overhead costs incurred by AEV Aviation. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% during both 2018 and 2019, respectively.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 17% or ₱6.51 bn, from ₱39.16 bn in 2018 to ₱32.65 bn in 2019.

Income Before Income Tax

The Group's income before income tax decreased by 3% or ₱937.3 mn, from ₱35.14 bn in 2018 to ₱34.20 bn in 2019. The decrease was primarily attributable to the decrease in operating profit coupled with higher net interest expense, partly offset by higher equity earnings and other income from unrealized fair valuation gains on reappraisal of investment properties of the Real Estate SBU.

Net Income

As a result of the foregoing, the Group's Net Income to Equity Holders of AEV decreased by 1% or ₱196.8 mn, from ₱22.23 bn in 2018 to ₱22.04 bn in 2019.

Net income attributable to non-controlling interests for 2019 decreased to ₱7.41 bn from ₱9.01 bn in 2018, substantially due to the decrease in consolidated net income of AboitizPower and the purchase of the remaining 25% stake of Gold Coin in the second quarter of 2019.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Company's SBUs for the year ended December 31, 2019 compared to the year ended December 31, 2018. For further discussion on the Company's operating segments, please refer to Note 33 of the audited consolidated financial statements.

Power

For 2019, AboitizPower's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, of ₱13.33 bn, a 20% decrease from ₱16.69 bn in 2018.

Before elimination of transactions within the Group, the combined contribution of the Power Generation segment and the RES business to Net Income to Equity Holders of AEV decreased by 23% from ₱15.35 bn to ₱11.76 bn in 2019. This decrease was primarily attributable to the outages experienced by the AboitizPower's coal facilities, and exacerbated by the need to purchase replacement power at higher spot market prices. Replacement power was also purchased from the spot market as the AboitizPower had contracted ahead in anticipation of Therma Visayas Inc.'s (TVI) incoming capacity. Decreased spot market sales further eroded YoY earnings. This was partly offset by the start of TVI's commercial operations and full year operations of Hedcor Bukidnon, Inc. (Hedcor Bukidnon).

Capacity sold increased from 3,154 MW for 2018 to 3,184 MW for 2019.

Before elimination of transactions within the Group, the Power Distribution segment's contribution to Net Income to Equity Holders of AEV increased by 1% from ₱3.12 bn for 2018 to ₱3.16 bn for 2019. This increase was mainly attributable to the 6% increase in energy sales (5,851 GWh for 2019 compared to 5,540 GWh for 2018). This increase was partly tempered by lost margins from the decommissioning of the Bajada power plant in Davao.

Banking & Financial Services

The Financial Services SBU's contribution to Net Income to Equity Holders of AEV increased by 100% year-on-year, from ₱3.58 bn in 2018 to ₱7.15 bn in 2019.

On a stand-alone basis, Union Bank of the Philippines' (UnionBank) and its subsidiaries recorded a net income of ₱14.03 bn for 2019, an increase of 100% compared to 2018. The increase was primarily due to revenue growth from the increase in earning assets and improved margins, as well as from healthy trading gains during 2019.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food SBU increased by 2% to ₱1.58 bn for 2019, compared to ₱1.56 bn for 2018.

For 2019, the Food Group's Philippine subsidiaries reported a lower net income amounting to ₱821.9 mn compared to ₱1.32 bn for 2018. This was mainly due to decreased margins and volume of the Farms business resulting from the African Swine Fever (ASF) spread in Northern Luzon. This was partly offset by improved margins and reduced financing costs of the Feeds business, and higher margins and volume of the Flour business.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. (Pilmico International) delivered a net income of ₱1.23 bn in 2019, recording an 88.1% increase compared to 2018. This was due to the full year income contribution of Gold Coin Management Holdings (Gold Coin) and Pilmico Vietnam Feeds' improved margins due to lower raw material cost and the increased contribution of higher margin segments. During 2019, the Food SBU's international subsidiaries reported a consolidated net income of ₱760.1 mn

from the ₱1.23 bn contribution of Pilmico International, which was offset by the ₱467.0 mn in financing costs related to the acquisition of Gold Coin.

Real Estate

The contribution of AboitizLand, Inc. (AboitizLand) to Net Income to Equity Holders of AEV for 2019, before elimination of transactions within the Group, amounted to ₱942.9 mn, an increase of 46% from ₱645.0 mn for 2018. This increase was due to the fair valuation gains on investment properties recognized in 2019, which were not present in 2018.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure SBU increased by 186% to ₱483.4 mn for 2019, compared to ₱168.8 mn for 2018. This mainly came from the contribution of the Republic Cement Group which increased by 187.2%, from ₱213.1 mn in 2018 to ₱612.1 mn in 2019. This was mainly due to a slight increase in private sector demand for cement, the completion of several debottlenecking projects, and improved controls on production costs.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2018 level, consolidated assets increased by 6% to ₱588.39 bn as of December 31, 2019, due to the following:

- The ₱6.94 bn combined growth in Property Plant and Equipment (PPE) and Investment Properties (IP) was mainly due to the following: 1.) ₱9.68 bn additions to AboitizPower from cost of power plant construction and distribution assets 2.) ₱1.90 bn additions to Food group; 3.) ₱896.5 mn additions to Real Estate; 4.) ₱1.92 bn recognition of right-of-use (ROU) assets on the AEV Parent's leases resulting from the adoption of PFRS 16; 5.) ₱1.83 bn fair valuation gain on revaluation of IP of the Real Estate group; and 6.) first-time consolidation of ₱545.7 mn IP of newly-acquired AboitizLand subsidiaries. This is decreased by ₱9.59 bn attributed to depreciation & amortization.
- The decline in Property Held for Sale (nil compared to ₱676 mn in 2018) was due to the sale of transmission assets to the NGCP in February 2019.
- Investments in and Advances to Associates and JVs increased by ₱33.39 bn (₱140.35 bn as of December 31, 2019 compared to ₱106.96 bn as of December 31, 2018) mainly due to AboitizPower's ₱27,591.1 bn acquisition of additional stake and additional infusions into GNPD, Aboitiz InfraCapital ₱240.2 mn additional acquisition of Balibago Waterworks System, Inc. (BWSI) shares, AboitizLand's ₱230.0 mn infusions into Cebu Homegrown, and the recording of ₱11.50 bn share in net earnings of associates and JVs. This increase was partially reduced by the ₱5.47 bn dividends from associates and JVs during the year, ₱505.5 mn decrease in the share of cumulative translation adjustment and ₱395.0 mn share in net unrealized actuarial losses.
- Land and Improvements increased by 10% (₱2.57 bn as of December 31, 2019 compared to ₱2.34 bn as of December 31, 2018) resulting from the land acquisitions of the Real Estate Group.
- Intangible Assets increased by 5% (₱66.80 bn as of December 31, 2019 compared to ₱63.78 bn as of December 31, 2018) mainly due to the capitalized costs incurred in the ongoing construction of the water treatment plant in Davao.
- Deferred Income Tax Assets increased by 35% (₱3.13 bn as of December 31, 2019 compared to ₱2.32 bn as of December 31, 2018) mainly due to deferred tax benefits recognized by subsidiaries on its net operating loss.

- Other Noncurrent Assets (ONCA) increased by 38% (₱14.13 bn as of December 31, 2019 compared to ₱10.21 bn as of December 31, 2018) primarily due to the recording of restricted cash by a power subsidiary upon its receipt of proceeds from a damage claim against its contractors, with such claim now under dispute. This was partly offset by the reclassification of VAT inputs to other current assets and reversal of prepaid rental against ROU Assets upon adoption of PFRS 16.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 21% (₱46.42 bn as of December 31, 2019 compared to ₱59.03 bn as of December 31, 2018) as the funds used for investment acquisitions, capital expenditures, dividend payments and debt servicing exceeded the funds generated from operations and debt availments.
- Inventories decreased by 6% (₱20.78 bn as of December 31, 2019 compared to ₱21.98 bn as of December 31, 2018). This was mainly due to the following lower raw materials inventory of the Food Group.
- Derivative Assets (current and non-current) decreased by 54% (₱133.46 mn as of December 31, 2019 compared to ₱292.8 mn as of December 31, 2018) mainly due to mark-to-market losses recognized on derivative instruments.

Liabilities

- Consolidated short-term bank loans decreased by 5% (₱25.72 bn as of December 31, 2019 compared to ₱26.98 bn as of December 31, 2018) mainly due to debt repayments made by Power and Food Groups. On the other hand, long-term debt, which includes both current and non-current portions, increased by 13% (₱239.78 bn compared to ₱211.65 bn as of December 31, 2018) due to the following: a.) issuance of retail bonds by the Company ₱5.00 bn, b.) additional ₱28.83 bn long-term loan availments by Power Group, and c.) additional ₱3.15 bn availment by Apo Agua. This was partly offset by the settlement of maturing loans.
- Trade and other payables, inclusive of noncurrent portion, increased by 16% as of end-2019 compared to ed-2018, from ₱37.57 bn to ₱43.65 bn, mainly due to Power Group's receipt of proceeds from a damage claim against contractors, with such claim now under dispute, partly offset by the settlement of the recorded payables related to the PSALM deferred adjustment and payables to contractors and trade suppliers
- Income tax payable increased by 45%, from ₱535.2 mn as of December 31, 2018 to ₱776.6 mn as of December 31, 2019, mainly due to increased tax payable in the Food Group.
- Derivative liabilities (current and non-current) increased from ₱161.6 mn as of December 31, 2018 to ₱2.47 bn as of December 31, 2019. This was mainly due to the Power Group's new foreign currency forward and commodity swap contracts, as well as fair value changes on these derivatives.
- Customers' deposits increased by 10% (₱6.72 bn as of December 31, 2019 compared to ₱6.13 bn as of December 31, 2018) mainly due to the growth in the customer base of the power group.
- Pension liability (₱639.2 mn), net of pension asset (₱190.2 mn), increased by 37.0%, from ₱327.7 mn as of December 31, 2018 to ₱448.9 mn as of December 31, 2019 mainly due to accrual of retirement expense during the year and actuarial losses for the year.
- Deferred Income Tax Liabilities (DTL) increased by 33% (₱2.58 bn as of December 31, 2019 compared to ₱1.94 bn as of December 31, 2018) mainly due to the recognition of the corresponding DTL on the unrealized fair valuation gains on investment properties.

Equity

Equity attributable to equity holders of the parent increased by 1% from year-end 2018 level of ₱174.69 bn to ₱176.48 bn, mainly due to the recognition under "Acquisition of Non-Controlling Interest" account of the ₱9.91 bn difference between purchase price and fair value of net assets acquired in the acquisition of additional stakes in Gold Coin and GMCP. The ₱7.44 bn cash dividends paid, ₱2.05 bn movement in CTA, ₱570.0 mn unrealized actuarial losses and ₱278.4 mn retained earnings adjustment related to PFRS 16 adoption also accounted for the decrease in Equity. These decreases were partly offset by the ₱22.04 bn net income recorded during the year.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2019, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2018, consolidated cash generated from operating activities in 2019 increased by ₱4.34 bn to ₱42.76 bn mainly due to lower working capital requirements despite the decline in earnings before interest, depreciation and amortization (EBIDA).

As of end-2019, ₱39.88 bn net cash was used in investing activities compared to ₱30.76 bn during 2018. This was mainly due to higher cash disbursed on additional investments in associates and ongoing plant constructions.

Net cash used in financing activities was ₱15.62 bn during 2019 compared to ₱13.22 bn in 2018. The increase was largely attributed to the settlement of short-term bank loans compared to availment in the previous year.

For 2019, net cash outflows surpassed cash inflows, resulting in a 21% decrease in cash and cash equivalents from ₱59.03 bn as of year-end 2018 to ₱46.42 bn as of December 31, 2019.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio stood at 1.27x at the end of 2019 from year-end 2018's 1.80x as current liabilities increased while current assets declined. Debt-to-equity ratio increased from year-end 2018's 1.54:1 to 1.71:1 at the end of 2019 as the growth in total liabilities outpaced the growth in equity.

Outlook for the Upcoming Year/ Known Trends, Events, Uncertainties which may have Material Impact on Registrant

Based on information provided by UnionBank's Economic Research Unit (ERU), Aboitiz Equity Ventures Inc. (the "Company" or "AEV") expects 2020 GDP growth to be impacted by the Covid-19 situation. Considering the revised government forecast, our ERU expects GDP to grow between 5.4% to 6.1% in 2020.

Despite current challenges posed by Covid-19, AEV believes that the Philippine economy will continue to be one of the faster growing economies of the world, and sustain the growth of its SBUs over the long-term.

Power SBU

AboitizPower is focused on addressing the needs of its markets, namely: (1) reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. The Company believes that there is no single technology that completely addresses the country's energy requirements; and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, the AboitizPower is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new power generation projects (see Part I Item 1.(B)(I)(i) on Principal Products and Services - Generation of Electricity on page 21 of this Annual Report), where target commercial operation dates for each project are discussed per business unit).

AboitizPower expects to exceed its target net attributable capacity of 4,000 MW by 2020 with the entry of GNPowder Dinginin.

AboitizPower's goal is to grow its capacity to more than 9,000 MW by 2029, which AboitizPower expects to come from a portfolio of renewables and selective baseload builds. In terms of renewable energy, AboitizPower aims to maximize opportunities coming from the implementation of the Renewable Portfolio Standards (RPS) by DOE starting this year. In line with DOE's aspirational goal of a 35% increase in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and RES to source an agreed portion of their energy supply from renewable energy facilities. AboitizPower will also continue to pursue its international aspirations with focus on renewable energy projects in Vietnam, Indonesia, and Myanmar. With all of these combined, it is expected that AboitizPower's portfolio ratio will be close to a 50:50 Cleanenergy (renewable energy) and Thermal energy mix at the end of this decade.

AboitizPower believes that it is well-positioned to take advantage of opportunities arising from developments in the power industry and expects its financial condition to give it the agility to create or acquire additional generating capacity over the next few years.

AboitizPower also expects that its existing distribution utilities will continue to realize modest growth. It continuously seeks efficiency and improvements in its distribution utilities' operations in order to maintain healthy margins.

AboitizPower, together with its partners, has allotted P41 bn for capital expenditures in 2020, almost 80% of which is for new businesses such as GNPowder Dinginin. The remaining balance is allocated mainly for operating and expansion initiatives.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's 2019 SEC Form 20-IS (e.g., for an extensive discussion on regulatory issues, see Part I Item 1.(B)(I)(x) on Effects of Existing or Probable Government Regulations on the Business on page 52 of this Annual Report).

Banking & Financial Services SBU

UnionBank of the Philippines, Inc. ("UnionBank" or the "Bank") believes it has progressed towards its goal of becoming one of the country's leading retail banks, requiring the Bank to increase its core earning asset base, attain a balanced source of revenue, and shift towards a recurring income business model as it fortifies its balance sheet. The majority of the Bank's revenues are already recurring in nature as its loan portfolios continues to grow. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank intends to leverage its core strengths to drive its performance. In order to provide stable returns and predictability in the growth of shareholder value, the Bank utilizes its capital as it shifts from trading to building recurring income by: (i) transforming its branches and building the competence of its sales force to cater to changing customer expectations; (ii) strengthening corporate relationships by providing innovative cash management solutions to anchor clients; (iii) improving processes specifically in building the foundation of the Bank's automation and digital transformation initiatives; (iv) building synergies with its partners in order to expand customer reach, products, and services; (v) leveraging on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities; and (vi) capitalizing on its subsidiaries, such as City Savings Bank (CitySavings), as avenues to further capture the underserved segment for inclusive prosperity.

UnionBank is also embarking on its Dual Transformation Strategy in order to improve its current and future competitive advantages. Through the use of the latest and emerging technology and platforms, the Bank intends to: (i) reposition itself as a Digital Bank - widening its scope into adjacent markets and acquire new skills in key segments; and (ii) search for new business models of the future where banking may become embedded in people's day-to-day lives - to integrate its financial services into ecosystems as part of the customer's digital experience, and not merely a transaction choice.

For 2020, the Bank seeks to sustain the continued growth of its lending business following five consecutive years of loan growth.

Moreover, due to the Bank's repricing efforts and supported by the more benign inflation environment which led to a series of policy rate and reserve requirement ratio (RRR) cuts, the Bank's margins have recovered. As of end-December 2019, margins are up by more than 110bps compared to the levels at the start of 2019. The same is true for CSB's margins which increased by 276bps from January to December 2019. Further margin improvements are expected, especially with the rate cut in February 2020 along with the expected gradual reduction of RRR to single digits in the future.

2020 continues the third phase of the Bank's digital transformation journey, which involves scaling up its digital customer touchpoints. This involved the launch of enhanced features in the UnionBank Online mobile app for retail customers and The Portal for corporate clients, the roll out of more Arks and self-service branches, and the launch of the Bank's SME Business Banking app for SME customers.

UBX, the Bank's innovation company and venture capital firm which focuses on fintech investments, providing tech services to our clients and building ecosystems and platforms, is also ramping up operations with its flagship platforms, namely: Project i2i (financial platform for rural banks), Sentro (an online business-to-business marketplace for the SME ecosystem with business solutions such as BUX, a payment and logistics fulfillment platform for online merchants); and SeekCap (developed in partnership with OneConnect – Ping An's fintech arm – which is an SME lending marketplace that offers affordable financing options and faster approvals).

With the key channels and platforms in place, key focus of the Bank is to accelerate customer acquisition efforts, as well as deepen engagement across all digital channels, in order to realize the benefits of digital transformation for the Bank and its customers alike.

UnionBank has allotted ₱2 bn for capital expenditures in 2020.

Food SBU

Food Group, AEV's non-listed multinational food subsidiary, is an Integrated Regional Agribusiness and Food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming and commodity trading. It also has a presence in the ASEAN and across the Asia-Pacific regions through Pilmico International and its Subsidiaries. Food Group remains one of the Philippines' top flour, feeds and farm market participants with a strong track record and nationwide reach.

The Food Group is strategically positioned in Asia Pacific as a manufacturer and producer. Given the trend of rising protein consumption globally, it intends to build a comprehensive animal nutrition platform in Asia. This requires having a good base of products and services that facilitates creation of a portfolio of offerings that will serve both existing and future customers and markets. Similar to the Company's other business segments, the Food Group utilizes a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

As part of the Food Group's overseas strategy, the acquisition of the Gold Coin Group has allowed the Food Group to expand its customer base and geographic reach. The Food Group is now the fourth largest animal feed manufacturer in Southeast Asia, and is present in 11 countries across the Asia-Pacific. The Gold Coin Group's position provides the Food Group a foothold in these regional markets to explore opportunities down the value chain. Geographic expansion also provides the Food Group and the rest of AEV's businesses access to local or regional information for potential expansion opportunities. The Food Group looks forward to harnessing synergies in distribution, localized operations, cross-selling, research and development, and raw materials and logistics costs.

2020 marks a new era for the Food Group under a new leadership. Hubert de Roquefeuil, the current President & CEO of Gold Coin Management Holdings, has taken the lead as the new President & CEO of the entire Food Group. He will be supported by the new President & CEO of Pilmico Foods Corporation, Tristan Roberto Aboitiz.

Starting 2020, Food Group will pursue a strategy of Balance, Optimize, and Develop or BOD. Establishing a balanced portfolio will maximize opportunities and minimize associated risks. This will be optimized through execution excellence founded on harmonized processes and systems of the entire Food Group. Furthermore, the Food Group will continue to build and develop capabilities to innovate and expand the business. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the next ten years.

The Flour business will employ a two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon through continuous sales efforts. The business likewise intends to move forward in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

The Farms business has recalibrated the planned expansions in the Northern Luzon but has started exploration of farms opportunities in the Visayas and Mindanao regions. By exercising extreme caution on the spread of the African Swine Fever (ASF), risks of material losses will be avoided. Despite ASF challenges, the capacity is still expected to reach a sow-level of 50,000 heads by 2029. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain. In 2020, the Food Group will operationalize its meat fabrication and processing plant and the year is also expected to provide more stability in profitability through an increased focus on higher-margin products as compared to live hog selling. Meanwhile, the layers business will expand to house 1.3M ready-to-lay hens. This surge in layers capacity (8x from today's level) is expected to result in a monthly production of 27 million eggs by 2025.

Feeds Philippines will continuously expand its market position through additional feedmill capacity to be in place Visayas & Mindanao region in the next 5-years. In 2020, Feeds Philippines will operationalize its new feed mill capacity in Iligan which will serve the growing requirements of our Visayas and Mindanao customers. Strategic geographical and product positioning will be key in securing new and existing customers in the competitive market. The Food Group is also exploring the inclusion of Pet Food and Specialty Nutrition products as part of its portfolio. Moreover, Feeds Philippines employs platform improvements in logistics to provide operational agility and improve customer experience.

Likewise, Aqua Feeds Vietnam is expected to take advantage of emerging opportunities for fingerling feeds in the Vietnam region.

On the other hand, the Gold Coin Group has set forth a project pipeline with its growth-focus countries: China and Vietnam.

Gold Coin plans to execute a multi-specie strategy with focus on high-margin products. In 2020, countries where Gold Coin is present are seen to have higher spending of protein consumption driven by the rising population, GDP and middle-class populations. To cater the increasing demand in the market specifically in China, additional pellet lines in Dongguan and Zhangzhou which both have the capacity of 9TPH have commenced commercial operation in January 2020.

Furthermore, with increased opportunities in aquaculture production emerging, particularly Shrimp and Tilapia, Gold Coin will explore diversifying into the Shrimp and Aqua businesses in China, Vietnam, and Malaysia. There are two additional fish feed line located in Vietnam (Ha Nam, North Vietnam) and China (Dongguan, Southern China) which will bring an incremental 5TPH capacity and will both commence commercial operation in April 2020.

Pet Food and Feed Additives are also seen to grow in the years to come and the Food Group intends to integrate this to China, Vietnam, Indonesia and Malaysia. Thailand on the other hand can be improved by utilizing its current capacity.

In terms of operations, the Food Group intends to harmonize Pilmico and Gold Coin through intercountry trade, group purchasing, optimization of IT shared services and mitigating foreign exchange risk to trim expenses. All these strategies mentioned are expected to increase profits and boost bottom line figures.

Pilmico has allotted ₱3 bn for capital expenditures in 2020.

Infrastructure SBU

I. Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to the nation's development.

Airports and Other Infrastructure

Aboitiz InfraCapital is a member of the NAIA Consortium, which was granted Original Proponent Status by the Department of Transportation (DOTr) for its unsolicited proposal on September 10, 2018. The consortium looks forward to being able to provide the much-needed upgrades to the Ninoy Aquino International Airport (NAIA) and complement government efforts to enhance overall passenger experience and improve operational efficiency at the nation's primary gateway. Aboitiz InfraCapital, together with the other members of the consortium, will continue to work with the government through the next steps in the process of getting approval from the National Economic Development Authority (NEDA), in accordance with Republic Act No. 6957, also known as the BOT law.

Aboitiz InfraCapital was also granted Original Proponent Status by the DOTr for its unsolicited proposal to operate and maintain the new Bohol-Panglao International Airport (BPIA) on September 3, 2018. The new international airport located in the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. The airport was inaugurated last November 28, 2018 and has an estimated capacity of 2 mn passengers per annum. On November 6, 2019, Aboitiz InfraCapital received Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approval on the proposal for BPIA. On November 29, 2019, Aboitiz InfraCapital obtained approval of the NEDA Board. Aboitiz InfraCapital is now working with the government on final steps before commencing Swiss Challenge.

On August 10, 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the operations, maintenance, and expansion of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor (NMDC). On February 26, 2019, Aboitiz InfraCapital was granted Original Proponent Status by the Civil Aviation Authority of the Philippines for its unsolicited proposal on Laguindingan Airport. The proposal involves the operations and maintenance, including the much-needed upgrade works, of the Laguindingan Airport. The airport has been operating since 2013 with a design capacity of 1.6 mn passengers per annum. In 2018, passengers are estimated to have already reached 2 mn. On December 20, 2019, Aboitiz InfraCapital received Investment Coordination Committee-Cabinet Committee (ICC-CabCom) approval on the proposal for Laguindingan Airport. The next step is to get NEDA Board Approval.

These airport projects are aligned with Aboitiz InfraCapital's objective to support regional development centers outside of Manila

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding (MOU) with the Department of Information and Communications Technology (DICT). The MOU recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. To date, Aboitiz InfraCapital has signed separate MOUs with both Globe Telecom and Smart Communications to initiate discussions and negotiations on the lease of build-to-suit tower sites and other passive telecommunications infrastructure.

Water

Apo Agua Infraestructura, Inc. (Apo Agua)

Apo Agua is the project company owned by AEV and J.V. Angeles Construction Corp. (JVACC), organized to design, construct and operate a hydroelectric powered raw water treatment facility and a conveyance

system which will deliver a minimum contracted annual volume of 109.5 mn cubic meters (equivalent to 300 mn liters per day) of treated bulk water to Davao City over a 30-year period.

On March 21, 2018, Apo Agua started the preliminary construction works particularly the detailed design, geotechnical survey and soil condition testing.

On November 29, 2018, Apo Agua signed a ₱9.0 bn Omnibus Notes Facility and Security Agreement with a consortium of lender-banks, arranged by BPI Capital Corporation, to finance the construction phase of the DCBWSP.

In February 2019, physical construction has commenced on major project sites such as the hydroelectric power plant and the water treatment plant, the intake facilities in Tamugan River and the raw water pipelines.

On September 29, 2019, Apo Agua celebrated 1 million safe man-hours together with the EPC contractor. It reached two million safe man-hours in February 2020.

In January 2020, initial works for the treated water pipelines commenced.

Apo Agua expects to start commercial operations by 2021, allowing it to provide Davao City with a sustainable and much-needed water supply.

LiMA Water Corporation (LWC)

LWC is the exclusive water and wastewater services provider in Lima Technology Park, one of the Philippines' largest industrial parks. LWC is currently building its capability to fully support the expansion plans of Lima Technology Center, which is expected to experience healthy growth in the coming years.

Aboitiz InfraCapital intends to use its current water portfolio (which also includes a 16% stake in Balibago Waterworks System, Inc.) as a strategic platform to build the Group's water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

II. Republic Cement and Building Materials, Inc. (Republic)

Strong growth in cement demand is expected in 2020, driven by favorable macroeconomic fundamentals and the government's infrastructure program. The industry is expected to remain competitive due to new production capacities coming on stream and the continued presence of imported cement in certain markets.

Republic remains focused on serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Production costs are anticipated to remain in control following the implementation of operational excellence initiatives.

Republic has benefitted from investments made in recent years. Completed in 2019, the debottlenecking of the kilns is expected to yield higher clinker output, improve delivered cost position and improve environmental performance.

Coming on stream in early 2020, the new state-of-the-art cement mills in Luzon and Mindanao are expected to result in the continued supply of cement for the local construction sector, which further supports the current administration's Build Build Build infrastructure program and the foreseen strong demand for cement in the residential and non-residential segments.

The infrastructure group has allotted ₱16 bn for capital expenditures in 2020 across all its businesses.

Land SBU

Aboitiz Land, Inc. (AboitizLand)

AboitizLand is firmly committed to building and nurturing thriving communities and intends to capitalize on the growth of its industrial businesses through the continued acquisition of land in key geographic corridors and the development of complementary recurring businesses and residential communities within these areas. Through this approach, AboitizLand not only looks to expand its industrial footprint but also create thriving townships in the future.

In 2019, AboitizLand launched two residential projects in Luzon, The Villages at Lipa and Ajoya Pampanga. AboitizLand believes that through these new and upcoming projects, it will maintain its growth trajectory and expand its foothold in key geographical corridors through repeatable and well-crafted products.

2019 also saw the opening of the newest commercial addition to Lima's New Industry City concept, Lima Exchange. Complementing the upcoming residential community at The Villages, Lima Exchange features a supermarket, transport hub, fast food, and more. Furthermore, The Outlets at Lipa continues to demonstrate strong momentum as occupancy rates increase. Through these, AboitizLand aims to continuously maximize the value footprint in our industrial park while concurrently servicing the needs of the community in Lipa.

In 2019, AboitizLand entered into strategic partnerships to mark its footprint into Metro Manila and Cebu space with:

- A 50/50 partnership with 78 Point Blue Inc. (Point Blue) to design, develop, and operate integrated microstudio apartment units within the immediate proximity of major business districts in Metro Manila. Four micro-studio buildings already in operation and twenty more on the horizon
- A new joint venture agreement with Cebu Landmasters, Inc. to develop a mid-market, mixed-use, multi-tower condominium development in Mandaue City. The planning of the first project is underway, with the launch of the first residential condo targeted for later in 2020.

AboitizLand has allotted ₱11 bn for capital expenditures in 2020.

REVIEW OF JAN-DEC 2018 OPERATIONS COMPARED TO JAN-DEC 2017

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2018	JAN-DEC 2017
EQUITY IN NET EARNINGS OF INVESTEEES	₱7,727,663	₱9,503,733
EBITDA	60,653,429	56,977,228
CASH FLOW GENERATED:		
Net cash flows from operating activities	38,417,349	32,237,312
Net cash flows used in investing activities	(30,762,254)	(11,304,774)
Net cash flows used in financing activities	(13,223,356)	(19,458,941)
Net Increase (Decrease) in Cash & Cash Equivalents	(5,568,261)	1,473,597
Cash & Cash Equivalents, Beginning	64,870,214	63,857,528
Cash & Cash Equivalents, End	59,033,029	64,870,214
	DEC 31, 2018	DEC 31, 2017
CURRENT RATIO	1.80	1.61
DEBT-TO-EQUITY RATIO	1.54	1.56

In 2018, the Company's KPI evidenced its strong operating performance and financial stability. Profitability was sustained and financial position remained strong and liquid.

With the fresh contributions during 2018 from the newly operating plants of Pagbilao Energy Corporation (PEC) and Hedcor Bukidnon, Inc. (Hedcor Bukidnon), as well as from the newly acquired feeds business of Gold Coin Management Holdings Limited (GCMH), consolidated EBITDA increased by 6.5% during the year. Meanwhile, Associates and Joint Ventures (JV) continued to generate substantial earnings and enhance the consolidated bottomline despite the 19% decline in their income contribution to the Group.

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations and from dividend payments of Associates and JVs. Internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With equity growing more than debt during 2018, debt-to-equity ratio declined slightly to 1.54x (versus end-2017's 1.56x). Simultaneously, current ratio improved to 1.80x (versus end-2017's 1.61x) as the growth in current assets outpaced the growth of current liabilities.

RESULTS OF OPERATIONS

For the year ended December 31, 2018, AEV and its Subsidiaries posted a consolidated net income of ₱22.23 bn, a 3% YoY increase. This translated to earnings per share of ₱3.95 for the year in review. In terms of income contribution, the Power Group accounted for 73%, followed by the Banking and Financial Services, Food, Real Estate, and Infrastructure Groups at 16%, 7%, 3%, and 1%, respectively.

In 2018, the Group generated non-recurring losses of ₱891 mn (compared to ₱2.30 bn of non-recurring losses in 2017), consisting of net unrealized forex losses and asset impairment costs. Without these one-off items, the Group's core net income for the year was ₱23.12 bn, 3% lower YoY. AEV recorded a 6.5% increase in consolidated EBITDA, from ₱56.98 bn in 2017 to ₱60.66 bn in 2018.

MATERIAL CHANGES IN LINE ITEMS OF THE REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

Revenues

Sale of Power

The Group's revenue from sale of power increased by 10.1% or ₱11.98 bn, from ₱118.76 bn in the year ended December 31, 2017 to ₱130.73 bn in the year ended December 31, 2018. The increase was primarily attributable to the fresh revenue contributions of PEC and Hedcor Bukidnon which started commercial operations in 2018, and the higher sales recorded by Therma Luzon, Inc. and the Company's two largest distribution utilities. As a percentage of total revenues, the Group's sale of power comprised 79.0% and 69.9% in the years ended December 31, 2017 and December 31, 2018, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 100.5% or ₱23.93 bn, from ₱23.82 bn in the year ended December 31, 2017 to ₱47.75 bn in the year ended December 31, 2018. The increase was primarily attributable to the fresh ₱18.16 bn revenue contribution of Gold Coin, and the higher sales recorded by the Philippine-based subsidiaries owing to higher average selling prices of Flour and Farms and growth in sales volume of Feeds and Farms. As a percentage of total revenues, the Group's revenue from sale of goods comprised 15.8% and 25.5% in the years ended December 31, 2017 and December 31, 2018, respectively.

Real Estate

The Group's revenue from real estate increased by 8.6% or ₱311.9 mn, from ₱3.61 bn in the year ended December 31, 2017 to ₱3.93 bn in the year ended December 31, 2018. The increase was primarily attributable to higher industrial lot sales. As a percentage of total revenues, the Group's revenue from real estate comprised 2.4% and 2.1% in the years ended December 31, 2017 and December 31, 2018, respectively.

Other Revenues

The Group's revenue from fair value of swine, service fees and other sources increased by 7.1% or ₱302.1 mn, from ₱4.23 bn in the year ended December 31, 2017 to ₱4.53 bn in the year ended December 31, 2018. The increase was primarily attributable to higher revenue generated by Lima Water Corporation. As a percentage of total revenues, the Group's other revenues comprised 2.8% and 2.4% in the years ended December 31, 2017 and December 31, 2018, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power increased by 12.1% or ₱7.73 bn, from ₱63.95 bn in the year ended December 31, 2017 to ₱71.68 bn in the year ended December 31, 2018. The increase was primarily attributable to the 25% increase in cost of generated power as fuel costs rose during the year. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 56.2% and 48.5% in the years ended December 31, 2017 and December 31, 2018, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 101.4% or ₱21.99 bn, from ₱21.70 bn in the year ended December 31, 2017 to ₱43.69 bn in the year ended December 31, 2018. The increase was primarily attributable to the fresh costs of goods sold contribution of Gold Coin and the higher cost of raw materials of the Feeds business in the Philippines. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 19.1% and 29.6% in the years ended December 31, 2017 and December 31, 2018, respectively.

Operating Expenses

The Group's operating expenses increased by 15.8% or ₱4.14 bn, from ₱26.26 bn in the year ended December 31, 2017 to ₱30.40 bn in the year ended December 31, 2018. The increase was primarily attributable to higher depreciation, general and administrative expenses as PEC and Hedcor Bukidnon power plants started operating in 2018, and the fresh operating expense contribution of Gold Coin. As a percentage of total costs and expenses, the Group's operating expenses comprised 23.1% and 20.6% in the years ended December 31, 2017 and December 31, 2018, respectively.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 3.5% or ₱68.5 mn, from ₱1.94 bn in the year ended December 31, 2017 to ₱2.01 bn in the year ended December 31, 2018. The increase was primarily attributable to higher cost of real estate sales and overhead costs incurred by AEV Aviation. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1.7% and 1.4% in the years ended December 31, 2017 and December 31, 2018, respectively.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 7.1% or ₱2.59 bn, from ₱36.58 bn in the year ended December 31, 2017 to ₱39.16 bn in the year ended December 31, 2018.

Income Before Income Tax

The Group's income before income tax increased by 3.8% or ₱1.28 bn, from ₱33.86 bn in the year ended December 31, 2017 to ₱35.14 bn in the year ended December 31, 2018. The increase was primarily attributable to higher operating profit and higher amounts of income from collection of settlements with AboitizPower's suppliers, which was partially offset by lower share in net earnings of associates and joint ventures and higher net interest expense.

Net Income

As a result of the foregoing, Net Income to Equity Holders of AEV increased by 2.9% or ₱624.3 mn, from ₱ 21.61 bn in the year ended December 31, 2017 to ₱22.23 bn in the year ended December 31, 2018.

Net income attributable to non-controlling interests increased to ₱ 9.01 bn from ₱ 7.67 bn in 2017, substantially due to the increase in consolidated net income of AboitizPower, and recognition of the net income after tax share of Gold Coin's minority shareholders.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Group's SBUs for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Power

AboitizPower ended 2018 with a contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, for the year of ₱16.69 bn, recording a 6.3% increase from the previous year's contribution of ₱15.70 bn.

With the fresh income contributions during 2018 from the operations of Pagbilao Unit 3 and Hedcor Bukidnon, the Power Generation segment and RES and Others business contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, increased by 11.9% from ₱13.71 bn in 2017 to ₱15.35 bn in 2018.

Before elimination of transactions within the Group, the Power Generation segment capacity sold for the year was flat year-on-year, from 3,167 MW in 2017 to 3,152 MW in 2018.

The Power Distribution segment's contribution to Net Income to Equity Holders of AEV for 2018 decreased by 5.2% year-on-year from ₱3.29 bn in 2017 to ₱3.12 bn in 2018. This increase was mainly attributable to electricity sales, which increased by 5.0% year-on-year to 5,540 GWh, as a result of increased consumption across all customer segments.

Food

Contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, from the Food SBU decreased by 8.4% to ₱1.56 bn in 2018, compared to ₱1.70 bn in 2017. The decrease was due to increased raw materials costs, which negatively affected profit margins of the Feeds segment in the Philippines, and the lower biological asset revaluation gains, which affected the Farms segment. This decrease was partly offset by the growth in Pilmico International's net earnings, primarily due to the fresh income contribution of Gold Coin resulting in an expansion in one of the Food Group's core feed milling businesses.

Financial Services

The contribution to Net Income to Equity Holders of AEV from the Financial Services SBU decreased by 13.1% year-on-year, from ₱4.12 bn in 2017 to ₱3.58 bn in 2018.

On a stand-alone basis, UnionBank and its subsidiaries recorded a net income of ₱7.32 bn for 2018, a decrease of 13.0% compared to the ₱8.41 bn earned in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank, which recorded lower loan releases to teachers.

Real Estate

The contribution of AboitizLand to the Group's Net Income to Equity Holders of AEV, before elimination of transactions within the Group, for 2018 amounted to ₱645.0 mn, a decrease of 13.3% from ₱744.2 mn in 2017. This decrease was due to the absence during 2018 of fair valuation gains on investment properties.

Infrastructure

The Republic Cement Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, decreased by 68.2%, from ₱670.6 mn in 2017 to ₱213.1 mn in 2018. This was mainly due to significantly higher fuel and power costs, which offset the improvement in sales volume and prices attributable to government infrastructure spending and stable private sector demand.

CHANGES IN THE REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to its year-end 2017 level, consolidated assets increased by 13% to ₱554.49 bn as of December 31, 2018, due to the following:

- Trade and other receivables, inclusive of noncurrent portion, increased by 56% (₱38.54 bn in 2018 compared to ₱24.77 bn as of December 31, 2017) mainly due to the first-time consolidation of Gold Coin's ₱3.93 bn accounts receivable, and the higher level of the Power Group's receivables resulting from the take-up of PSALM deferred adjustments in the books of Davao Light and Visayan Electric. The recorded receivables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be recovered from customers or to be collected from PSALM.
- Inventories and Land and Improvements increased by 51% (₱24.32 bn in 2018 compared to ₱16.14 bn as of December 31, 2017). The ₱9.32 bn rise in Inventories was mainly due to the following: (i) first-time consolidation of Gold Coin's ₱5.74 bn inventory; (ii) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and (iii) higher coal inventory of the Power Group. This increase was partly offset by the ₱1.35 bn decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.
- Gross of depreciation expense, the ₱19.92 bn combined growth in Property Plant and Equipment (PPE), Property Held for Sale and Investment Properties (IP) in 2018 was mainly due to the following: (i) ₱4.86 bn on-going construction of AboitizPower's power plants; (ii) ₱8.94 bn various capex of Power, Food and Real Estate groups; (iii) ₱4.78 bn first-time consolidation of Gold Coin PPE; and (iv) ₱1.0 bn upward translation adjustment by power subsidiaries using US Dollar as functional currency and fair valuation gains on investment properties. Property Held for Sale (₱676 mn in 2018 compared to nil in 2017) refers to transmission assets that will be transferred and sold to the NGCP in the next 12 months, and have been reclassified from PPE.
- Investments in and Advances to Associates and JVs increased by 17% (₱106.96 bn in 2018 compared to ₱91.61 bn as of December 31, 2017) mainly due to: (i) the ₱5.38 bn additional acquisition of UnionBank shares; (ii) AboitizPower's ₱2.50 bn capital infusion into GNPD; (iii) ₱3.33 bn reversal of share of mark-to-market (MTM) losses on AFS investments of an associate; (iv) ₱924 mn share of retained earnings adjustment of an associate resulting from the adoption of PFRS 9; (v) ₱464 mn share of associates' cumulative translation adjustments; and (vi) recording of ₱7.73 bn share in net earnings of associates and JVs. This increase was partially offset by the ₱5.14 bn cash dividends received from associates and JVs during the period.
- Intangible Asset - service concession right increased by 24% (₱3.79 bn in 2018 compared to ₱3.06 bn as of December 31, 2017) mainly due to capitalized repairs done during the year.

- Other Current Assets (OCA) rose by 47% (₱18.29 bn in 2018 compared to ₱12.44 bn as of December 31, 2017) mainly due to: (i) Therma South, Inc.'s ₱2.65 bn increase in restricted cash representing the cash reserve to be maintained in compliance with the covenants of its project debt; and (ii) Therma Visayas, Inc.'s ₱1.72 bn advances receivable from NGCP related to the construction of a transmission line.
- Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱454 mn in 2018 from ₱189 mn as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the year.
- Deferred Income Tax Assets increased by 52% (₱2.32 bn in 2018 compared to ₱1.53 bn as of December 31, 2017), mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses and asset impairment provision recorded by the Power Group during the year.
- Goodwill increased by 36% (₱56.36 bn in 2018 compared to ₱41.31 bn as of December 31, 2017) due to the new ₱15.62 bn goodwill generated following the acquisition of Gold Coin during the year, which was partly offset by the de-consolidation of the ₱524 mn goodwill resulting from the disposal of PETNET.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 9% (₱59.03 bn as of end-2018 compared to ₱64.87 bn as of end-2017) as the funds used in investment acquisitions and repayment of maturing obligations exceeded the funds generated from operations and long-term loan availment.
- Derivative Assets, net of Derivative Liabilities (current and non-current) decreased by 55% (₱131 mn in 2018 compared to ₱294 mn as of December 31, 2017) mainly due to MTM losses recognized on existing swap and forward contracts of the Power Group.
- Investments in Financial Assets at Fair Value to Profit or Loss (FVTPL) and at FV to Other Comprehensive Income (FVOCI), formerly classified as Available-for-sale (AFS) Investments, decreased by 25% (₱579 mn as of end-2018 compared to ₱773 mn as of December 31, 2017) mainly due to disposals made during 2018.

Liabilities

Consolidated short-term bank loans increased by 14% (₱26.98 bn as of end-2018 compared to ₱23.70 bn as of December 31, 2017) mainly due to the first-time consolidation of Gold Coin's ₱2.35 bn in bank loans and the ₱7.31 bn in loan availments of the Power and Real Estate Groups, which were partly offset by ₱6.26 bn loan repayment made by Food Group.

Long-term debt likewise increased by 8% (₱258.54 bn as of end-2018 compared to ₱238.54 bn as of December 31, 2017) substantially due to the following: (i) AEV International's availment of a ₱11.79 bn loan; (ii) AboitizPower's retail bond issuance of ₱10.2 bn; (iii) GMCP's availment of a ₱9.04 bn loan; (iv) a total of ₱6.20 bn in loan availments by other Power Group companies; (v) first-time consolidation of Gold Coin's ₱2.37 bn loan; and (vi) a ₱4.54 bn non-cash upward movement due to amortization of deferred financing costs and forex differential. These increases were partly offset by the prepayment by Therma Power, Inc. (TPI) of its ₱15.10 bn loan, the ₱6.70 bn settlement of maturing loans, and a ₱2.33 bn decrease in finance lease obligation due to amortizations paid.

Trade and other payables, inclusive of non-current portion, increased by 48% during the year, from ₱25.42 bn as of end-2017 to ₱37.57 bn as of end-2018, mainly due to the first-time consolidation of Gold Coin's ₱9.13 bn trade payables and the take-up of the PSALM deferred adjustments at DLP and VISAYAN ELECTRIC. The recorded payables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be remitted to PSALM or refunded to customers.

Income tax payable decreased by 24%, from ₱703 mn in 2017 to ₱535 mn in 2018, mainly due to lower income tax liability of the Power Group for the year.

Asset retirement obligation (ARO) increased by 24% from P2.96 bn in 2017 to P3.68 bn in 2018 due to the upward revaluation adjustment recognized during the year on this future obligation.

Pension liability, net of pension asset, increased by 47%, from ₱223 mn in 2017 to ₱328 mn in 2018, mainly due to the decline in the fair value of the investment in traded equity securities owned by the retirement fund of the Company. This was attributable to the decline in market prices of these securities at the end of 2018.

Deferred Income Tax Liabilities (DTL) increased by 20% (₱1.94 bn as of end- 2018 compared to ₱1.62 bn as of December 31, 2017) mainly due to the first-time consolidation of GMCH's ₱600 mn DTL.

Equity

Equity attributable to equity holders of the parent increased by 13% from the year-end 2017 level of ₱154.70 bn to ₱174.69 bn as of end-2018 mainly due to: (i) the ₱22.23 bn net income recorded during the year; (ii) the ₱3.33 bn reversal of share of MTM losses on AFS investments of UBP; (iii) the ₱921 mn increase in cumulative translation adjustment; and (iv) the ₱497 mn retained earnings adjustment related to first-time adoption of PFRS 9 and 15. These increases were partly offset by the ₱7.21 bn in cash dividends paid during 2018.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF THE REGISTRANT

For the year ended December 31, 2018, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2017, consolidated cash generated from operating activities in 2018 increased by ₱6.18 bn to ₱38.42 bn in 2018, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA), and was partly offset by higher working capital requirements.

As of end-2018, ₱30.76 bn was recorded as net cash used in investing activities compared to ₱11.30 bn from 2017. This was mainly due to the acquisition of Gold Coin and higher cash disbursed on additional investments in associates.

Net cash used in financing activities was ₱13.22 bn in 2018 compared to ₱19.46 bn in 2017. The decrease was largely attributed to the higher net bank borrowings in 2018 (₱18.82 bn compared to ₱7.85 bn in 2017), which was partly offset by higher interest payments and dividends paid to minority shareholders during the year.

For the year in review, net cash outflows surpassed cash inflows, resulting in a 9% decrease in cash and cash equivalents from ₱64.87 bn as of year-end 2017 to ₱59.03 bn as of December 31, 2018.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio improved from year-end 2017's 1.61x to 1.80x at the end of 2018 as the growth in current assets outpaced the increase in current liabilities. Debt-to-equity ratio likewise improved from year- end 2017's 1.56:1.to 1.54:1 at the end of 2018.

REVIEW OF JAN-DEC 2017 OPERATIONS VERSUS JAN-DEC 2016

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2017	JAN-DEC 2016
EQUITY IN NET EARNINGS OF INVESTEEES	9,053,733	9,651,787

EBITDA	56,977,228	48,127,754
CASH FLOW GENERATED:		
Net cash flows from operating activities	32,237,312	32,013,422
Net cash flows used in investing activities	(11,304,774)	(84,668,374)
Net cash flows from financing activities	(19,458,941)	52,848,445
Net Increase in Cash & Cash Equivalents	1,473,597	193,493
Cash & Cash Equivalents, Beginning	63,857,528	63,581,884
Cash & Cash Equivalents, End	64,870,214	63,857,528
	DEC. 31, 2017	DEC. 31, 2016
CURRENT RATIO	1.61	2.51
DEBT-TO-EQUITY RATIO	1.56	1.68

DISCUSSION OF KEY PERFORMANCE INDICATORS:

All the KPI values were within management's expectation during the year in review.

Management teams of the different business units continued to effectively handle their respective operations and financial requirements. As a result, profitability was sustained and the Group's financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the Group's consolidated bottomline despite the 6% decline in their income contribution to the Group during the period in review. Consolidated EBITDA, which increased by 18% during 2017, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. These internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With substantial long-term debt prepayments and growth in equity during 2017, debt-to-equity ratio moved down to 1.56x (versus end-2016's 1.68x). Meanwhile, the end-2017 current ratio stood at 1.61x (versus end-2016's 2.51x) as current liabilities grew more than current assets.

RESULTS OF OPERATIONS

For the year ended December 31, 2017, AEV and its Subsidiaries posted a consolidated net income of ₱21.61 bn, a 4% YoY decrease. This translates to an earnings per share of ₱3.84 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 69%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 18%, 7%, 3% and 3%, respectively.

The Group generated a non-recurring net loss of ₱2.30 bn during 2017 (compared to a ₱347 mn loss in 2016) mainly from the Power Group's asset impairment and debt prepayment costs, which were partially reduced by a one-off recognition of lower interest expense from an acquired loan. Stripping out these one-off items, the Group's core net income for the year amounted to ₱23.91 bn, 5% higher than last year. AEV recorded an 18% increase during 2017 in consolidated earnings before interest, tax, depreciation and amortization (EBITDA), from ₱48.13 bn to ₱56.98 bn.

MATERIAL CHANGES IN LINE ITEMS OF THE REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

Revenues

Sale of Power

The Group's revenue from sale of power increased by 34.1% or ₱30.17 bn, from ₱88.59 bn in the year ended December 31, 2016 to ₱118.76 bn in the year ended December 13, 2017. The increase was primarily attributable to the following: (i) full-year consolidation of the revenues of GMCP which mainly accounted for the increase in the power generation group's revenue; (ii) higher revenues of the hydro units due to more

favorable hydrological conditions in 2017; and (iii) increase in contracted capacities resulting from RES companies entering into contracts throughout 2017 in anticipation of the commercial operations of PEC and TVI in 2018. As a percentage of total revenues, the Group's sale of power comprised 76.1% and 79.0% in the years ended December 31, 2016 and December 31, 2017, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 9.0% or ₱1.97 bn, from ₱21.85 bn in the year ended December 31, 2016 to ₱23.82 bn in the year ended December 31, 2017. The increase was primarily attributable to higher sales of Farms and Feeds Vietnam. For Farms, the increase in sales was due to recovery in live hog selling prices. For Feeds Vietnam, the increase was due to growth of commercial and export product lines. As a percentage of total revenues, the Group's sale of goods comprised 18.8% and 15.8% in the years ended December 31, 2016 and December 31, 2017, respectively.

Real Estate

The Group's revenue from real estate increased by 48.0% or ₱1.17 bn, from ₱2.44 bn in the year ended December 31, 2016 to ₱3.61 bn in the year ended December 31, 2017. The increase was primarily attributable to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. As a percentage of total revenues, the Group's revenue from real estate comprised 2.1% and 2.4% in the years ended December 31, 2016 and December 31, 2017, respectively.

Other Revenues

The Group's combined revenue from fair value of swine, service fees and other sources increased by 19.5% or ₱689.9 mn, from ₱3.54 bn in the year ended December 31, 2016 to ₱4.23 bn in the year ended December 31, 2017. The increase was primarily attributable to higher fair value of swine resulting from an increase in number of units and higher average market selling prices at valuation date. As a percentage of total revenues, the Group's other revenues comprised 3.0% and 2.8% in the years ended December 31, 2016 and December 31, 2017, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power increased by 38.3% or ₱17.72 bn, from ₱46.23 bn in the year ended December 31, 2016 to ₱63.95 bn in the year ended December 31, 2017. The increase was primarily attributable to the following: (i) full-year consolidation of the cost of generated power of GMCP which accounted for a substantial portion of the total increase in this account in 2017; (ii) higher cost of steam at APRI and higher fuel costs at the thermal companies due to the coal and oil price increases in 2017; and (iii) increase in cost of purchased power in 2017 by RES companies to serve their new contracts. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 52.8% and 56.2% in the years ended December 31, 2016 and December 31, 2017, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 14.9% or ₱2.81 bn, from ₱18.89 bn in the year ended December 31, 2016 to ₱21.70 bn in the year ended December 31, 2017. The increase was primarily attributable to higher cost of raw materials of Feeds Philippines. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 21.6% and 19.1% in the years ended December 31, 2016 and December 31, 2017, respectively.

Operating Expenses

The Group's operating expenses increased by 23.9% or ₱5.07 bn, from ₱21.19 bn in the year ended December 31, 2016 to ₱26.26 bn in the year ended December 31, 2017. The increase was primarily attributable to higher depreciation, maintenance, general and administrative expenses in 2017 as a result

of the full-year consolidation of GMCP's expenses. As a percentage of total costs and expenses, the Group's operating expenses comprised 24.2% and 23.1% in the years ended December 31, 2016 and December 31, 2017, respectively.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 62.4% or ₱745.0 mn, from ₱1.19 bn in the year ended December 31, 2016 to ₱ 1.94 bn in the year ended December 31, 2017. The increase was primarily attributable to higher cost of real estate sales. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1.4% and 1.7% in the years ended December 31, 2016 and December 31, 2017, respectively.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 26.5% or ₱7.66 bn, from ₱28.92 bn in the year ended December 31, 2016 to ₱36.58 bn in the year ended December 31, 2017.

Income Before Income Tax

The Group's income before income tax increased by 2.8% or ₱919.3 mn, from ₱32.94 bn in the year ended December 31, 2016 to ₱33.86 bn in the year ended December 31, 2017. The increase was primarily attributable to higher operating profit, which was partially offset mainly by higher net interest expense, AboitizPower's impairment of its investment in Aseagas and refinancing costs.

Net Income

As a result of the foregoing and higher net income to non-controlling interests, Net Income to Equity Holders of AEV decreased by 3.8% or ₱864.8 mn, from ₱22.47 bn in the year ended December 31, 2016 to ₱21.61 bn in the year ended December 31, 2017.

Net income attributable to non-controlling interests increased to ₱7.67 bn from ₱6.18 bn in 2016, substantially due to the full-period recognition of the net income after tax share of GMCP's minority shareholders.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Group's SBUs for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Power

AboitizPower's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, for 2017 was ₱15.70 bn, a 2.1% increase from the contribution in 2016 of ₱15.38 bn.

Before elimination of transactions within the Group, the Power Generation segment and RES business contribution to Net Income to Equity Holders of AEV grew 11.5% during 2017 from ₱12.30 bn to ₱13.71 bn. This improvement was substantially attributed to the strong performance of the Power Generation segment's hydro units and the full-period income contributed by the Mariveles Project, which was acquired in December 2016.

The Power Generation segment capacity sold during 2017 increased by 41.0% year-on-year, from 2,223 MW to 3,124 MW, mainly driven by the additional capacity of the Mariveles Project, higher generation of its hydro units, and an increase in capacities contracted.

Before elimination of transactions within the Group, the Power Distribution segment's contribution to Net Income to Equity Holders of AEV increased by 16.4% during 2017 from ₱2.82 bn to ₱3.29 bn as a result of growth in demand for electricity and higher profit margins. Attributable electricity sales of 5,288 GWh

increased by 4.0% during 2017. Gross margin per kWh for 2017 increased to ₱1.73 from ₱1.59 in 2016. The improved margins resulted from adequate power supply, better supply mix, and recoveries on purchased power costs.

Food

Contribution to Net Income to Equity Holders of AEV from PFC, before elimination of transactions within the Group, decreased by 1.7% during 2017 to ₱1.70 bn from ₱1.73 bn the previous year. For 2017, Feeds Philippines and Flour both reported decreases in income contribution while Farms and Feeds Vietnam both showed increases. The decline in net earnings of Feeds Philippines and Flour was largely due to higher raw material and operating costs. On the other hand, Feeds Vietnam reported an increase in net income during 2017 due to growth of commercial and export product lines and some foreign exchange gains. For Farms, the recovery during 2017 in live hog selling prices resulted in improved profits.

Financial Services

The contribution to Net Income to Equity Holders of AEV from the Financial Services SBU declined by 16.0%, from ₱4.91 bn in 2016 to ₱4.12 bn in 2017.

On a stand-alone basis, UnionBank and its subsidiaries recorded a net income of ₱8.41 bn for 2017, 16.7% lower compared to the ₱10.09 bn earned in 2016. The decline was primarily due to a one-off trading gain booked in the third quarter of 2016 despite the increase in UnionBank's net income in 2017 compared to 2016.

PETNET Inc. contributed ₱20.0 mn to Net Income to Equity Holders of AEV during 2017 from a loss of ₱1.7 mn in 2016.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, during 2017 amounted to ₱744.2 mn, up 295.2% from ₱188.3 mn in 2016. This growth was mainly attributed to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. AboitizLand also recognized fair valuation gains on investment properties in 2017.

Infrastructure

The Republic Cement Group posted a contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, of ₱670.6 mn in 2017, down 56.9% from ₱1.55 bn in 2016. Cement demand grew modestly in 2017, offset by lower prices and increased fuel and power costs.

CHANGES IN THE COMPANY'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2016 level, consolidated assets increased 6% to ₱492.24 bn as of December 31, 2017, due to the following:

- Trade and other receivables, inclusive of noncurrent portion, increased by 13% (₱24.77 bn end-2017 compared to ₱22.01 bn as of December 31, 2016) mainly due to higher level of receivables of the Power and Food Groups.
- Inventories increased by 22% (₱12.45 bn as of end-2017 compared to ₱10.22 bn as of December 31, 2016) mainly due to increase in raw materials inventory of the Food Group and coal inventory of the Power Group.

- Gross of depreciation expense, the combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) as of December 31, 2017 was mainly due to the following: (i) ₱12.70 bn for on-going construction of AboitizPower's power plants; (ii) ₱6.07 bn in various capital expenditures of Power, Food and Real Estate Groups, (iii) ₱2.99 bn first-time consolidation of San Carlos Sun Power, Inc. (Sacasun) assets; and (iv) ₱862 mn gain recognized on the re-appraisal of certain investment properties. This was partly reduced by the ₱2.66 bn impairment of Aseagas' biomass plant during 2017.
- Investments in and Advances to Associates as of December 31, 2017 increased by 6% (₱91.92 bn compared to ₱86.95 bn as of December 31, 2016) mainly due to AboitizPower's ₱1.25 bn capital infusion into GN Power Dinginin Ltd. Co. (GNPD) and ₱244 mn capital infusion into RP Energy, the ₱275 mn acquisition of BWSI shares by Aboitiz InfraCapital, the recording of ₱9.05 bn share in net earnings of associates, and the ₱703 mn share of a banking associate's MTM gains on its AFS investments during the year. This increase was partially offset by the ₱6.16 bn cash dividends received from associates during 2017.
- Other current assets increased by 30% as of December 31, 2017 (₱12.44 bn compared to ₱9.58 bn as of December 31, 2016) mainly due to the rise in prepaid insurance and prepaid taxes of the Power Group.
- Available-for-sale (AFS) Investments increased by 37% (₱773 mn as of December 31, 2017 compared to ₱564 mn as of December 31, 2016) mainly due to additional acquisitions made during the year.
- Held-to-maturity (HTM) Investments increased to ₱189 mn as of December 31, 2017 from nil as of December 31, 2016. This was mainly due to new acquisitions made of this type of financial product during the year.
- Derivative Assets (current and non-current) increased by 17% (₱342 mn as of December 31, 2017 compared to ₱292 mn as of December 31, 2016) mainly due to MTM gains recognized on existing forward contracts of the Power Group.
- The above increases during 2017 were offset by the 19% decrease in Deferred Income Tax Assets (DTA), (₱1.52 bn as of December 31, 2017 compared to ₱1.89 bn as of December 31, 2016), mainly due to the reversal of DTA set up in previous periods on the unrealized forex losses on loan restatement related to the prepayment of GMCP's loan.

Liabilities

Consolidated short-term bank loans increased by 187% as of end-2017 (₱23.70 bn compared to ₱8.26 bn as of December 31, 2016) mainly due to availments made by Food Group, Power Group, PETNET, and AboitizLand to fund working capital requirements. On the other hand, long-term debt decreased by 4% (₱238.84 bn as of December 31, 2017 compared to ₱249.46 bn as of December 31, 2016) substantially due to the prepayment of ₱15.93 bn in Therma Power, Inc. and ₱2.43 bn in Aseagas loans, and the ₱6.72 bn settlement of maturing loans and finance lease amortization. This was partly offset by the following: (a) AboitizPower's ₱3.0 bn bond issuance; (b) GMCP's ₱3.17 bn loan; (c) the combined ₱8.29 bn additional loan availment of Therma Visayas, Inc., Hedcor Bukidnon, and Pagbilao Electric Corporation (PEC) to finance on-going plant constructions; and (d) the ₱1.38 bn non-cash movement from foreign exchange differential and deferred financing costs.

Trade and other payables, inclusive of noncurrent portion, increased by 12%, from ₱22.67 bn as of end-2016 to ₱25.42 bn as of end-2017, mainly due to higher level of payables to suppliers and contractors resulting from the on-going plant construction by the Power Group.

Customers deposits decreased by 11%, from ₱7.04 bn as of end-2016 to ₱6.27 bn as of end-2017 as special deposits were refunded by distribution utilities to its customers during 2017.

Asset retirement obligation (ARO) increased by 62% from ₱1.82 bn as of end-2016 to ₱2.96 bn as of end-2017 due to incremental provisions recorded during 2017.

Derivative liabilities (current and non-current) decreased by 87% as of end-2017 (₱48 mn compared to ₱361 mn as of December 31, 2016) mainly due to the derecognition of the derivative liability related to GMCP's loan, which was prepaid during 2017.

Equity

Equity attributable to equity holders of the parent increased by 11% from the year-end 2016 level of ₱140.28 bn to ₱155.01 bn as of end-2017 mainly due to the ₱21.61 bn net income recorded during 2017 and AEV's ₱709 mn share in UBP's unrealized MTM gains recognized on its AFS investments, reduced by ₱7.49 bn cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF THE COMPANY

For the year ended December 31, 2017, the Group continued to support its liquidity mainly from cash generated from operations, additional short-term loan availments, and dividends received from associates.

Compared to 2016, consolidated cash generated from operating activities in 2017 increased by ₱669 mn to ₱32.68 bn, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the year.

AEV ended 2017 with ₱11.75 bn net cash used in investing activities compared to ₱84.67 bn in 2016. This was mainly due to lower amounts spent for ongoing plant construction and investments in associates.

Net cash used in financing activities in 2017 was ₱19.46 bn compared to ₱52.85 bn generated in 2016. This was largely attributed to long-term loan repayments made during 2017 compared to higher loan availments and the sale of treasury shares during 2016.

For 2017, net cash inflows surpassed cash outflows, resulting in a 2% increase in cash and cash equivalents from ₱63.86 bn as of year-end 2016 to ₱64.87 bn as of December 30, 2017.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.56x as of end-2017 from 2.51x at the start of the year, since current liabilities grew more than current assets. Debt-to-Equity ratio stood at 1.56:1 as of end-2017 (compared to year-end 2016's 1.68:1). This was mainly due to the growth in total equity coupled with substantial prepayment of long-term debt during 2017.

Item 7. Financial Statements

The audited consolidated financial statements of AEV are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this SEC Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

AEV has engaged the services of SyCip Gorres Velayo & Co. (SGV) during the two most recent fiscal years. There were no disagreements with SGV on accounting and financial disclosure.

Information on Independent Public Accountant

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been AEV's Independent Public Accountant for the last 24 years. Ms. Maria Veronica Andresa R. Pore is AEV's current audit partner, and has served as such starting 2017. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There was no event in the past 24 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Representatives of SGV will be present during the 2020 Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

(A) External Audit Fees and Services

The following table sets out the aggregate fees paid by the Registrant for professional fees rendered by SGV:

Fee Type	Year ended December 31, 2019	Year ended December 31, 2018
Audit Fees		
Audit Fees	₱511,952.00	₱511,952.00
Audit-Related Fees	6,276,700.00	P9,000.00
Total	₱6,788,652.00	₱520,952.00
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	0	0
Total		
Total Audit and Non-Audit Fees	₱6,788,652.00	₱520,952.00

Aside from audit services, the Company also engaged SGV in 2019 to provide financial advisory services for ongoing business development projects.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of external auditors for the years 2019 and 2018 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The overall management and supervision of the Company is undertaken by its board of directors (the “Board”). The Company’s executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company’s business operations, financial condition and results of operations for its review.

(a) (1) Directors for 2019-2020

The Company currently has nine directors, three of whom are Independent Directors. Below is the profile of the directors, for 2019-2020, with their corresponding positions, offices, and business experience held for the past five years. The directors assumed their directorship during AEV’s Annual Stockholders’ Meeting in 2019 for a term of one year, and until their successors are duly elected and qualified.

ENRIQUE M. ABOITIZ

Chairman - Board of Directors
Chairman - Board Risk and Reputation Management Committee
Member - Board Corporate Governance Committee
- Board Executive Committee

Mr. Enrique M. Aboitiz, 66 years old, Filipino, was appointed Chairman of the Board on December 11, 2018. He has served as a director of the Company since May 9, 1994, and has been the Chairman of the Board Risk and Reputation Management Committee since February 11, 2009, and a member of the Board Corporate Governance Committees since December 11, 2018, and of the Executive Committee since May 21, 2018. He was also a member of the Board Audit Committee from December 11, 2018 to January 28, 2020.

He also served as the Vice Chairman of the Board of Directors of Aboitiz Power Corporation (AboitizPower), a publicly listed company, until December 31, 2019, and is currently Vice-Chairman of Aboitiz & Company, Inc. (ACO). Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

MIKEL A. ABOITIZ

Vice Chairman - Board of Directors
Member - Board Risk and Reputation Management Committee
- Board Executive Committee

Mr. Mikel A. Aboitiz, 65 years old, Filipino, was appointed Vice Chairman of the Board on December 11, 2018. He has served as a director of the Company since May 15, 2017 and was formerly Senior Vice President of the Company from 2004 to 2015. He was a member of the Company’s Board Corporate Governance Committee from May 2017 to December 31, 2019, and Board Audit Committee from May 2017 to January 28, 2020. He is also a member of the Executive Committee since May 21, 2018 and of the Board Risk and Reputation Management Committee since December 11, 2018.

He has been a director of AboitizPower since February 13, 1998, and was its Chairman of the Board of Directors of AboitizPower from September 1, 2018 to December 31, 2020, and Vice Chairman since January 1, 2020. He is currently the Chairman of ACO and a trustee and Vice Chairman of Ramon Aboitiz Foundation, Inc. (RAFI). He was formerly Vice Chairman of the Board of City Savings Bank, Inc. (CitySavings) from 2015 to 2016 and President and CEO of Board of City Savings Bank from 2001 to 2014. He holds a degree in Bachelor of Science, Major in Business Administration, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

SABIN M. ABOITIZ

Director/ President & Chief Executive Officer
Chairman - Board Executive Committee

- Member - Board Corporate Governance Committee
- Board Risk and Reputation Management Committee

Mr. Sabin M. Aboitiz, 55 years old, Filipino, was elected director of the Company on May 21, 2018 and has been the Company's President and Chief Executive Officer and Chairman of the Board Executive Committee since January 1, 2020. He has been a member of the Board Risk and Reputation Management Committee since May 21, 2018 and a member of the Board Corporate Governance Committee since January 1, 2020. He was First Vice President of the Company from May 2014 to May 2015, Senior Vice President from May to December 2015 and was Executive Vice President and Chief Operating Officer from December 13, 2015 to December 31, 2019.

Mr. Aboitiz is the Chairman of Aboitiz Foundation, Inc., Aboitiz InfraCapital, Inc, Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Gold Coin Management Holdings, Ltd. ; Director and President of AEV CRH; Director of UnionBank, a publicly listed company, ACO, RCBM, Republic Cement Services, Inc., CRH Aboitiz Holdings, Inc., Apo Agua Infraestructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., and Pilmico International; Alternate Director of AboitizPower International Pte. Ltd. and AEV International Pte. Ltd.

He holds a degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.

ERRAMON I. ABOITIZ

Director

- Member - Board Executive Committee
- Board Audit Committee
- Board Risk and Reputation Management Committee

Mr. Erramon I. Aboitiz, 63 years old, Filipino, has served as President and Chief Executive Officer of the Company from January 5, 2009 to December 31, 2019. He has been a director of the Company since May 9, 1994, a member of the Board Risk and Reputation Management Committee since May 18, 2015, a member of the Board Audit Committee since January 1, 2020, and was Chairman of the Executive Committee from May 21, 2018 to December 31, 2019 and its Vice Chairman since January 1, 2020. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of the Company from 1994 to December 2008.

Mr. Aboitiz is also Chairman of the Board of Directors of the following companies: Manila-Oslo Renewable Enterprise, Inc. (MORE), San Fernando Electric Light and Power Co., Inc. (SFELAPCO), and CRH Aboitiz Holdings, Inc. (CRH Aboitiz). He is Vice Chairman of Republic Cement and Building Materials, Inc. (RCBM) and of Union Bank of the Philippines (UnionBank), a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nominations Committee. He is Director of AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation. He is Director of ACO, AEV CRH Holdings, Inc. (AEV CRH), and the Philippine Disaster Recovery Foundation.

Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year, both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.

ANA MARIA A. DELGADO

Director

- Member - Board Audit Committee

Ana Maria A. Delgado, 39, Filipino, was elected director of the Company on December 11, 2018, and has been a member of the Board Audit Committee since January 28, 2020.

She also holds the position of Senior Vice President, Center Head of Consumer Finance and Chief Customer Experience Officer of UnionBank. Ms. Delgado started her career with UnionBank as a Product Manager under the Retail Banking Center, and has previously held the positions of SME Banking Business Head and Cards

Business Head. Prior to joining UnionBank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008.

Ms. Delgado graduated with a Bachelor of Arts degree in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any government agency or instrumentality.

EDWIN R. BAUTISTA

Director

Member - Board Executive Committee

Edwin R. Bautista, 59 years old, Filipino, was elected director of the Company on September 1, 2018 and was appointed as member of the Executive Committee on the same date. He is also currently a Director and the President and CEO of UnionBank, a publicly-listed company, the Chairman of the Board of Directors of CitySavings, and a Director in Union Properties, Inc. (now known as "UBP Investments Corporation"), First Union Plans, Inc., and First Union Direct Corp. Prior to joining the Company as director, Mr. Bautista also served UnionBank in various capacities: as Chief Operating Officer from January 1, 2016 to December 31, 2017, Senior Executive Vice President from 2011 to 2015, Executive Vice President from 2001 to 2011, and Senior Vice President from 1997 to 2001.

Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advance Management Program at the Harvard Business School, U.S.A. He is not connected with any government agency or instrumentality.

RAPHAEL P.M. LOTILLA

Lead Independent Director

Chairman - Board Corporate Governance Committee

Member - Board Audit Committee

- Board Risk and Reputation Management Committee

- Board Related Party Transactions Committee

Mr. Raphael P.M. Lotilla, 61 years old, Filipino, has served as an Independent Director of the Company since May 21, 2012 and was elected as Lead Independent Director of the Company on May 15, 2017. He has been a member of the Board Audit Committee and Chairman of the Board Corporate Governance Committee since December 11, 2018, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017.

Mr. Lotilla is also an Independent Director of ACE Enxor Inc., a publicly listed company, Petron Foundation, Inc., and First Metro Investment, Inc. He is also the Chairman of the Board of Trustees of the Center for the Advancement of Trade Integration and Facilitation, and The Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla previously served the Philippine government in various capacities – Secretary of Energy; President and Chief Executive Officer of Power Sector Assets and Liabilities Management Corporation; Deputy Director-General of the National Economic and Development Authority; Coordinator of the Philippine Council for Sustainable Development; Chairman of the Philippines National Oil Company; Vice Chairman of the National Power Corporation and the National Transmission Corporation, among others. He later served as Regional Programme Director of a GEF-UNDP regional project for the Sustainable Development of the East Asian Seas.

He obtained his Bachelor of Laws degree from the University of the Philippines where he became a Professor of Law, and holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies and the Advisory Committee for the Ateneo University Professional Schools.

JOSE C. VITUG

Independent Director

Chairman - Board Audit Committee

Member - Board Corporate Governance Committee

- Board Risk and Reputation Management Committee

- Board Related Party Transactions Committee

Justice Jose C. Vitug (ret.), 85 years old, Filipino, has served as an Independent Director of the Company since May 16, 2005. He is Chairman of the Board Audit Committee of the Company since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017.

Mr. Vitug is also an Independent Director of ABS-CBN Holdings Corporation, a publicly listed company. He is currently a Board Trustee and Law Dean of the Angeles University Foundation, the Chairman of the Board of Trustees of Angeles University Foundation Medical Center, a Graduate Professor of the College of Law of San Beda College, a Professorial Lecturer of the Philippine Judicial Academy, and a member of the Philippine National Group of Judges of the Permanent Court of Arbitration at the Hague, Netherlands since 18 August 2017 for a term of seven years.

Mr. Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. He graduated cum laude from the Manuel L. Quezon University with a Bachelor's Degree in Law. He holds a Master of Laws degree from the same university and a Master's Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation.

He is not connected, either as an officer or as an employee, to a government agency or instrumentality.

MANUEL R. SALAK III

Independent Director

Chairman - Board Related Party Transactions Committee

Member - Board Corporate Governance Committee

- Board Audit Committee

- Board Risk and Reputation Management Committee

Mr. Manuel R. Salak III, 60 years old, Filipino, was elected as an Independent Director of the Company on May 21, 2018. On the same date, he was appointed as Chairman of the Board Related Party Transactions Committee, and member of the Board Corporate Governance Committee, Board Audit Committee and Board Risk and Reputation Management Committee.

Mr. Salak is the Founder and Managing Director of AlphaPrimus Advisors Inc., a Philippine based firm providing advice on mergers and acquisitions activities as well as capital raising for Philippine and Philippine based clients. He is an independent director at Maxicare Philippines, and a Trustee of World Surgical Foundation Philippines. Mr Salak is an adviser for special projects at the Asian Institute of Management and is a board director of the Ateneo Center for Economic Research Department. Mr. Salak previously served as the Managing Director, Head of Asia for Clients Coverage and Corporate Finance – ING Bank N.V., based in Singapore and covering 14 countries from 2008 to 2017, Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2008, and Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000.

Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master's degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the Institut Européen d'Administration des Affaires (INSEAD) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School, U.S.A.

He is not connected with any government agency or instrumentality.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code ("SRC Rule 38"), AEV's Amended By-Laws, and AEV's Guidelines for the Nomination and Election of Independent Directors approved by the Board of Directors on March 23, 2017 (the "Guidelines").

In accordance with Section C(1) of the Guidelines, the period for nominations for independent directors is from January 1, 2020 until February 15, 2020, unless the Board Corporate Governance Committee unanimously agrees to extend the deadline for meritorious reasons. The Board Corporate Governance Committee unanimously agreed to extend the period for nominations of independent directors until March 6, 2020.

On March 6, 2020, the Chairman of the Board Corporate Governance Committee submitted to the Corporate Secretary the Final List of Nominees. In approving the nominations for independent directors, the Board Corporate Governance Committee considered the guidelines on the nominations of independent directors prescribed in SRC Rule 38, the Amended Guidelines, and AEV's Revised Manual on Corporate Governance dated January 31, 2019 (the "Revised Manual"). The Board Corporate Governance Committee performs the functions of the Board Nominations and Compensation Committee. In 2019, Mr. Raphael P.M. Lotilla, Lead Independent Director, was the Chairman of the Board Corporate Governance Committee. The other voting members of the committee are Messrs. Sabin M. Aboitiz, Enrique M. Aboitiz, Manuel R. Salak III, and Justice Jose C. Vitug (ret.), while the ex-officio non-voting members are Mr. Manuel Alberto R. Colayco, and Ms. Susan V. Valdez.

No nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, independent directors shall be elected at the stockholders' meeting during which other members of the Board are to be elected.

Justice Jose C. Vitug (ret.), Mr. Manuel R. Salak III, and Mr. Raphael P. M. Lotilla are the nominees for independent directors of AEV for the 2020 ASM. They are neither officers nor employees of the Company or any of its Affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director.

AEV stockholders, Ms. Remeliza Zapanta Villanueva, Ms. Jovy Tan, and Ms. Viva Torre, have nominated Justice Jose C. Vitug (ret.), Mr. Manuel R. Salak III, and Mr. Raphael P.M. Lotilla, respectively, as the Company's independent directors. None of the nominating stockholders have any relation to the respective independent director they are nominating.

Other Nominees for Election as Members of the Board of Directors

As the Board Corporate Governance Committee conveyed to the Corporate Secretary on March 6, 2020, the following were also nominated and qualified as candidates to the AEV Board of Directors for the ensuing year 2020-2021:

Enrique M. Aboitiz
Mikel A. Aboitiz
Erramon I. Aboitiz
Sabin M. Aboitiz
Edwin R. Bautista
Ana Maria A. Delgado

Pursuant to Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board other than Independent Directors for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the Annual Stockholders' Meeting on April 27, 2020 or not later than April 6, 2020.

All other information regarding the positions and offices held by the above-mentioned nominees are integrated in Item 9 (a) (1) above.

(2) Officers for 2019-2020

ENRIQUE M. ABOITIZ

Chairman - Board of Directors

Refer to Item 9 (a) (1) for the profile for Mr. Enrique M. Aboitiz

MIKEL A. ABOITIZ

Vice Chairman - Board of Directors

Refer to Item 9 (a) (1) for the profile for Mr. Mikel A. Aboitiz

SABIN M. ABOITIZ

Director/ President and Chief Executive Officer

Refer to Item 9 (a) (1) for the profile for Mr. Sabin M. Aboitiz

ERRAMON I. ABOITIZ

Director

Refer to Item 9 (a) (1) for the profile for Mr. Erramon I. Aboitiz

MANUEL R. LOZANO

Senior Vice President/Chief Financial Officer/Corporate Information Officer
Ex-officio Member - Board Risk and Reputation Management Committee

Mr. Manuel R. Lozano, 49 years old, Filipino, has been Senior Vice President, Chief Financial Officer and Chief Corporate Information Officer of the Company since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015, and of the Executive Committee since May 21, 2018. Mr. Lozano is currently Senior Vice President – Finance of ACO, and Treasurer of Aboitiz Construction, Inc. (ACI); Trustee and Treasurer of Aboitiz Foundation; Chief Financial Officer and Treasurer of Apo Agua; Chairman of the Board and Chief Executive Officer of Lima Water Corporation; Director, Treasurer of Aboitiz InfraCapital, Inc.; Director and Vice President of AEV Aviation; Director and Treasurer of AEV CRH, CFO and Treasurer of Archipelago Insurance; Director of PANC, Pilmico, RCBM, UnionBank; and Alternate Director of AEV International, Pilmico International Pte. Ltd. (Pilmico International) and AboitizPower International. Mr. Lozano was First Vice President, Chief Financial Officer and Corporate Information Officer of AboitizPower from 2014 to 2015; and was First Vice President – Chief Financial Officer of AboitizPower Generation from 2008 to 2013.

Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance and Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming and CLSA.

He earned his Bachelor of Science in Business Administration degree from the University of the Philippines – Diliman and his Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.

SUSAN V. VALDEZ⁶

Senior Vice President and Chief Corporate Services Officer
Ex-officio Member - Board Corporate Governance Committee

Ms. Susan V. Valdez, 59 years old, Filipino, has been the Chief Corporate Services Officer of the Company since January 2, 2020. She has held various executive positions at the Company for the past seven years, namely:

⁶ Effective January 2, 2020, Ms. Susan V. Valdez, Senior Vice President and Chief Human Resources Officer, took on an expanded role as Chief Corporate Services Officer.

Senior Vice President and Chief Corporate Services Officer, Chief Reputation and Risk Management Officer and Chief Reputation Officer. She is currently an Ex-Officio member of the Company's Board Corporate Governance Committee. Before joining the Company in September 2011, she held various executive positions for 15 years in Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc., a publicly listed company), as Chief Finance Officer, Chief Information Officer and Chief Operating Officer of its freight and supply chain business units.

Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa's College with a degree of Bachelor of Science in Commerce, majoring in Accounting. She earned her Master's degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School, U.S.A. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.

ROBERT MCGREGOR

Executive Director – Chief Investments Officer

Mr. Robert McGregor, 60 years old, British, is Executive Director – Chief Investments Officer of the Company since October 3, 2018. He is concurrently Executive Director – Chief Investments Officer of AboitizPower, a publicly listed company, a position he has held since June 1, 2018. He joined the Company as Senior Vice President – Chief Strategy Officer in May 2014 before his appointment as Executive Director – Chief Investments Officer in 2018. Mr. McGregor brings with him a wealth of experience in management, investment banking and private equity investing with almost 39 years of experience in energy markets. He has extensive experience in corporate strategy, marketing and business planning in oil, gas and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up partnership in Actis, an emerging-market private equity firm. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation as an investment banker.

Mr. McGregor completed his Honours Degree in Applied Chemistry from The University of Strathclyde, United Kingdom and obtained his Master's Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

CHRISTOPHER P. BESHOURI

Executive Director – Chief Strategy Officer

Mr. Christopher P. Beshouri, 57 years old, American, was appointed Executive Director – Chief Strategy Officer on October 3, 2018. He brings to the Group his experience in corporate strategy, business planning, strategic partnership and investments, and performance management. He has almost three decades of experience in banking, energy, telecommunications, retail, and business process outsourcing across multiple jurisdictions in Asia. Before joining the Company, Mr. Beshouri headed the VICSAL Development Corporation from 2013 to 2018. He was Independent Director of GT Capital Holdings, Inc. from 2013 to 2017. He also held various top management positions at McKinsey and Company as President and Chief Executive Officer for Philippines from 2005 to 2013, Chief of Staff for Asia from 2004 to 2005, and Associate Principal from 1997 to 2004. He also served in the United States Treasury as a Senior Financial Economist and Director from 1989 to 1997, focusing on financial markets and banking regulations, and he also taught financial markets and banking at Georgetown University, U.S.A.

Mr. Beshouri earned his Bachelor of Arts degree (Dual Major in Economics and Public Policy) from the Michigan State University, U.S.A and his Master's degree in Public Affairs from Princeton University, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

LUIS MIGUEL O. ABOITIZ

Senior Vice President

Mr. Luis Miguel O. Aboitiz, 55 years old, Filipino, is Senior Vice President of the Company, a position which he has held since May 18, 2015. He joined the Company in 1995 as Vice President and was appointed First Vice President from 2004 to May 2015.

He is concurrently Executive Vice President – Chief Strategy Officer of AboitizPower on May 21, 2018. Prior to this, he served as Director from September 2018 to December 2019, Executive Vice President and Chief Operating Officer – Corporate Business Group from 2016 to 2018, and as Senior Vice President-Power Marketing and Trading from 2009 to 2015.

He also serves as Director and President of MORE; and Director of Abovant, ARI, APX1, APX2, TPI, Pilimico Animal Nutrition Corporation (PANC), TSI, TLI, Aboitiz InfraCapital, Inc., Sacasun, STEAG Power, and UnionBank, a publicly-listed company. He is also Chairman of UnionBank's Technology Steering Committee and member of the Audit Committee and Operations Risk Management Committee, and alternate member of the Executive Committee. Mr. Aboitiz is also a member of the Board of Trustees of the Philippine Independent Power Producers Association, Inc. (PIPPA).

Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master's degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.

JOJO S. GUINGAO

Senior Vice President and Chief Digital Officer

Mr. Jojo S. Guingao, 55 years old, Filipino, was appointed Senior Vice President and Chief Digital Officer of the Company on October 1, 2018. He joined the Company as First Vice President for Digital Management on July 18, 2016. Mr. Guingao has experience in software development, IT consulting and strategy, enterprise implementation, project management and professional services. He has over 20 years of experience working for software companies in the Silicon Valley building global technology services organization. Before joining the Company, Mr. Guingao was Vice President of Customer Success at Navagis Inc., a Google Cloud Partner in San Francisco CA. He also held senior management positions in various global software companies including Critigen LLC, Environmental Systems Research Institute and Autodesk Inc.

Mr. Guingao graduated from Mapua Institute of Technology with a Bachelor's Degree in Electronics and Communications Engineering. He completed his Master's Degree in Business Administration from the California State University-East Bay, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.

DAVID JUDE L. STA. ANA

Senior Vice President and Chief External Affairs Officer

Ex-officio Member - Board Risk and Reputation Management Committee

Mr. David Jude L. Sta. Ana, 53 years old, Filipino, was appointed Senior Vice President and Chief External Affairs Officer on October 1, 2018. Prior to his appointment, he was the First Vice President for Government Relations since September 1, 2016.

Mr. Sta. Ana brings to the Group his experience in broadcast, digital and print media, with focus on major news coverage, crisis management, planning and operations. Prior to joining the Company, he was the Head for News Operations of TV5 Network, Inc. where he handled the day to day operations of the Philippines' third largest television network, including news gathering and content generation for its television, radio and digital platforms. Mr. Sta. Ana also served as news director handling the control, operational and administrative responsibilities for news gathering for two of the country's major broadcast organizations, namely ABS-CBN Broadcasting Corporation and GMA Network, Inc., a publicly listed company.

Mr. Sta Ana earned his Bachelor's Degree in Journalism from the University of the Philippines – Diliman. He also completed the Newsroom Operation and Newsroom Management Training conducted by the U.S. Radio and Television News Directors Association in Los Angeles, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.

MANUEL ALBERTO R. COLAYCO

Senior Vice President - Chief Legal Officer/Corporate Secretary/Chief Compliance Officer

Ex-officio Member - Board Corporate Governance Committee

Mr. Manuel Alberto R. Colayco, 50 years old, Filipino, was appointed as the Company's Corporate Secretary and Chief Compliance Officer on March 1, 2018. Concurrently, he is Senior Vice President and Chief Legal Officer of the Company since October 1, 2019, and Corporate Secretary of AboitizPower since March 1, 2018.

Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher & Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc & De Los Angeles from 1996 to 2000.

Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from the New York University School of Law, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.

MARIA VERONICA C. SO

First Vice President - Group Treasurer

Ms. Maria Veronica C. So, 48 years old, Filipino, has been the Company's First Vice President – Group Treasurer since January 1, 2020. She joined the Company as Vice President – Treasury Services in 2017 and was promoted to First Vice President – Deputy Group Treasurer under Treasury Services Group on April 1, 2019. She is also Group Treasurer of AboitizPower, a publicly listed company, since January 1, 2020. Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017. Ms. So holds a Masters degree in Business Management from the Asian Institute of Management and a Bachelor of Science degree in Business Management from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

SANTANINA APOLINARIA B. CASTRO

First Vice President – Risk Management

Ex-officio – Board Risk and Reputation Management Committee

Ms. Santanina Apolinaria B. Castro, 44 years old, Filipino, has been the Company's First Vice President – Risk Management since January 1, 2020. She performs the functions of the Company's Chief Risk Officer. Ms. Castro first joined the Aboitiz Group as Vice President for Corporate Strategy and Business Development of Pillico Foods Corporation. Prior to joining the Aboitiz Group, she was Corporate Planning Manager of ABS-CBN Corporation from 2007 to 2011, Senior Planning Analyst at San Miguel Purefoods Company from 2002 to 2007, and Senior Associate at Arthur Andersen (SGV&Co) – Corporate Finance from 1996 to 2002. She holds a Masters degree in Business Administration from the University of the Philippines Diliman and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

RICARDO F. LACSON, JR.

Vice President - Data Privacy Officer

Mr. Ricardo F. Lacson, Jr., 58 years old, Filipino, was appointed as the Data Privacy Officer of the Company, effective February 1, 2019. Prior to his appointment, he was Vice President for Strategy of the Company since June 2014. Prior to joining the Company, he was the Vice President for Administration and Customer Services at the Visayan Electric Company, Inc., from August 2009 to May 2014. Before joining the Aboitiz Group, Mr. Lacson held several senior management positions including director at ZMG Ward Howell, Country Manager of SAP SuccessFactors, President of Motorola Communications Philippines, Inc., Vice President of Software Ventures International, Corp. and General Manager of Systematics Technology Services, Inc. (now Metrobank Technology, Inc.). He began his career in the field of IT, handling large corporate accounts as well as being the airlines specialist for IBM Philippines, Inc. He taught at the Ateneo de Manila University from 1984 – 1994. Mr. Lacson

earned his Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University, graduating Magna Cum Laude and receiving the Departmental Award. He also completed the Advance Bank Management Program of the Asian Institute of Management and the Leading Innovative Change Program of the University of California, Berkeley, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

MARIA LOURDES Y. TANATE

Group Internal Audit Head

Ms. Maria Lourdes Y. Tanate, 54 years old, Filipino, has been Vice President and Group Internal Audit Head since January 2016. She joined the Company in November 2011. Prior to joining the Company, Ms. Tanate was Chief Audit Executive of ATS Consolidated (ATSC), Inc. (formerly Aboitiz Transport System (ATSC) Corporation) (now 2GO Group, Inc., a publicly listed company). She also served as Assistant Vice President for Finance and Senior Manager of ATS. She has extensive experience in internal audit, financial and investment analysis and corporate finance, with focus on budgeting, financial planning and control. She graduated cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman) and subsequently obtained her Masters in Business Administration from the same school. She earned her Masters in Engineering and Technology Management from the University of Queensland, Australia. She is not connected with any government agency or instrumentality. She is also not a director of any publicly listed company.

MAILENE M. DE LA TORRE

Assistant Vice President - Assistant Corporate Secretary

Ms. Mailene M. de la Torre, 38 years old, Filipino, was appointed Assistant Corporate Secretary on November 24, 2016 and Assistant Vice President – Governance and Compliance of the Company effective January 1, 2018. She was previously Senior Associate General Counsel for Governance and Compliance of the Company beginning in November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group. She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment to that role on November 24, 2016. Ms. de la Torre has experience in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member of good standing in the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.

SAMMY DAVE A. SANTOS

Assistant Corporate Secretary

Mr. Sammy Dave A. Santos, 35 years old, Filipino, has been Assistant Corporate Secretary since November 5, 2019. He joined the Company as Associate General Counsel for the Governance and Compliance Team in 2017. He is also Assistant Corporate Secretary of AboitizPower, a publicly listed company, a position he has held since November 5, 2019. He is also Corporate Secretary of various Subsidiaries of the Aboitiz Group, and Assistant Corporate Secretary of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). Prior to joining the Aboitiz Group, he was Legal Counsel for Alliance Select Foods International, Inc., a publicly listed company, from 2016 to 2017. He was also Counsel for the Privatization Group and Office of Special Concerns of the Department of Finance in 2016. He was a Junior Associate at the Law Firm of Quiason Makalinta Barot Torres Ibarra Sison & Damaso from 2014 to 2016. Mr. Santos holds a Juris Doctor degree from the Ateneo Law School in 2013. He also holds a degree of Master of Science in Industrial Economics from the University of Asia and the Pacific. He is a member of good standing in the integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year.

Term of Office of a Director

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one year and until his successor is duly qualified and elected, unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his/her predecessor in office.

(3) Significant Employees

AEV considers the contribution of every employee important to the fulfillment of its goals.

(4) Family Relationships

Messrs. Erramon, Enrique, and Sabin Aboitiz, are brothers. Mr. Mikel A. Aboitiz is the uncle of Ms. Ana Maria A. Delgado. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

(5) Involvement in Certain Legal Proceedings as of March 31, 2020

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until March 31, 2020, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(6) Parent Company

AEV's parent company is Aboitiz & Company, Inc. (ACO). As of March 31, 2020, ACO owns 48.59% of the voting shares of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned nor declined to stand for re-election to the Board since the date of AEV's last Annual Stockholders' Meeting because of a disagreement with AEV on matters relating to its operations, policies and practices.

Item 10. Executive Compensation

(1) Summary of Compensation Table

Information as to the aggregate compensation paid or accrued to AEV's Chief Executive Officer and four most highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years and the ensuing fiscal year are as follows:

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS				
1. ERRAMON I. ABOITIZ* Director				
2. SABIN M. ABOITIZ* President and Chief Executive Officer				
3. ROBERT MCGREGOR Executive Director - Chief Investments Officer				
4. LUIS MIGUEL O. ABOITIZ Senior Vice President				
5. SUSAN V. VALDEZ** Senior Vice President and Chief Corporate Services Officer				
All above named officers as a group	Actual 2019	₱127,928,123.00	₱16,249,280.00	₱15,697,222.00
	Actual 2018	₱151,310,578.00	₱15,910,000.00	₱14,200,726.00
	Projected 2020	₱113,416,475.00	₱14,574,208.00	₱13,724,090.00
All other directors and officers as a group unnamed	Actual 2019	₱139,201,104.00	₱17,479,740.00	₱39,845,400.00
	Actual 2018	₱132,493,978.00	₱16,090,252.00	₱46,311,988.00
	Projected 2020	₱153,121,214.00	₱19,227,714.00	₱43,829,940.00

* Effective January 1, 2020, Mr. Sabin M. Aboitiz, Chief Operating Officer, took on the role of the Company's President and Chief Executive Officer, a position previously held by Mr. Erramon I. Aboitiz until his retirement on December 31, 2019.

** Effective January 2, 2020, Ms. Susan V. Valdez, Chief Human Resources Officer, took on an expanded role as Chief Corporate Services Officer.

The 2014 Amended By-Laws of the Company as approved by the Securities and Exchange Commission on May 26, 2014 defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; Chief Operating Officer(s); the Treasurer, the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board of Directors. For the year 2019, the Company's Summary of Executive Compensation covers the compensation of officers as reported under Item 9 (a)(1) of this Annual Report.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

(2) Compensation of Directors

(i) Standard Arrangements

Following the April 22, 2019 Annual Stockholders' Meeting, the directors receive a monthly allowance of ₱150,000.00 while the Chairman of the Board receives a monthly allowance of ₱200,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

Type of Meeting	Committee Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2019 is as follows:

Name of Director	Total Compensation Received by Director ⁷
ENRIQUE M. ABOITIZ <i>Chairman of the Board</i>	₱4,510,000.00
MIKEL A. ABOITIZ <i>Vice Chairman of the Board</i>	₱3,600,000.00
ERRAMON I. ABOITIZ* <i>Director</i>	₱3,240,000.00
SABIN M. ABOITIZ* <i>President and Chief Executive Officer</i>	₱3,240,000.00
ANA MARIA A. DELGADO* <i>Director</i>	₱2,410,000.00
EDWIN R. BAUTISTA* <i>Director</i>	₱3,140,000.00
RAPHAEL P.M. LOTILLA <i>Lead Independent Director</i>	₱5,000,000.00
JUSTICE JOSE C. VITUG (ret.) <i>Independent Director</i>	₱5,030,000.00
MANUEL R. SALAK III <i>Independent Director</i>	₱4,750,000.00

*A portion of the monthly allowances was paid to their nominating company.

(ii) Other Arrangements

Other than payment of the directors' per diem and monthly allowance, there are no standard arrangements pursuant to which directors of the Company are compensated or are to be compensated, directly or indirectly, for any services provided as a director.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AEV and any executive officer that results or will result from the resignation or any other termination of employment or from a change in the management control of AEV.

⁷ Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period January 1 to December 31, 2019.

(4) Warrants and Options Outstanding

To date, AEV has not granted any stock option to its directors or officers

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of March 31, 2020

Title of Class of Shares	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	1. Aboitiz & Company, Inc. (ACO) ⁸ Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO ⁹	Filipino	2,735,600,915 (Record and Beneficial)	48.59%
Common	2. PCD Nominee Corporation ¹⁰ (Filipino) 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers. ¹¹	Filipino	899,514,597 (Record)	15.98%
Common	4. Ramon Aboitiz Foundation, Inc. (RAFI) ¹² 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	3. PCD Nominee Corporation ¹³ (Foreign) 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers. ¹⁴	Non-Filipino	413,033,108 (Record)	7.34%

⁸ ACO, the major shareholder of Aboitiz Equity Ventures Inc., is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

⁹ Mr. Sabin M. Aboitiz, ACO President and Chief Executive Officer, will vote for the shares of ACO in AEV in accordance with the directive of the Board of Directors of ACO.

¹⁰ PCD Nominee Corporation (Filipino and Foreign) is not related to AEV. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

¹¹ Each beneficial owner of shares through a PCD participant is the beneficial owner of such number of shares he owns in his account with the PCD participant. AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) are to be voted. Of the 899,514,597 shares held by PCD Nominee Corporation (Filipino), at least 406,687,971 shares or 7.22% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

¹² Mr. Mikel A. Aboitiz, will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

¹³ *Supra* Note 3.

¹⁴ *Supra* Note 4.

(2) Security Ownership of Management as of March 31, 2020 (Record and Beneficial)

Name of Owners and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Enrique M. Aboitiz Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		1,534,500	Indirect		0.03%
Mikel A. Aboitiz Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		95,152,412	Indirect		1.69%
Erramon I. Aboitiz Director	Common	1,001,000	Direct	Filipino	0.02%
		77,023,082	Indirect		1.37%
Sabin M. Aboitiz Director/President and Chief Executive Officer	Common	14,415,651	Direct	Filipino	0.26%
		10,961,764	Indirect		0.19%
Ana Maria A. Delgado Director	Common	500	Direct	Filipino	0.00%
		26,358,285	Indirect		0.47%
Edwin R. Bautista Director	Common	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Raphael P. M. Lotilla Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Manuel R. Salak III Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/Corporate Information Officer	Common	171,028	Direct	Filipino	0.00%
		163,987	Indirect		0.00%
Susan V. Valdez Senior Vice President and Chief Corporate Services Officer	Common	769,926	Direct	Filipino	0.01%
		170,637	Indirect		0.00%
Robert McGregor Executive Director – Chief Investments Officer	Common	65,776	Direct	British	0.00%
		136,624	Indirect		0.00%
Christopher P. Beshouri Executive Director – Chief Strategy Officer	Common	27,000	Direct	American	0.00%
		3,704	Indirect		0.00%
Luis Miguel O. Aboitiz Senior Vice President	Common	26,139,565	Direct	Filipino	0.46%
		11,047,211	Indirect		0.20%
Jojo S. Guingao Senior Vice President and Chief Digital Officer	Common	23,103	Direct	Filipino	0.00%
		40,222	Indirect		0.00%
David Jude L. Sta. Ana Senior Vice President and Chief External Affairs Officer	Common	10,637	Direct	Filipino	0.00%
		18,519	Indirect		0.00%
Manuel Alberto R. Colayco Senior Vice President – Chief Legal Officer/Corporate Secretary/Chief Compliance Officer	Common	45,087	Direct	Filipino	0.00%
		19,630	Indirect		0.00%
Maria Veronica C. So First Vice President – Group Treasurer	Common	0	Direct	Filipino	0.00%
		9,617	Indirect		0.00%

Santanina Apolinaria B. Castro First Vice President – Risk Management	Common	0	Direct	Filipino	0.00%
		13,414	Indirect		0.00%
Ricardo F. Lacson, Jr. Vice President – Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		120,486	Indirect		0.00%
Maria Lourdes Y. Tanate Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		15,784	Indirect		0.00%
Mailene M. de la Torre Assistant Vice President – Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Sammy Dave A. Santos Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		265,538,481			4.72%

(3) Voting Trust Holders of 5% or More of Common Equity

No person holds, under a voting trust or similar agreement, more than five percent (5%) of common equity.

(4) Changes in Control

There are no arrangements that may result in a change in control of AEV during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

AEV and its Subsidiaries (the Group), in their regular conduct of business, have entered into related party transactions consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are made on an arm's length basis.

ACO, the parent company of AEV, and certain associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. These services are obtained from AEV and AboitizPower to enable the Group to realize cost synergies. The parent companies maintain a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transactions are priced on an arm's length basis, and covered with service level agreements to ensure quality of service.

ACO and certain associates are leasing office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of three years.

The Group has cash deposits and money market placements with UnionBank and CitySavings, AEV's banking Associates. These are earning interest at prevailing market rates.

Power generation Subsidiaries sell to certain power associates based on their respective power supply agreements. Meanwhile, power distribution Subsidiaries purchase from certain generation associates based on existing power purchase agreements.

A wholly-owned construction and steel fabrication subsidiary of ACO renders its services to the Group for the construction of new power plant.

The Company's retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by ACO. The Fund has investments in the equity of one of its subsidiaries.

The above related party transactions are discussed extensively in the audited financial statements of the Company.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AEV employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are determined and brought to the attention of management.

In October 2019, the Board of Directors approved the Revised Related Party Transactions (RPT) Policy in compliance with the SEC Memorandum Circular No. 10 series of 2019. The new rule focuses and regulates only material RPTs or RPTs amounting to ten percent (10%) or higher of a company's total assets. The new rule also specified an approval process for material RPTs and mandates publicly listed companies to notify the SEC of their RPTs that breach the threshold. AEV's RPT Committee has the mandate to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary. The Company's current revised RPT Policy continues to ensure that RPTs are conducted at arms-length and at market prices, and underwent the appropriate approval process.

The Company is considering further revisions its current RPT Policy in order to align it with best corporate governance practices.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to Memorandum Circular No. 15, Series of 2017 issued by the Securities and Exchange Commission (SEC), the Company's 2019 Integrated Annual Corporate Governance Report (IACGR) will be filed with the SEC on or before May 30, 2020. The 2019 IACGR will also be available in the Company's website at www.aboitiz.com. Other reports such as the Company's Annual Corporate Governance Reports and the 2018 IACGR are also available at the Company's website.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits.

None

(b) Reports on SEC Form 17-C

Reports filed by the AEV on SEC Form 17-C from April 2019 – March 2020 are as follows:

Date Reported	Disclosure Details
April 22, 2019	Results of the 2019 Annual Stockholders' Meeting
April 22, 2019	Results of the 2019 Organizational Meeting
May 2, 2019	First Quarter 2019 Financial and Operating Results
May 2, 2019	Press Release: 'AEV posts P3.5 billion net income for Q1 2019'
May 3, 2019	Receipt of "PRS Aaa" Rating from the Philippine Rating Services Corporation for the First Tranche of ₱30 bn Bonds, equivalent to ₱ 3 bn with an oversubscription option of up to ₱2 bn.
May 8, 2019	Revised Press Release: 'Aboitiz donates over half a billion for new innovation school at AIM'
May 8, 2019	Press Release: 'Aboitiz funds P500-million new innovation school at AIM'
May 28, 2019	Acquisition of 25% equity stake in Gold Coin Management Holdings Limited
June 3, 2019	Receipt of the Certificate of Permit to Offer Securities for Sale from the SEC in relation to the Company's Application for the Issuance of the Third Tranche of the ₱30 bn Fixed-Rate Retail Bonds
June 18, 2019	Listing with the Philippine Dealing and Exchange Corporation of the Third Tranche of the Php30 billion debt securities program, equivalent to ₱ 3 bn with an oversubscription option of up to ₱2 bn.
June 20, 2019	Press Release: "Aboitiz, Frontier Towers Sign Cooperation Agreement for Common Towers Project"
July 2, 2019	Press Release: "Globe, Aboitiz-Frontier Towers sign common tower deal to improve connectivity in Cebu, Davao and Subic"
July 25, 2019	Appointment of Officer
July 31, 2019	Second Quarter 2019 Financial and Operating Results
July 31, 2019	Press Release: "AEV ends first half with ₱9 bn net income"
August 14, 2019	Acquisition of the Remaining 15% of Pilmico Vietnam Feeds Joint Stock Company (Formerly: Pilmico VHF Joint Stock Company)
October 1, 2019	Promotion of Officer
October 7, 2019	Update of Company's Contact Details
October 28, 2019	Resignation of Officer
November 5, 2019	Matters Approved by the Board of Directors
November 6, 2019	Third Quarter 2019 Financial and Operating Results
November 6, 2019	Press Release: "Aboitiz Equity Ventures earns ₱15.7 bn in the first 9 months of 2019"
December 19, 2019	Press Release: "Singlife and Aboitiz partner to disrupt Philippine life insurance market"
December 26, 2019	Changes in Officers
January 2, 2020	Changes in Designation of Officer
January 3, 2020	AEV International Issuance of US-Dollar Denominated Bonds
January 10, 2020	AEV International Raises \$ 400 mn Notes
January 20, 2020	Press Release: 'AEV raises \$400M for offshore expansion in maiden dollar bond issue'
January 28, 2020	Appointment of Ms. Ana Maria Delgado as Member of the Board Audit Committee
March 6, 2020	Amendment of Articles of Incorporation
March 6, 2020	Amendment of By-Laws
March 6, 2020	Matters Approved by the Board during its March 6, 2020 Board Meeting
March 6, 2020	Declaration of Regular Cash Dividends
March 6, 2020	Notice and Agenda of AEV's Annual Stockholders' Meeting on April 27, 2020

Date Reported	Disclosure Details
March 6, 2020	Nominees to the Board of Directors for 2020-2021
March 10, 2020	Full Year 2019 Financial and Operating Results
March 10, 2020	Press Release: "AEV earns P22 billion net income in 2019"
March 13, 2020	AEV purchase of UnionBank of the Philippines and Aboitiz Power Corporation Shares
March 13, 2020	Buy Back of AEV Shares
March 16, 2020	AEV purchase of UnionBank of the Philippines Shares
March 16, 2020	Buy Back of AEV Shares
March 16, 2020	AEV Response to COVID-19
March 19, 2020	Revised Notice and Agenda of AEV's Annual Stockholders' Meeting on April 27, 2020
March 19, 2020	AEV purchase of UnionBank of the Philippines and Aboitiz Power Corporation Shares
March 19, 2020	Buy Back of AEV Shares

(c) Sustainability Report - Please refer to Annex C (Reporting Template for Sustainability Report).

The 2019 Aboitiz Group Annual Report and Sustainability Report (the "2019 Integrated Annual Report") is available for download at the Company's website at <https://abotiz.com/investor-relations/latest-annual-report/>

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, AEV has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Taguig on April 14, 2020.

By:



SABIN M. ABOITIZ

Principal Executive Officer and Principal Operating Officer



MANUEL R. LOZANO

Principal Financial Officer



MANUEL ALBERTO R. COLAYCO

Corporate Secretary



MARLITA M. VILLACAMPA

Controller/Principal Accounting Officer

Before me, a notary public in and for the city named above, personally appeared:

NAME	PASSPORT / DRIVER'S LICENSE NO.	DATE/PLACE OF ISSUE	CTC NO.	DATE/PLACE OF ISSUE
SABIN M. ABOITIZ	P2003168A	02.23.2017/ DFA Manila	12179230	01.29.2019/ Cebu City
MANUEL R. LOZANO	P7066571A	05.06.2018/ DFA Manila	29715449	02.10.2019/ Taguig City
MANUEL ALBERTO R. COLAYCO	PhilHealth ID No. 01-052187303-0	-	29689098	01.08.2019/ Taguig City
MARLITA M. VILLACAMPA	P0892463A	11.13.2016/ DFA NCR SOUTH	-	-

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

Witness my hand and seal this _____.

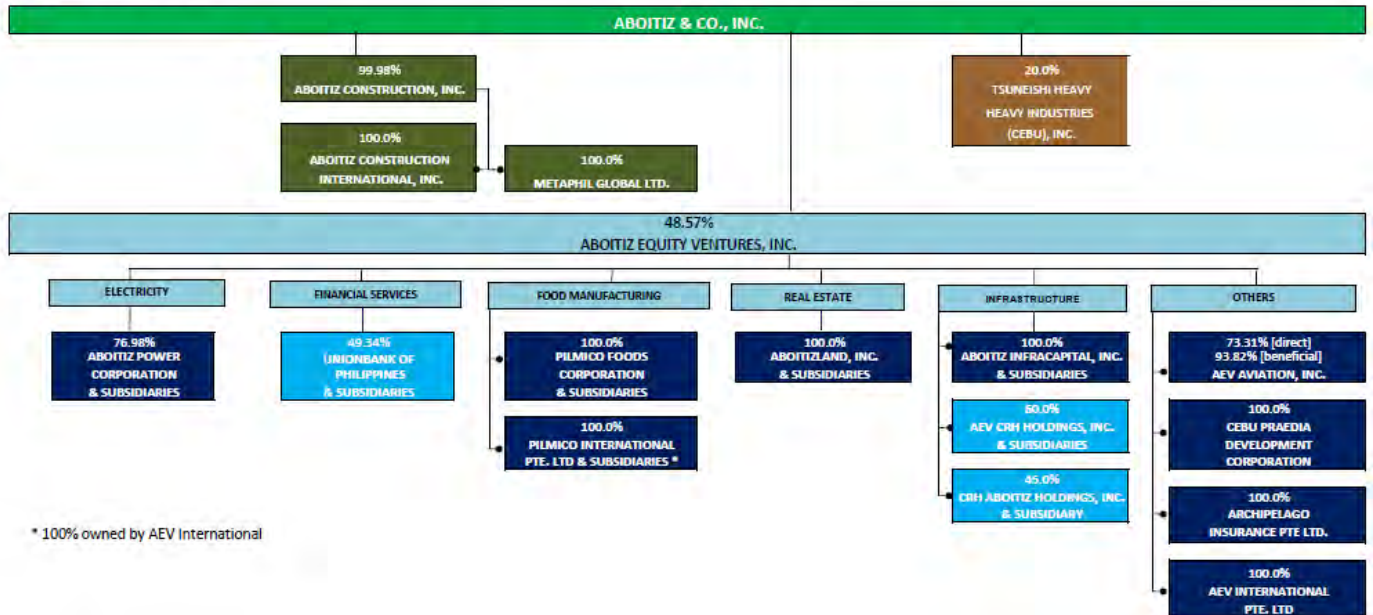
Doc. No.: ____;
Page No. ____;
Book No. ____;
Series of 2020.

ANNEX "A"

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES CONGLOMERATE MAPPING As of December 31, 2019

Legend:

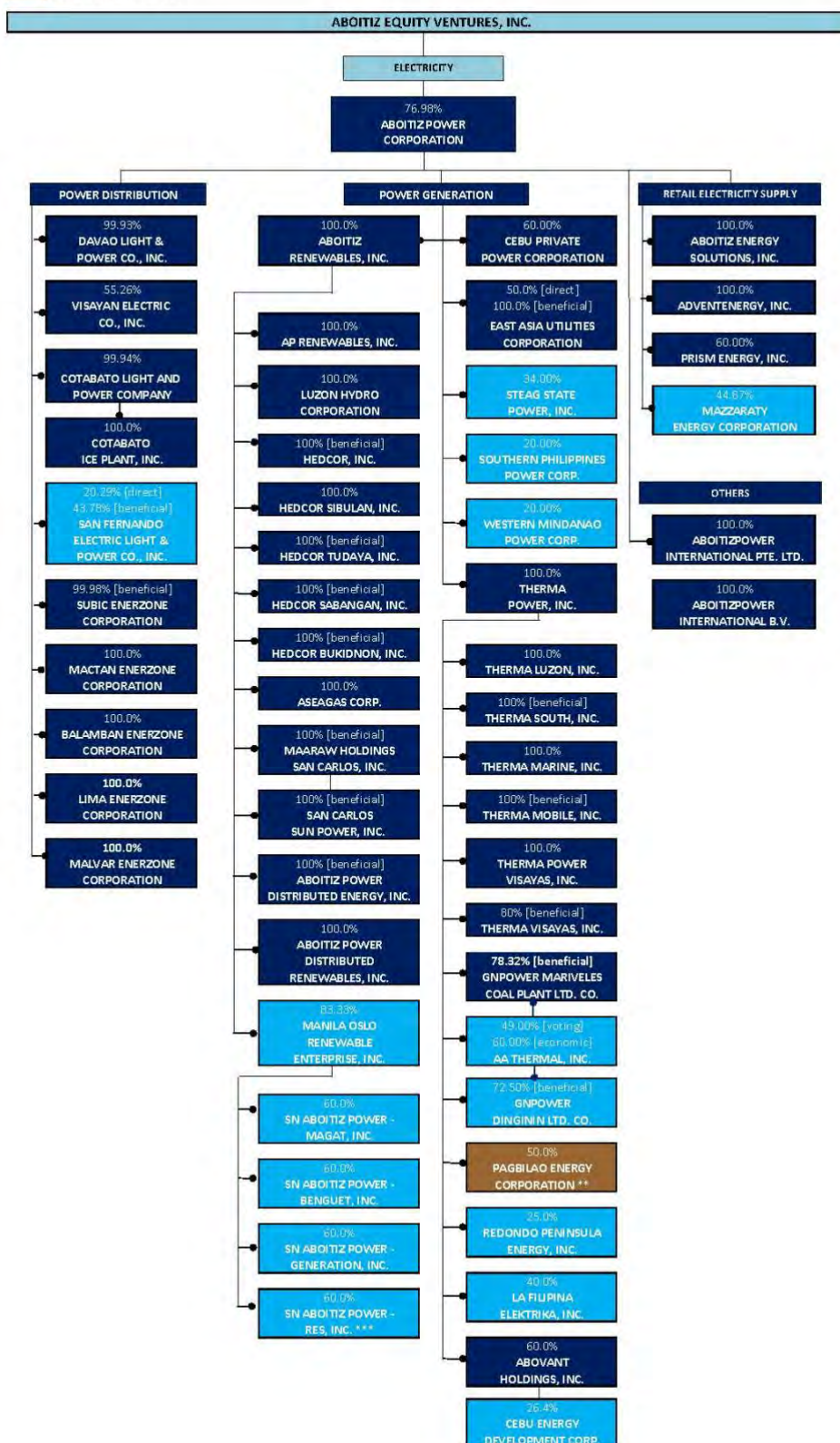
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



ABOITIZ EQUITY VENTURES, INC. - ELECTRICITY
CONGLOMERATE MAPPING
As of December 31, 2019

Legend:

- Reporting Company
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



** Joint Operations

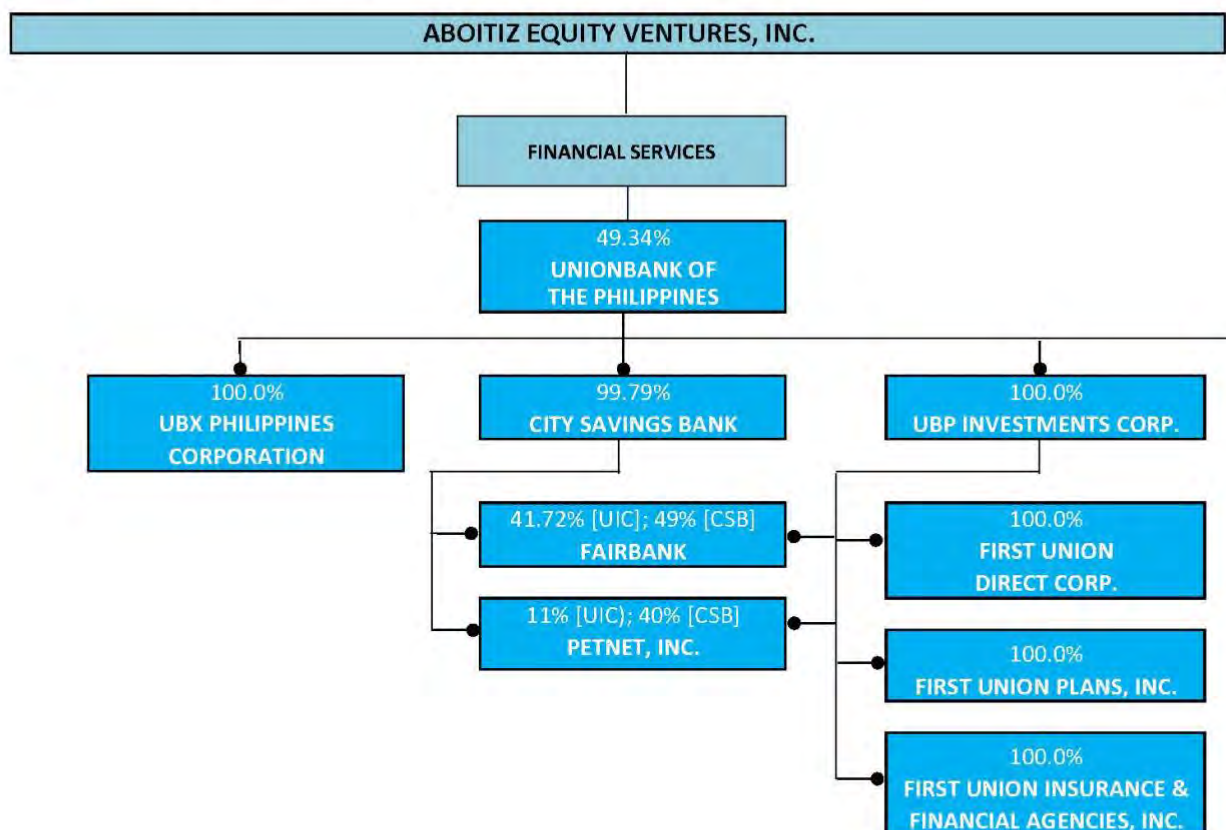
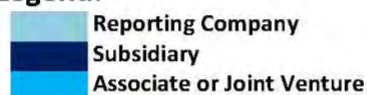
*** Engages in retail electricity supply business

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES

CONGLOMERATE MAPPING

As of December 31, 2019

Legend:



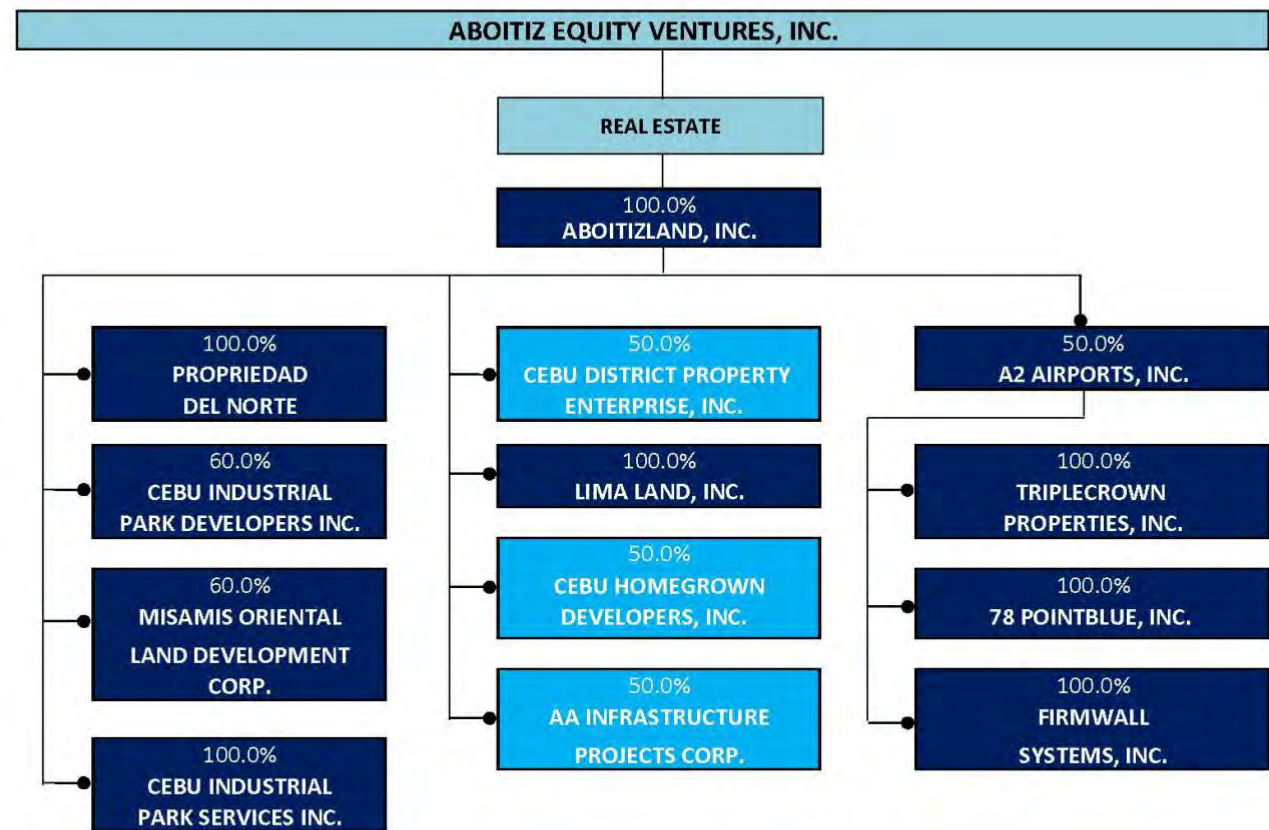
ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE

CONGLOMERATE MAPPING

As of December 31, 2019

Legend:

- Reporting Company
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE

CONGLOMERATE MAPPING

As of December 31, 2019

Legend:

- Reporting Company
- Subsidiary
- Associate or Joint Venture
- Other Related Parties

