Business performance

In 2022, the Philippine power sector weathered significant challenges. The country, which has a high dependence on coal, was adversely impacted by elevated fuel prices caused by the Russia-Ukraine war. The challenging macroeconomic environment was compounded by natural catastrophes that hit the country during the year. Despite this, ACEN's revenues grew with resurgent post pandemic demand.

While ACEN felt the impact of these adverse events, we remained steadfast in our commitment to our decarbonization strategy. As the global energy crisis accelerated the demand for energy transition, we continued to scale up our renewable energy portfolio as we implement a just transition of our thermal assets. ACEN attained ~4,030 MW in attributable capacity by the end of the year, with a 98% renewables share. This brings us close to our goal of achieving 100% clean power generation by 2025, translating to a strong double-digit growth in renewable energy output. With our strong commitment to execution excellence combined with a robust balance sheet, ACEN is on a stronger footing to deliver growth and value in 2023.

2022 Financial performance

ACEN endured short-term headwinds throughout the year, as high energy prices raised the cost of purchased power for the company. High fuel prices and fundamental tightness in supply resulted in elevated spot market prices in the Philippines. This was especially felt in the first quarter of the year, as Typhoon Rai (Odette) damaged transmission lines in the Visayas, preventing export of power from our renewable energy plants in the region. This coincided with outages of the SLTEC plant, hence widening our net buying position in the spot market, and significantly increasing cost of sales.

Despite all these challenges, the company's consolidated revenues posted strong double-digit growth, up 35% to ₱35.2 billion. This was mainly driven by full-year contributions from the 120 MW Alaminos Solar and 63 MW Palauig Solar projects, which started operations in mid-2021.

Consolidated net income for the year reached ₱13.1 billion. This included ₱8.6 billion of net impact in revaluation gains resulting from the company's full acquisition of the Australia platform, as well as provisions for the Supreme Court ruling voiding the Philippine Energy Market Corporation's (PEMC) administered and regulated pricing back in 2013, and also the 60 MW Lac Hoa and Hoa Dong wind farms that missed the feed-in tariff in Vietnam.

Attributable earnings before interest, taxes, depreciation, and amortization (EBITDA), which includes ACEN's share of EBITDA from non-consolidated associates and joint ventures, reached ₱14.3 billion in 2022, 5% lower than in the previous year. This was due to challenges in Philippine operations, whose contribution to attributable EBITDA dropped 29% year-on-year to ₱5.2 billion in 2022. High cost of power due to net merchant buying at elevated spot market prices and typhoon-related curtailment contributed to the decline.

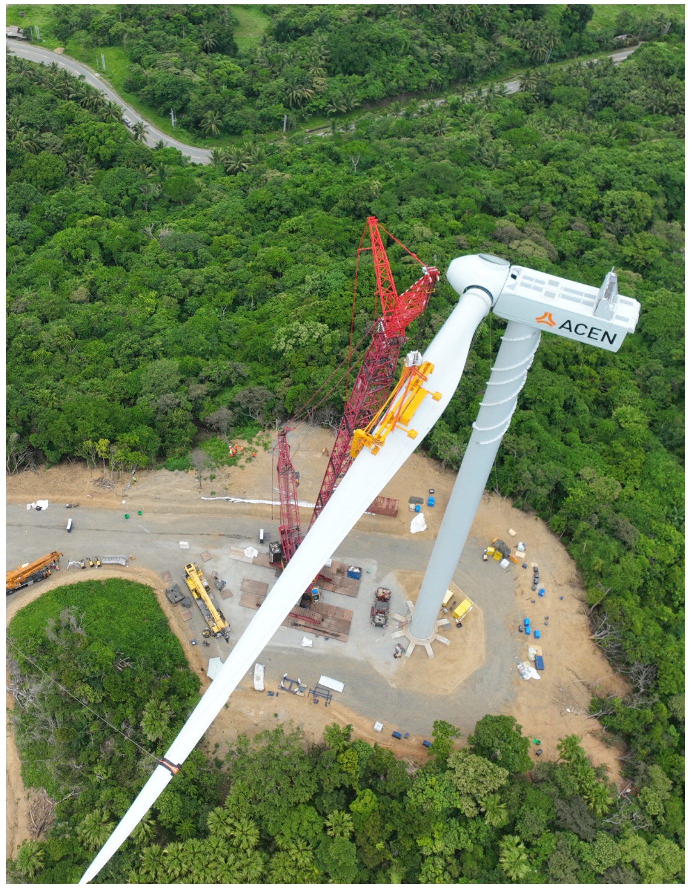
Attributable EBITDA from International operations offset the decline, rising 20% to ₱9.5 billion, driven by new operating wind projects in Vietnam and new solar farms in India.

Total attributable output rose 7% to ~5,000 GWh, owing to the company's new international assets, which contributed over 2,500 GWh, up 30% from the previous year. Full-year contributions from newly operational Vietnam wind farms and India solar farms drove the growth in generation.

Consolidated revenues

₱35.2 B

↑35%



Construction for ACEN's renewable energy developments were in full swing in 2022, including the largest wind farm in the Philippines, the 160 MW Pagudpud Wind.

Funding the sustainable future

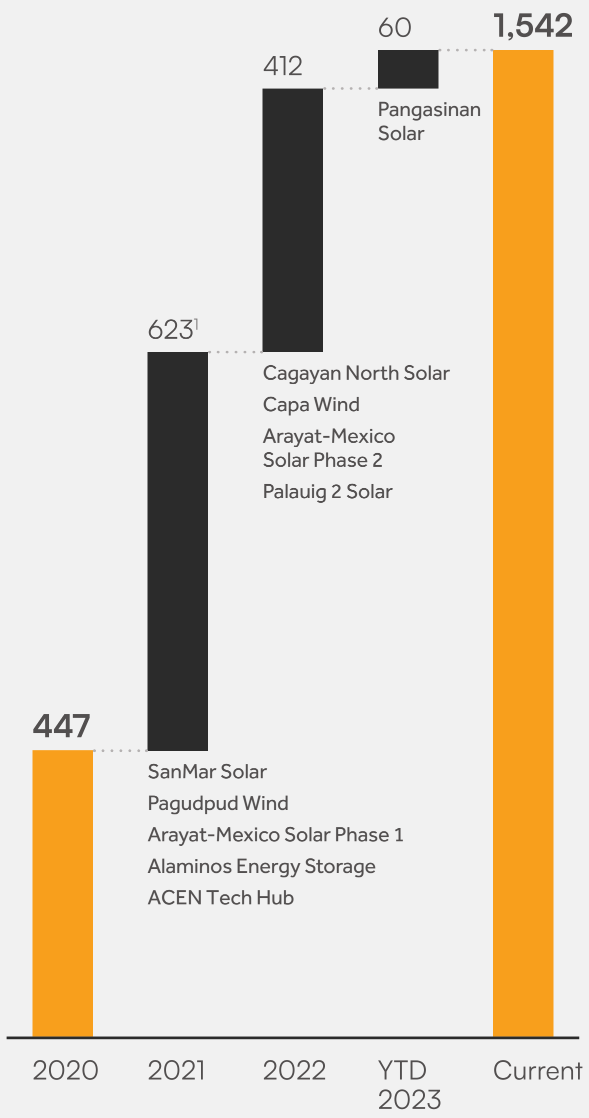
ACEN ended the year with a strong balance sheet, with ₱232.8 billion in total assets, up 36% from 2021, and ₱34.6 billion in cash, up 31% year-on-year.

In 2022, ACEN issued its maiden Peso Green Bonds worth ₱10.0 billion, due in 2027, which were 8.6x oversubscribed. The Bonds have been rated PRS Aaa, the highest possible from the Philippine Rating Services Corp. (PhilRatings), and comply with ASEAN Green Bond Standards.

ACEN Philippine renewables expansion

Strong growth trajectory — increasing more than 3x since 2020

Attributable MW, both operating and under construction



1. Net of biomass plants sell-down and reduced stake in Islasol

To fund expansion overseas, ACEN Australia signed ~AU$600 million in Green Loans from several international banks, as well as the Australian government's Clean Energy Finance Corporation (CEFC). The loans will allow the company to accelerate the development of its robust renewable energy pipeline in Australia, encompassing solar, wind, battery storage, and pumped hydro power.

Despite additional borrowings, the company's net debt-to-equity ratio remains robust at 0.19x, much lower than bank covenants and many other peers in the power generation and infrastructure sectors.

Renewable energy portfolio

With ~4 GW of attributable renewable energy capacity as of March 2023, ACEN is poised to achieve its target of 5 GW of renewables capacity well ahead of its 2025 plan. The current capacity includes 1.6 GW from the Philippines, 1.0 GW in Australia, 0.6 GW in Vietnam, 0.5 GW in India, and 0.3 GW in Indonesia and other markets.

The 72 MW first phase of the Arayat-Mexico Solar Farm, a joint venture between ACEN and Citicore, started operations in 2022. It is expected to generate 105 GWh of renewable energy annually, which can power approximately 45,000 homes.

Philippines

In 2022, the company began construction on the 133 MW Cagayan North Solar in Lal-lo town, the 44 MW expansion of the Arayat-Mexico Solar farm in Pampanga, the 70 MW Capa Wind in Ilocos Norte, and the 300 MW Palauig 2 Solar farm in Zambales, as well as the 60 MW Pangasinan Solar project in Sinocalan, San Manuel municipality, which was given notice to proceed in 2023. The Capa Wind project and the 160 MW Pagudpud Wind farm both won their respective bids for the Philippine government's Green Energy Auction Program (GEAP), which succeeded the previous feed-in tariff program. GEAP intends to support new investments in renewable energy and ensure adequate power supply and competitive electricity rates.

A testament to the company's commitment to developing clean power in the country, ACEN's operating renewables capacity in the Philippines has more than tripled since 2020, to over ~1,500 MW as of end-March 2023.

International

Outside of the country, ACEN made significant progress in portfolio expansion in Australia. With more than 1 GW of projects under construction, it is now our largest market outside the Philippines.

We completed the final tranche of our full acquisition of UPC\AC Renewables Australia, transforming the platform into ACEN Australia. ACEN Australia has full ownership in two of Australia's largest solar farms – the 521 MW New England Solar Farm (NESF) Phase 1 and 520 MW Stubbo Solar projects, which are currently under construction. It likewise has a broad development pipeline spanning four states: New South Wales (NSW), Tasmania, Victoria, and South Australia.

Renewables under construction in the Philippines

~1,000 MW

International

~1,400 MW

Slated to commence commercial operations within 2023, NESF is ACEN's largest solar farm to date and one of the largest in Australia. The solar farm has already started injecting power into the grid under testing and commissioning.

In January 2023, ACEN began construction on Stubbo Solar, located within the Central-West Orana Renewable Energy Zone, also in NSW. The 520 MWdc (400 MWac) solar project will connect to an existing high-voltage 330 kV network and will produce enough clean energy to power more than 185,000 average Australian homes. Stubbo Solar also provides for a 200 MWh battery energy storage system, which can later on be adapted to dispatch energy during peak hours and provide important grid stability services.

Power generated by NESF and Stubbo is also expected to qualify for Green large-scale generation certificates (LGCs) that allow big users such as corporate commercial and industrial clients to certify their use of renewable energy, thereby reducing their potential scope 2 emissions.

Strategic partnerships

Throughout the year, ACEN continued forging strategic partnerships with key industry players and global developers. Strategic partnerships remains ACEN's key strategy for unlocking opportunities in new markets.

In April, ib vogt and ACEN agreed to set up a platform to fund the construction and operation of large-scale solar power plants throughout Asia. The joint venture partners will focus on late-stage, shovel-ready projects in Indonesia, Vietnam, Malaysia, Lao PDR, Bangladesh, and other countries in the region. Many of the projects will stem from ib vogt's Asia development pipeline of more than 5,000 MW. The platform will also be open to acquire late-stage projects from local and regional developers. The venture targets an operational capacity of 1,000 MW over the coming years, with a potential for further expansion.

That same month, ACEN announced its plans to enter the United States renewable energy market through a newly formed strategic partnership with with Pivot Power Management and UPC Solar & Wind Investments LLC. Under the partnership, ACEN will pursue opportunities to acquire operating wind farms in the U.S. and explore strategies for extending their useful life through preventative maintenance and repowering. The partnership will target the acquisition of operating wind projects across various geographies in the U.S. It will seek to upgrade and replace key components on target projects with the goal of extending project life and optimizing power generation.

New partners

ibvogt

PIVOTGEN

PURI USAHA

In May, ACEN and the Puri Usaha Group agreed to work together in a platform for the joint development of renewable energy projects in Indonesia, focusing on large-scale solar farms, battery energy storage, and green hydrogen. The joint venture platform, Suryagen, covers the Batam, Bintan, and Karimun (BBK) islands. The Puri Usaha Group was instrumental in building a consortium for a cross-border initiative to build renewables facilities in Indonesia and export the generation output to Singapore via a subsea cable. Suryagen intends to develop this, in addition to other projects in the archipelago.

Beyond these agreements, ACEN continues to look for opportunities to scale up its presence in its key markets. It will continue to leverage strategic partnerships as a platform to expand into new geographies.

Leading the energy transition

In November 2022, ACEN took a significant step towards energy transition and its Net Zero goal by divesting its sole coal plant, the 246 MW facility of South Luzon Thermal Energy Corporation (SLTEC) in Calaca, Batangas. This was done through the world's first market-based energy transition mechanism (ETM). The coal plant's operating life of up to 50 years will be reduced in half, as ACEN commits to retire and transition the plant to a cleaner technology by 2040. This will help avoid or reduce up to 50 million MT CO_2 emissions. This landmark deal raised ₱7.2 billion, which ACEN can use to fund further renewables expansion. Find out more about this pioneering transaction on **page 15** of this report.

Outlook

We look forward to a more positive 2023 as we recover from the short-term challenges of the previous year. In the Philippines, we expect to move towards a net merchant selling position with ~700 MW of new operating capacity slated to come online before the end of the year. With power supply becoming a grave concern in the country, ACEN is well poised to provide the much needed capacity to address the resurgence of post pandemic demand.

Internationally, we expect even more renewables capacity to begin commercial operations in 2023. These include one of Australia's largest solar farms, the 521 MW first phase of the New England Solar Farm in New South Wales. The 420 MW Masaya Solar project in Madhya Pradesh, ACEN's largest in India, is also expected to come online within the year.

We expect this additional operating capacity to fuel ACEN's growth in 2023, especially as spot energy prices remain elevated in the Philippines and in Australia. We also expect improvements in the pricing of power supply contracts as a result. Compared to expensive coal and gas-fired power, ACEN's portfolio of renewable energy plants are well positioned to deliver more cost effective and sustainable power sources to utilities, industries and retail consumers.

We have allocated P50 to 70 billion in capital expenditures in 2023 to fund our aggressive expansion program. This includes funding for pre development costs, including land banking and construction of the necessary connection assets. These investments will ensure the continuity of ACEN's renewable energy pipeline as we continuously develop new projects towards our target of achieving 20 GW of renewables by 2030.