Annex A

COVER SHEET

for

SEC FORM 17-Q

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

COMPANY NAME

AC ENERGY PHILIPPINES, INC. (Formerly PHINMA Energy Corporation) AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

4th Floor, 6750 Office Tower, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	7-730-6300	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,182	04/20	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Corazon G. Dizon	dizon.mcg@acenergy.com.ph	7-730-6300	–

CONTACT PERSON's ADDRESS

4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, Philippines 1200

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

Annex A

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2020**

2. Commission identification number **39274**

3. BIR Tax Identification No. **000-506-020-000**

4. Exact name of issuer as specified in its charter **AC ENERGY PHILIPPINES, INC.**
(Formerly PHINMA ENERGY CORPORATION)

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**

6. Industry Classification Code [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code
4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, 1210

8. Issuer's telephone number, including area code **(632) 7-730-6300**

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

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

Number of shares of common stock outstanding	**13,692,457,210 shares**
Amount of debt outstanding	**₱31.17 billion**

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

Yes [X] No [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

Annex A

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached ANNEX "A"

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to attached ANNEX "B"

PART II--OTHER INFORMATION

Please refer to attached ANNEX "C"

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on November 11, 2020.

AC ENERGY PHILIPPINES, INC.
(Formerly PHINMA ENERGY CORPORATION)

JOHN ERIC T. FRANCIA
President & Chief Executive Officer

MARIA CORAZON G. DIZON
Treasurer & Chief Financial Officer

Annex A

AC Energy Philippines, Inc.
(Formerly PHINMA Energy Corporation)
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at September 30, 2020
And for the Nine Months Period Ended
September 30, 2020 and 2019
(With comparative figures as at December 31, 2019)

AC ENERGY PHILIPPINES, INC.
(Formerly PHINMA ENERGY CORPORATION)
AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
With Comparative Figures as at December 31, 2019
(Amounts in Thousands)

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated, Note 5)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 31)	**₱6,342,176**	₱9,593,248
Short-term investment (Note 31)	–	100,000
Receivables (Notes 7, 28 and 31)	**5,831,502**	3,122,386
Fuel and spare parts (Note 8)	**1,337,289**	938,459
Current portion of:		
Input value added tax (VAT)	**479,565**	186,337
Creditable withholding taxes	**205,541**	179,007
Other current assets (Notes 9 and 31)	**500,471**	212,819
	14,696,544	14,332,256
Assets held for sale (Note 10)	–	3,546
Total Current Assets	**14,696,544**	14,335,802
Noncurrent Assets		
Property, plant and equipment (Note 10)	**30,881,631**	25,438,929
Investments in associates and joint venture (Notes 1 and 11)	**6,384,183**	2,534,102
Financial asset at fair value through other comprehensive income [(FVOCI) Notes 12, 31 and 32]	**1,251**	533,137
Investment properties	**13,085**	13,085
Goodwill and other intangible assets (Notes 3, 4 and 13)	**2,576,998**	441,077
Right-of-use assets (Notes 4, 5 and 14)	**2,133,581**	951,750
Deferred income tax assets - net (Note 27)	**436,511**	653,923
Net of current portion:		
Input VAT	**1,026,026**	372,917
Creditable withholding taxes	**824,886**	861,208
Other noncurrent assets (Notes 15 and 31)	**3,780,848**	2,401,613
Total Noncurrent Assets	**48,059,000**	34,201,741
TOTAL ASSETS	**₱62,755,544**	₱48,537,543

(Forward)

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated, Note 5)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 28 and 31)	**₱7,040,072**	₱4,294,290
Short-term loans (Notes 17 and 31)	**7,042,209**	3,556
Current portion of long-term loans (Notes 17 and 31)	**745,474**	593,847
Current portion of lease liability (Notes 14 and 31)	**258,347**	128,796
Income and withholding taxes payable	**75,875**	41,208
Due to stockholders (Notes 28 and 31)	**21,685**	16,594
Total Current Liabilities	**15,183,662**	5,078,291
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 17, 31 and 32)	**23,384,152**	22,325,599
Lease liabilities - net of current portion (Notes 14 and 31)	**1,588,670**	852,742
Pension and other employee benefits	**79,959**	60,503
Deferred income tax liabilities - net (Note 27)	**91,008**	350,487
Other noncurrent liabilities (Note 18)	**2,009,877**	3,289,902
Total Noncurrent Liabilities	**27,153,666**	26,879,233
Total Liabilities	**42,337,328**	31,957,524
Equity		
Capital stock (Notes 1 and 19)	**13,706,957**	7,521,775
Additional paid-in capital (Notes 1 and 5)	**8,606,494**	83,768
Other equity reserves (Notes 5 and 19)	**(7,346,223)**	5,561,480
Unrealized fair value loss on equity instruments at FVOCI (Note 12)	**(8,129)**	(96,584)
Unrealized fair value loss on derivative instruments designated under hedging (Note 31)	**(146,122)**	(14,742)
Remeasurement gain (loss) on defined benefit plan	**(7,034)**	9,254
Accumulated share in other comprehensive loss of associates and a joint venture (Note 11)	**(2,723)**	(2,107)
Retained earnings (Note 19)	**4,348,963**	3,296,295
Treasury shares (Notes 1 and 19)	**(56,361)**	(27,704)
Total equity attributable to equity holders of the Parent Company	**19,095,822**	16,331,435
Non-controlling interests (Notes 1 and 4)	**1,322,394**	248,584
Total Equity	**20,418,216**	16,580,019
TOTAL LIABILITIES AND EQUITY	**₱62,755,544**	₱48,537,543

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

AC ENERGY PHILIPPINES, INC.
(Formerly PHINMA ENERGY CORPORATION)
AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Figures)

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2020 (Unaudited)	2019 (Restated)	**2020 (Unaudited)**	2019 (Restated)
REVENUES				
Revenue from sale of electricity (Note 20)	**₱5,262,547**	₱3,482,281	**₱15,150,025**	₱11,792,651
Rental income	**8,590**	45,485	**71,663**	46,862
Dividend income	–	17,823	–	25,408
Other revenue	**7,134**	–	**26,589**	–
	5,278,271	3,545,589	**15,248,277**	11,864,921
COSTS AND EXPENSES				
Costs of sale of electricity (Note 21)	**3,741,547**	3,396,245	**10,147,543**	11,695,223
General and administrative expenses (Note 22)	**446,628**	152,936	**1,277,649**	434,001
	4,188,175	3,549,181	**11,425,192**	12,129,224
INTEREST AND OTHER FINANCE CHARGES (Note 25)	**(456,420)**	(362,449)	**(1,364,215)**	(598,288)
EQUITY IN NET INCOME (LOSS) OF ASSOCIATES AND A JOINT VENTURE (Note 11)	**146,657**	54,284	**485,191**	(5,751)
OTHER INCOME - NET (Note 26)	**228,402**	591,065	**564,725**	642,494
INCOME (LOSS) BEFORE INCOME TAX	**1,008,735**	279,308	**3,508,786**	(225,848)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)				
Current	**28,091**	54,487	**178,483**	69,617
Deferred	**27,581**	(114,651)	**308,828**	(78,484)
	55,672	(60,164)	**487,311**	(8,867)
NET INCOME (LOSS)	**₱953,063**	₱339,472	**₱3,021,475**	(₱216,981)
Net Income (Loss) Attributable To:				
Equity holders of the Parent Company	**₱977,781**	₱322,298	**₱2,935,091**	(₱229,567)
Non-controlling interests	**(24,718)**	17,174	**86,384**	12,586
	₱953,063	₱339,472	**₱3,021,475**	(₱216,981)
Basic/Diluted Earnings (Loss) Per Share (Note 29)	**₱0.10**	₱0.06	**₱0.30**	(₱0.04)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

AC ENERGY PHILIPPINES, INC.
(Formerly PHINMA ENERGY CORPORATION)
AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2020 (Unaudited)	2019 (Restated)	**2020 (Unaudited)**	2019 (Restated)
NET INCOME (LOSS) FOR THE PERIOD	**₱953,063**	₱339,472	**₱3,021,475**	(₱216,981)
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods				
Unrealized fair value losses on derivatives instruments designated under hedge accounting (Note 31)	**83,304**	–	**(187,686)**	–
Net changes in the fair value of equity instruments at FVOCI (Note 12)	–	(5,583)	–	(20,542)
Income tax effect	**(24,992)**	–	**56,306**	2,428
	58,312	(5,583)	**(131,380)**	(18,114)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Share in other comprehensive income (loss) of associates and a joint venture - net of deferred income tax (Note 11)	–	–	**(616)**	86
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**58,312**	(5,583)	**(131,996)**	(18,028)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,011,375**	₱333,889	**₱2,889,479**	(₱235,009)
Total Comprehensive Income (Loss) Attributable To:				
Equity holders of the Parent Company	**₱1,036,093**	₱316,715	**₱2,803,095**	(₱247,595)
Non-controlling interests	**(24,718)**	17,174	**86,384**	12,586
	₱1,011,375	₱333,889	**₱2,889,479**	(₱235,009)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

AC ENERGY PHILIPPINES, INC.
(Formerly PHINMA ENERGY CORPORATION)
AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 19)	Additional Paid-in Capital	Other Equity Reserve (Note 19)	Unrealized Fair Value Gain (Losses) on Equity Investments at FVOCI	Unrealized Fair Value Loss on derivative instrument designated under hedge accounting	Remeasurement Gain (Loss) on Defined Benefit Plan	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and a Joint Venture	Retained Earnings (Note 19)	Treasury Shares (Note 19)	Total	Non-controlling Interests	Total Equity
	For the nine-month period ended September 30, 2020 (Unaudited)											
BALANCES AT JANUARY 1, 2020, AS PREVIOUSLY STATED	**₱7,521,775**	**₱83,768**	**(₱2,342,103)**	**(₱8,129)**	**(₱14,742)**	**(₱7,034)**	**(₱2,107)**	**₱2,922,514**	**(₱27,704)**	**₱8,126,238**	**₱2,978,580**	**₱11,104,818**
Effects of common control business combinations (Note 5)	–	–	7,903,583	(88,455)	–	16,288	–	373,781	–	8,205,197	(2,729,996)	5,475,201
BALANCES AT JANUARY 1, 2020, AS RESTATED	**₱7,521,775**	**₱83,768**	**₱5,561,480**	**(₱96,584)**	**(₱14,742)**	**₱9,254**	**(₱2,107)**	**₱3,296,295**	**(₱27,704)**	**₱16,331,435**	**₱248,584**	**₱16,580,019**
Net income	–	–	–	–	–	–	–	2,935,091	–	2,935,091	86,384	3,021,475
Other comprehensive loss	–	–	–	–	(131,380)	–	(616)	–	–	(131,996)	–	(131,996)
Total comprehensive income (loss)	–	–	–	–	(131,380)	–	(616)	2,935,091	–	2,803,095	86,384	2,889,479
Dividends declared and paid (Notes 1 and 19)	–	–	–	–	–	–	–	(546,751)	–	(546,751)	(111,918)	(658,669)
Issuance of capital stock (Note 5)	6,185,182	8,473,700	–	–	–	–	–	–	–	14,658,882	–	14,658,882
Stock issuance costs (Note 5)	–	(109,441)	–	–	–	–	–	–	–	(109,441)	–	(109,441)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	(28,657)	(28,657)	–	(28,657)
Non-controlling interest arising from business combination (Note 4)	–	–	–	–	–	–	–	–	–	–	1,099,344	1,099,344
Acquisitions under common control (Note 5)	–	158,467	(12,907,703)	88,455	–	(16,288)	–	(1,335,672)	–	(14,012,741)	–	(14,012,741)
	6,185,182	8,522,726	(12,907,703)	88,455	–	(16,288)	–	(1,882,423)	(28,657)	(38,708)	987,426	948,718
BALANCES AT SEPTEMBER 30, 2020	**₱13,706,957**	**₱8,606,494**	**(₱7,346,223)**	**(₱8,129)**	**(₱146,122)**	**(₱7,034)**	**(₱2,723)**	**₱4,348,963**	**(₱56,361)**	**₱19,095,822**	**₱1,322,394**	**₱20,418,216**

(Forward)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 19)	Additional Paid-in Capital	Other Equity Reserve (Note 19)	Unrealized Fair Value Gain (Loss) on Equity Investments at FVOCI	Unrealized Fair Value Loss on derivative instrument designated under hedge accounting	Remeasurement Gain (Loss) on Defined Benefit Plan	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and a Joint Venture	Retained Earnings (Note 19)	Treasury Shares (Note 19)	Total	Non-controlling Interests	Total Equity
	For the nine-month period ended September 30, 2019 (As restated)											
BALANCES AT JANUARY 1, 2019	₱4,889,775	₱83,768	₱18,338	₱59,772	–	₱536	(₱2,193)	₱3,212,993	(₱27,706)	₱8,235,283	₱45,450	₱8,280,733
Net loss	–	–	–	–	–	–	–	(229,567)	–	(229,567)	12,586	(216,981)
Other comprehensive income (loss)	–	–	–	(18,114)	–	–	86	–	–	(18,028)	–	(18,028)
Total comprehensive income (loss)	–	–	–	(18,114)	–	–	86	(229,567)	–	(247,595)	12,586	(235,009)
Sale of financial assets at FVOCI				(47,292)		–	–	47,292	–	–	–	–
Issuance of shares of stocks	2,632,000	–	–	–	–	–	–	–	–	2,632,000	–	2,632,000
Acquisition of non-controlling interests	–	–	(130,854)	–	–	–	–	–	–	(130,854)	(22,782)	(153,636)
Reissuance of treasury shares (Note 18)	–	–	–	–	–	–	–	–	2	2	–	2
Effects of common control business combinations	–	–	5,759,048	(88,455)	–	–	–	(92,298)	–	5,578,295	166,022	5,744,317
	2,632,000	–	5,628,194	(135,747)	–	–	–	(45,006)	2	8,079,443	143,240	8,222,683
BALANCES AT SEPTEMBER 30, 2019	₱7,521,775	₱83,768	₱5,646,532	(₱94,089)	₱–	₱536	(₱2,107)	₱2,938,420	(₱27,704)	₱16,067,131	₱201,276	₱16,268,407

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

AC ENERGY PHILIPPINES, INC.
(Formerly PHINMA ENERGY CORPORATION)
AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Thousands)

	2020 (Unaudited)	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱3,508,786**	(₱225,848)
Adjustments for:		
Depreciation and amortization (Note 24)	**1,388,625**	580,148
Interest and other finance charges (Note 25)	**1,364,215**	598,288
Equity in net (earnings) losses of associates and joint venture (Note 11)	**(485,191)**	5,751
Foreign exchange (gain) loss - net	**(301,739)**	19
Interest and other financial income (Note 26)	**(84,206)**	(77,854)
Gain on bargain purchase (Notes 4 and 26)	**(49,970)**	–
Pension and other employee benefits	**19,456**	5,105
Amortization of trading revenue	**–**	(290,467)
Dividend income	**–**	(25,408)
Provisions for:		
Probable losses (Note 22)	**432**	34,493
Plug and abandonment costs	**–**	202
Loss (gain) on sale of:		
By-product (Note 26)	**(17,806)**	(14,885)
Property and equipment (Note 26)	**3,383**	(292,737)
Derivatives (Note 26)	**33**	–
Asset held for sale (Note 26)	**–**	(14,289)
Investments (Note 26)	**–**	(1,375)
Operating income before working capital changes	**5,346,018**	281,143
Decrease (increase) in:		
Receivables	**(1,513,535)**	142,176
Fuel and spare parts	**(369,218)**	253,900
Other current assets	**(421,993)**	126,874
Decrease in accounts payable and other current liabilities	**(777,496)**	82,948
Cash generated from operations	**2,263,776**	887,041
Income and withholding taxes paid	**(37,473)**	(41,358)
Net cash flows from operating activities	**2,226,303**	845,683
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries through business combination (Note 4)	**(4,720,433)**	–
Additions to:		
Property, plant and equipment (Notes 10 and 34)	**(3,347,755)**	(201,417)
Investments in joint venture (Note 11)	**(2,573,300)**	–
Right-of-use assets (Notes 14 and 34)	**(261,731)**	–
Deferred exploration costs (Note 13)	**(13,571)**	(11,011)
Development costs	**–**	(11,056)

(Forward)

	2020 (Unaudited)	2019 (Restated)
Cash acquired from business combinations (Note 4)	**₱693,572**	₱2,534,763
Cash dividends received	**428,980**	25,408
Interest received	**126,193**	24,278
Proceeds from maturity of short-term investments	**100,000**	35,326
Proceeds from sale of:		
Property, plant and equipment	**20,232**	334,895
Sale of equity investments at FVOCI	**–**	227,566
Investments	**–**	218,348
Asset held for sale (Note 34)	**–**	45,071
Sale and redemption of investments held for trading	**–**	8,839
Increase in other noncurrent assets, non-current portion of input VAT and CWT (Note 34)	**(2,109,693)**	(282,887)
Net cash generated from (used in) investing activities	**(11,657,506)**	2,948,123
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of short-term debt (Notes 17 and 34)	**7,671,500**	–
Availment of long-term debt (Notes 17 and 34)	**3,800,000**	–
Issuance of capital stock	–	2,632,000
Payments of:		
Long-term loans (Notes 17 and 34)	**(2,590,815)**	(1,196,865)
Interest on short-term, long-term loans and lease liabilities (Note 34)	**(1,142,466)**	(576,161)
Short-term loans (Notes 17 and 34)	**(753,556)**	(400,000)
Cash dividends (Note 34)	**(658,669)**	–
Lease liabilities (Note 34)	**(141,155)**	(63,769)
Stock issuance costs	**(109,441)**	–
Treasury shares	**(28,657)**	–
Debt issue cost (Note 17)	**(28,500)**	–
Acquisition of non-controlling interests	–	(153,636)
Increase in due to stockholders	**5,091**	13,408
Increase (decrease) in other noncurrent liabilities	**153,541**	(81,064)
Net cash flows from financing activities	**6,176,873**	173,913
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,258**	(169)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,251,072)**	3,967,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**9,593,248**	1,022,366
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**₱6,342,176**	₱4,989,916

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

AC ENERGY PHILIPPINES, INC.
(Formerly PHINMA ENERGY CORPORATION)
AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information and Status of Operations

AC Energy Philippines, Inc., formerly PHINMA Energy Corporation ("ACEN" or "the Parent Company"), incorporated on September 8, 1969, and registered with the Philippine Securities and Exchange Commission ("SEC"), is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company is a licensed Retail Electricity Supplier ("RES"). As a RES, the Parent Company is allowed to supply electricity to the contestable market pursuant to the Electric Power Industry Reform Act ("EPIRA"). Other activities of the Parent Company include investing in various operating companies and financial instruments.

On February 7, 2019, Philippine Investment Management ("PHINMA"), Inc., PHINMA Corporation and AC Energy, Inc. ("AC Energy") signed an investment agreement for AC Energy's acquisition of PHINMA, Inc. and PHINMA Corporation's combined 51.476% stake in ACEN via a secondary share sale through the Philippine Stock Exchange ("PSE").

On April 15, 2019, the Philippine Competition Commission ("PCC") approved the sale of the combined stake of PHINMA, Inc. and PHINMA Corporation in ACEN to AC Energy. AC Energy made a tender offer to the other shareholders of the Company on May 20, 2019 to June 19, 2019, with a total of 156,476 public shares of ACEN tendered during the tender offer period.

On June 24, 2019, the PSE confirmed the special block sale of ACEN shares to AC Energy. On the same day, AC Energy subscribed to 2.63 billion shares of ACEN. On June 22, 2020, the SEC approved the increase in ACEN's authorized capital stock and the issuance of the new shares to AC Energy equivalent to 6.19 billion common shares at ₱2.37 per share in exchange for AC Energy's interest in various Philippine companies.

As at September 30, 2020, AC Energy directly owns 81.62% of the ACEN's total outstanding shares of stock.

The direct parent company (or intermediate parent company) of ACEN is AC Energy, while the ultimate parent company is Mermac, Inc. ACEN is managed by AC Energy under an existing management agreement, which was assigned by PHINMA, Inc. to AC Energy on June 24, 2019 and which assignment was approved by the stockholders on September 17, 2019. ACEN, AC Energy and Mermac, Inc. are all incorporated and domiciled in the Philippines. ACEN and its subsidiaries are collectively referred to as "the Group".

On July 23, 2019, the Board of Directors ("BOD") of ACEN approved the following amendments to the ACEN's articles of incorporation:

i) Change of the corporate name to AC Energy Philippines, Inc.;
ii) Change of the principal office of the Parent Company to 4th Floor, 6750 Office Tower, Ayala Ave., Makati City;
iii) Increase in authorized capital stock by 16 billion shares or from 8,400,000,000 common shares to 24,400,000,000 common shares. Additional capital will be used for investments in greenfield projects and acquisition of power assets, including part of AC Energy's on-shore power generation and development assets.

On September 5, 2019, the BOD of ACEN approved an amendment to ACEN's articles of incorporation to exempt from the pre-emptive right of existing stockholders the issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt, provided that shares to be issued for this purpose shall not exceed sixteen (16) billion shares

The foregoing amendments were approved by the stockholders on September 17, 2019.

The change in corporate name and office of the Parent Company was subsequently approved by the SEC on October 11, 2019, while the increase in authorized capital stock and the exemption from pre-emptive rights were approved on June 22, 2020.

On October 9, 2019, ACEN entered into a share swap agreement with AC Energy to acquire the latter's ownership interest in various entities in exchange for ACEN's issuance of additional primary shares via a tax-free exchange. The parties obtained relevant regulatory approvals to formalize the agreement.

Detailed information on the share swap is disclosed in Note 5.

On November 5, 2019, the Parent Company signed a Deed of Assignment with AC Energy to transfer AC Energy's rights to purchase 20% ownership stake of Axia Power Holdings Philippines Corporation ("APHPC") in Southern Luzon Thermal Energy Corporation ("SLTEC"), which owns and operates the 2x135 MW Circulating Fluidized Bed power plant (the "SLTEC Power Plant") in Calaca, Batangas.

On November 11, 2019, the BOD approved, among others, the following matters:

i) Ratification of the Executive Committee's approval of the Parent Company's acquisition of Philippine Investment Alliance for Infrastructure's ("PINAI") ownership interest in Philippine Wind Holdings Corporation ("PhilWind");
ii) Purchase of up to 100% percent of PINAI fund's ownership interest in San Carlos Solar Energy, Inc. ("SACASOL"), which owns and operates a 45 MW solar farm in San Carlos City, Negros Occidental;
iii) Purchase of up to 100% percent of PINAI fund's ownership interest in Negros Island Solar Power, Inc. ("ISLASOL"), which owns and operates the 80 MW solar farms in Negros Occidental;
iv) Additional short-term credit lines of up to ₱8 billion; and
v) Investment into, and construction of, a 60 MW solar power plant in Palauig, Zambales through ACE Endevor, Inc.'s ("ACE Endevor" or formerly AC Energy Development, Inc.), wholly owned project company, Gigasol3, Inc.

During the regular meeting held on March 18, 2020, the BOD of the Parent Company approved the change in the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation", and the increase in the Parent Company's authorized capital stock from ₱24.40 billion divided into 24.4 billion shares, to ₱48.40 billion divided into 48.4 billion shares.

During the Annual Stockholders' Meeting held on April 20, 2020, the stockholders approved the following corporate actions:

i) Amendment to the Articles of Incorporation:
   a. to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation"; and
   b. to increase the authorized capital stock from ₱24.40 billion divided into 24.4 billion shares, to ₱48.40 billion divided into 48.4 billion shares

ii) Amendment to the By-laws to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation".

The amendments have not yet been approved by the SEC as at November 11, 2020.

Effective on August 14, 2020, the Company's stock symbol changed from "ACEPH" to "ACEN".

The registered office address of ACEN is 4th Floor, 6750 Ayala Avenue Office Tower, Makati City.

The interim condensed consolidated financial statements of the Group were approved and authorized for issuance by the Parent Company's BOD on November 11, 2020.

The following are the significant transactions of the Group during the nine-month period ended September 30, 2020:

Subscription to Giga Ace 1, Inc. ("Giga Ace 1")
On February 27, 2020, ACEN subscribed to 75,000 common shares of Giga Ace 1 with par value of ₱1.00 per share to be issued out of the unissued authorized capital stock ("ACS"), and 43,069,625 common shares with par value of ₱1.00 per share and 53,562,609 Class A Redeemable Preferred Shares with par value of ₱40.00 per share to be issued out of increase in ACS of Giga Ace 1.

Acquisition of interest in Philippine Wind Holdings Corporation ("PhilWind")
On February 27, 2020, Giga Ace 1 executed Deeds of Absolute Sale of Shares for the acquisition of 27.07% effective interest of PINAI in PhilWind with a total cost of ₱2,573 million (see Note 11).

On March 4, 2020 ACEN signed a subscription agreement with Giga Ace 1 for the subscription by the Parent Company to additional 1,170,000 common shares and 32,500 Class A Redeemable Preferred Shares to be issued out of the increase in ACS of Giga Ace 1.

Share Buy-Back Transaction of ACEN Shares
On March 18, 2020, the BOD of the Parent Company approved a share buy-back program to support its share prices through the repurchase in the open market of up to ₱1.00 billion worth of common shares beginning March 24, 2020.

On July 14, 2020, ACEN repurchased 500,000 common shares for a total purchase price of ₱1.10 million. Moreover, on July 15, 2020, 400,000 common shares were repurchased for a total purchase price of ₱0.87 million.

As at September 30, 2020, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.

Approval of Assets-for-Shares Swap
On March 18, 2020, the BOD of the Parent Company approved the consolidation of AC Energy's international business and assets into the Parent Company via a tax free exchange, whereby AC Energy will transfer its shares of stock in Presage Corporation (AC Energy's subsidiary, a holding company that owns AC Energy's international business and investments) to the Parent Company in exchange for the issuance to AC Energy of additional primary shares in the Parent Company (assets-for-shares swap), on terms to be set by the Parent Company's Executive Committee.

On April 1, 2020, the Parent Company's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to AC Energy at an issue price of ₱2.97 per share in exchange for property consisting of 100% of AC Energy's shares in Presage. As at November 11, 2020, AC Energy and the Parent Company are still in discussions as to the timing and the implementation of the exchange, considering the regulatory approvals required, and the earlier tax-free exchange between the two parties involving AC Energy.

Subscription to Giga Ace 2, Inc. ("Giga Ace 2")
On March 20, 2020, ACEN signed a subscription agreement with Giga Ace 2 for the subscription by the Parent Company to 3,041,096,860 common shares with par value of ₱1.00 per share to be issued out of the increase in ACS of Giga Ace 2.

On March 23, 2020, Giga Ace 2 executed Deeds of Absolute Sale of Shares for the acquisition of 96% economic interest in SACASOL (see Note 4).

Subscription to Giga Ace 3, Inc. ("Giga Ace 3")
On March 20, 2020, ACEN signed a subscription agreement with Giga Ace 3 for the subscription by the Parent Company to 1,662,654,537 common shares with par value of ₱1.00 per share to be issued out of the increase in ACS of Giga Ace 3.

On March 23, 2020, Giga Ace 3 executed Deeds of Absolute Sale of Shares for the acquisition of 98% economic interest in ISLASOL (see Note 4).

Credit Facility with AC Energy
On April 20, 2020, the BOD approved the execution by the Parent Company of a credit facility with AC Energy for up to ₱5.00 billion for the Parent Company's various development projects. As at November 11, 2020, no drawdown was made from the facility.

ThomasLloyd CTI Asia Holdings Pte Ltd.'s ("TLCTI Asia") subscription for ISLASOL shares
On May 22, 2020, ISLASOL entered into a subscription agreement with TLCTI Asia, a corporation incorporated in Singapore, for the latter to subscribe to 33,691 new class of redeemable preferred shares with a total subscription price of ₱2,780.22 million to be issued out of the increase in ISLASOL's authorized capital stock.

As at November 11, 2020, ISLASOL has yet to issue the shares and is in process of application with the SEC for the creation of new redeemable preferred shares and increase in authorized capital stock. Following the issuance of the shares and a programmed partial redemption of GigaAce 3's ISLASOL shares, TLCTI Asia and ACEN's (through GigaAce 3 and Visayas Renewables Corporation) legal interests in ISLASOL will be at 34% and 66%, while economic interest will be at 40% and 60%, respectively (see Note 4).

Subscription to Various Giga Ace Entities
On June 15, 2020, the BOD of the Parent Company approved the acquisition of existing nominal shares and subscription to new shares to become the controlling shareholder of the following special purpose vehicles for development projects used by the AC Energy group:

- Giga Ace 4, Inc. ("Giga Ace 4")
- Giga Ace 5, Inc. ("Giga Ace 5")
- Giga Ace 6, Inc. ("Giga Ace 6")
- Giga Ace 7, Inc. ("Giga Ace 7")
- Giga Ace 8, Inc. ("Giga Ace 8")
- Giga Ace 9, Inc. ("Giga Ace 9")
- Giga Ace 10, Inc. ("Giga Ace 10")

On July 27, 2020, ACEN signed a subscription agreement with these special purpose vehicles of 75,0000 common shares of each entities, to be issued out of their unissued authorized capital stocks.

Power Barge 102 Oil Spill
ACEN's Power Barge ("PB") 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil in the afternoon of July 3, 2020. Based on initial investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill. Bulacan Power Generation Corporation ("BPGC"), the operator and maintenance services provider of PB 102, immediately activated containment protocols. With the assistance of the Philippine Coast Guard ("PCG") and industry and community partners, the leakage was substantially contained within the same day. After containment, ACEN, through BPGC, and the PCG immediately started recovery of the spilled fuel oil with recovery capacity being accelerated with the deployment of additional oil skimming equipment. ACEN has also engaged Harbor Star Shipping Services, Inc. ("Harbor Star"), a leading maritime services provider, to complete the clean-up of both the waters and the coastline.

ACEN has notified the insurers of PB 102 about the event, and discussions are ongoing in this regard. As at November 11, 2020, the Group has incurred ₱14.05 million in fuel loss, community assistance oil containment and recovery expenses, net of insurance proceeds. The Group will continue to take measures to mitigate the environmental impact of the spill and to fully cooperate with authorities to address all relevant concerns.

On July 28, 2020, the Parent Company received a Resolution dated July 27, 2020 issued by Department of Environment and Natural Resources - Environmental Management Bureau ("DENR-EMB") Region VI, in relation to Notice of Violation No. 20-NOVW-0630-164, for possible violation of Section 27(a) of DENR Administrative Order 2005-10, the Implementing Rules and Regulations of the Philippine Clean Water Act of 2004 (Republic Act or "RA No. 9275"), in connection with the oil spill involving PB 102 which occurred on July 3, 2020.

Possible payment of fines to be determined by the Pollution Adjudication Board, in the range of (1) ₱10,000 to ₱200,000 per day from the time of the incident (July 3, 2020) until full recovery of the discharged fuel (July 13, 2020), for alleged violation of RA 9275; and (2) ₱50,000 to ₱1,000,000 or imprisonment of not less than one (1) year but not more than six (6) years, or both, for alleged violation of Section 4 of PD 979.

The Parent Company has contested this Resolution and filed a Motion for Reconsideration.

The Parent Company has received claims for compensation for property damages and loss of livelihood from claimants in Iloilo and Guimaras which were allegedly affected by the oil spill. These claims are now undergoing validation.

The Group will provide more updates as they become available.

Joint venture with Axia Power Holdings Philippines
The Parent Company and ACE Endevor signed a Shareholders' Agreement (the "Agreement") with APHPC, a subsidiary of Marubeni Corporation, for the development, construction and operation of the 150 megawatt (MW) diesel power plant project in Pililla, Rizal (the "Ingrid Project"), which is expected to be operational in the first quarter of 2021.

The Ingrid Project will power up the equipment lease of 150MW Modular Diesel Engine Power Plant from Aggreko International Projects Limited.

Under the Agreement, Axia will acquire 50% of the voting shares with 50% of the economic rights in the Parent Company's subsidiary Ingrid Power Holdings, Inc. ("Ingrid"), the special purpose vehicle of the Ingrid Project, while the Company will hold 50% of the voting shares with 45% of the economic rights, with Endevor having a 5% share of the economic rights in Ingrid.

Ingrid and ACE Endevor were among the Parent Company's subsidiaries which were acquired from AC Energy in exchange for ACEN's own shares. As at September 30, 2020, ACEN has infused ₱649.00 million into Ingrid to fund the Ingrid Project.

The joint venture is currently undergoing review by the Philippine Competition Commission.

Refund of Market Transaction Fee
On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering the Philippine Electricity Market Corporation (PEMC) to refund the over collection in the Multilateral Trading Facility (MTF) in 2016 and 2017. The Commission determined the over collection by getting the variance between the MTF collected in 2016 and 2017, and the ERC-Approved Budget of PEMC for the same period. The total refund was determined at ₱433.20 million which shall be apportioned among all the Luzon and Visayas participants. The ERC directed PEMC to implement the refund over 12 months beginning on the next billing month upon receipt of the relevant Decision.

PEMC filed a motion for reconsideration with the ERC.

Additional Investment in Bataan Solar Energy, Inc. ("Bataan Solar") and Giga Ace 4
On July 28, 2020, ACEN's Executive Committee approved ACEN's investment of up to ₱2.20 billion into its subsidiaries, namely, Bataan Solar and Giga Ace 4. Infusions into each will be used by the subsidiaries to further the opportunities presented by emerging clean energy technologies, and will be used for various development activities such as but not limited to securing land, permitting, undertaking project studies, project planning, and procuring and installing equipment available from the new technologies that these subsidiaries will use. This was subsequently approved by the BOD on August 19, 2020.

Declaration of Cash Dividends
On August 19, 2020, the BOD approved the declaration of cash dividends of four centavos (₱0.04) per share on the 13,692,457,210 issued and outstanding shares of the Parent Company, or a total dividend amount of ₱547,698,288, paid on September 17, 2020 to the shareholders on record as at September 3, 2020 (see Note 19).

Investment in new solar power plants
ACEN is set to develop two new solar plants in Central Luzon with an aggregate capacity of up to 150 MW. This will bring ACEN's total Philippine projects under construction to 480 MW, which includes 330 MW of solar and 150 MW of peaking diesel plants.

The first project is ACEN's joint venture with Citicore Renewable Energy Corporation ("Citicore"), where ACEN will have a 50% voting and economic ownership, is a solar plant with up to 75 MW capacity located in Arayat and Mexico, Pampanga. The facility is expected to start its power generation in the 4th quarter of 2021 (see Note 10).

On July 10, 2020, ACEN signed a ₱230-million loan agreement with Greencore Power Solutions 3, Inc., Citicore's designee for the project. Proceeds of which shall be strictly utilized for acquiring land and funding other development activities for the Arayat Project. As at September 30, 2020, ACEN has released a total of ₱174 million (see Note 28).

The second project, wholly-owned by ACEN is another solar plant with up to 75 MW capacity located in Palauig, Zambales. The project is expected to reach completion in the first quarter of 2022 (see Note 10).

On August 19, 2020, the BOD approved these investments of up to ₱500 Million for the solar power plant project in Arayat and Mexico, Pampanga, and investment of up to ₱2.9 billion for the construction of a 75 MW solar power plant project in Palauig, Zambales, through its subsidiaries, ACE Endevor and Giga Ace 8 (see Note 10).

Subscription of Redeemable Preferred Shares in Buendia Christiana Holdings Corp. ("BCHC")
On September 24, 2020, ACEN signed a subscription agreement with BCHC for the subscription of 2,500,000 Redeemable Preferred B Shares with a par value of ₱100 per share or a total par value of ₱250,000,000 (the "Subscription Price), to be issued out of the increase in ACS of BCHC.

2. Summary of Significant Accounting Policies and Disclosures

<u>Basis of Preparation and Statement of Compliance</u>
The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements were prepared on a historical cost basis, except derivative financial instruments and equity instruments at fair value through other comprehensive income ("FVOCI") that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousands (000), except par value, per share amounts, number of shares and when otherwise indicated.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2019.

The unaudited interim condensed consolidated financial statements of the Group have been prepared for filing with the SEC, in relation to a planned capital raising activity and for inclusion in an offering circular.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have a material impact on the interim condensed consolidated financial statements of the Group.

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

  The Group applied the amendments in accounting for business combinations for the nine-month period ended September 30, 2020 (see Note 4). These amendments will also apply to future business combinations of the Group.

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

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

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

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

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

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

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.
  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

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

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

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

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group early adopted the amendments related to rent concessions but no impact to the Group during the period

Business Combination Involving Entities Under Common Control
Business combinations of entities under common control are accounted for by applying the pooling of interests method. The pooling of interests method generally involved the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income, comprehensive income and cash flow reflect the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparative financial information are presented as if the entities had always been combined, or on date the common control existed on the combining entities, whichever comes earlier.

The effects of any intercompany transactions are eliminated to the extent possible.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at September 30, 2020 and December 31, 2019:

		Percentage of Ownership (%)			
		September 30, 2020 (Unaudited)		December 31, 2019 (As restated)	
Subsidiaries	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Bulacan Power Generation Corporation (Formerly PHINMA Power)	Power generation	**100.00**	**–**	100.00	–
CIP II Power Corporation ("CIPP")	Power generation	**100.00**	**–**	100.00	–
Guimaras Wind Corporation (Formerly PHINMA Renewable)	Wind power generation	**100.00**	**–**	100.00	–
One Subic Oil Distribution Corporation	Distribution of petroleum products	**100.00**	**–**	100.00	–
One Subic Power Generation Corporation ("OSPGC")	Power generation	**–**	**100.00**	–	100.00
ACE Enexor, Inc.	Oil, gas, and geothermal exploration	**75.92**	**0.40**	75.92	0.40
Palawan55 Exploration & Production Corporation	Oil and gas exploration	**30.65**	**52.93**	30.65	52.93
South Luzon Thermal Energy Corporation (SLTEC)	Power generation	**100.00**	**–**	100.00	–
Buendia Christiana Holdings Corp. ("BCHC")	Investment holding	**100.00**	**–**	100.00	–
ACE Shared Services, Inc. ("ACES")	Shared services	**100.00**	**–**	100.00	–
Giga Ace 1, Inc.	Power generation	**100.00**	**–**	100.00	–
Giga Ace 2, Inc.	Power generation	**100.00**	**–**	100.00	–
Giga Ace 3, Inc.	Power generation	**100.00**	**–**	100.00	–
Negros Island Solar Power, Inc. ("ISLASOL")	Solar power generation	**–**	**60.00**	–	2.00
San Carlos Solar Energy, Inc. ("SACASOL")	Solar power generation	**–**	**100.00**	–	4.00
Monte Solar Energy, Inc.	Solar power generation	**96.00**	**4.00**	96.00	4.00
ACE Endevor, Inc.	Investment holding and management	**94.00**	**6.00**	94.00	6.00
Visayas Renewables Corp.	Investment holding	**–**	**100.00**	–	100.00
San Julio Land Development Corp.	Leasing and land development	**–**	**100.00**	–	100.00
LCC Bulk Water Supply, Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
MCV Bulk Water Supply Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
SCC Bulk Water Supply Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
HDP Bulk Water Supply Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
Solienda Inc.	Leasing and land development	**–**	**100.00**	–	100.00
Gigasol 2, Inc.	Power generation	**–**	**100.00**	–	100.00
Gigasol 1, Inc.	Power generation	**–**	**100.00**	–	100.00
Gigasol 3, Inc.	Power generation	**–**	**100.00**	–	100.00
Solarace1 Energy Corp.	Power generation	**–**	**100.00**	–	100.00
Solarace2 Energy Corp.	Power generation	**–**	**100.00**	–	100.00
AC Subic Solar, Inc.	Power generation	**–**	**100.00**	–	100.00
AC Laguna Solar, Inc.	Power generation	**–**	**100.00**	–	100.00
AC La Mesa Solar, Inc.	Power generation	**–**	**100.00**	–	100.00
Bataan Solar Energy, Inc.	Power generation	**–**	**100.00**	–	100.00
Santa Cruz Solar Energy, Inc.	Power generation	**–**	**100.00**	–	100.00
Pagudpud Wind Power Corp.	Investment holding	**–**	**100.00**	–	100.00
Bayog Wind Power Corp.	Power generation	**–**	**60.00**	–	60.00
Manapla Sun Development Corp.	Leasing and land development	**66.00**	**–**	66.00	–

(Forward)

		Percentage of Ownership (%)			
		September 30, 2020 (Unaudited)		December 31, 2019 (As restated)	
Subsidiaries	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
AC Renewables Philippines, Inc.	Investment holding	**100.00**	**–**	100.00	–
Northwind Power Development Corp.	Wind power generation	**–**	**67.79**	–	67.79
Viage Corporation	Investment holding	**100.00**	**–**	100.00	–
Ingrid Power Holdings, Inc.	Advisory/Consultancy	**100.00**	**–**	100.00	–
ACTA Power Corporation	Coal power generation	**100.00**	**–**	100.00	–

Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company's investments in subsidiaries is the Philippines.

Seasonality of Operations

There were no operations subject to seasonality and cyclicality except for the operations of Guimaras Wind Corporation ("Guimaras Wind" or formerly PHINMA Renewable) and Northwind Power Development Corp. ("Northwind") wind farms. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat"). This information is provided to allow for a better understanding of the results, however, management has concluded that this is not 'highly seasonal' in accordance with PAS 34.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Except as otherwise stated, the significant accounting policies, judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2019.

Judgments

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

Assessment of Reportable Segments

The Group was organized primarily to engage in the business of generating electricity, distribution of electricity, and supply of electricity, including the provision of related services. The Group's primary segment reporting format is by business segment which are reported on the basis that is used internally by the management for evaluating segment performance and deciding how to allocate resources among operating segments. The reported operating segment information is in accordance with PFRS 8 (see Note 33).

Business Combination under Common Control
A business combination involving entities or businesses under common control is 'a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory'. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group.

The share swap transaction entered into by the Parent Company with AC Energy was determined to be a common control business combination (see Note 5).

Accounting for Arrangements as a Single Transaction
In determining whether to account for the arrangements as a single transaction, an entity considers all the terms and conditions of the arrangements and their economic effects. One or more of the following indicate that the parent should account for the multiple arrangements as a single transaction:
(a) They are entered into at the same time or in contemplation of each other;
(b) They form a single transaction designed to achieve an overall commercial effect;
(c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; or
(d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. An example is when a disposal of shares is priced below market and is compensated for by a subsequent disposal priced above market.

The indicators clarify that arrangements that are part of a package are accounted for as a single transaction.

The series of transactions entered into by ACEN together with TLCTI Asia for the investment and entry in ISLASOL, were assessed to be linked agreements and thus, were accounted for as a single transaction that resulted to recognition of non-controlling interest. Management's judgements in accounting for its ownership interest in ISLASOL are discussed in Note 4.

Feed-in Tariff (FIT) adjustment recognition
On July 3, 2020, the ERC posted on its website, Resolution No.06, Series of 2020, *A Resolution Approving the Adjustment to the Feed-in Tariff (FIT)* dated May 26, 2020. Said Resolution approved and adopted FIT adjustments for the years 2016-2020 to be recovered for a period of five (5) years. The Resolution shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the country. However, as at November 11, 2020, the ERC has yet to publish the same.

Renewable energy subsidiaries of the Group accrued the retroactive revenue adjustments. Bases of management's judgment are as follows:

- *Legal right.* The FIT Rules are adopted and promulgated by the ERC pursuant to the Renewable Energy Act of the Philippines and its Implementing Rules and Regulations (IRR).
- *Contractual right.* All the companies hold Certificates of Compliance for FIT Eligibility issued by the ERC, hence, entitled to the appropriate FIT rates.
- *Precedence.* The ERC has released resolutions in the past on FIT.

The said resolution remains on the ERC and University of the Philippines (UP) Law Library websites as at November 11, 2020 (see Note 20).

Assessment of Joint Control
The Group's investments in joint venture are structured in separate incorporated entities. The investment in PhilWind is accounted for as investment in joint venture as the relevant activities such as approval of business plan and annual budget, appropriation of retained earnings and declaration of cash dividends among others of PhilWind and its subsidiary, North Luzon Renewable Energy Corporation ("NLR") require the unanimous consent of the stockholders. Even though the Group holds 69.81% ownership interest on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements (see Note 11).

Management's Use of Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Purchase Price Allocation and Goodwill
The Group made several acquisitions in 2020 (see Note 4) out accounted for using the acquisition method which require extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize gain on bargain purchase or goodwill. The Group's acquisitions have resulted in gain on bargain purchase and goodwill. See Notes 4 and 26 for related disclosures.

The Group determined the fair value of the net assets of the investee companies for the finalization of the purchase price allocation. Estimation of the fair value were used due to unavailability of information to facilitate fair value computation. Information related to SACASOL's Certificate of Compliance ("COC") authorizing to operate as FIT-eligible RE plant, as issued by ERC, certain bilateral contracts, and property plant and equipment are necessary for the valuation of assets (see Note 4).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income (see Note 13).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Determination of present value of FIT adjustment
The adjustment on the FIT rate for the delivered energy is a variable consideration which shall be accounted for in the period in which the transaction prices changed. The Group recognized additional revenue and long-term receivables computed on the FIT rate increment, which, according to Resolution No.06, Series of 2020 issued by the ERC, will be recovered for a period of five (5) years (see Notes 7, 15 and 20).

The Group determined the present value of the Tariff adjustments through discounted cash flow model using Bloomberg Valuation Service (BVAL) risk-free interest rates of 5-year tenor for government securities that are denominated in Philippine peso currency, being the rate that the Group would receive in a similar economic environment with similar terms, security and conditions.

The valuation technique is validated and periodically reviewed by qualified personnel independent of the area that created them.

Evaluating Net Realizable Value of Inventories
The Group writes down its inventory to net realizable value (NRV) whenever NRV becomes lower than cost due to damage, physical deterioration, changes in price levels or other causes.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount expected to be realized. Review is performed on a regular basis to reflect the reasonable valuation of the inventory in the consolidated financial statements (see Note 8).

Recoverability of Input VAT
Input VAT represents taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future output VAT liability of the Group. The Group is also allowed to recover excess input VAT by filing a claim for refund or tax credit certificate with the BIR. The Group has various claims for tax credit certificate of its input VAT. Considering the uncertainty in the timing of the final decision on these claims, the input VAT claimed for refund was recognized as part of noncurrent asset in the consolidated statements of financial position (see Note 35).

Recoverability of Creditable Withholding Tax
Creditable withholding taxes (CWT) represent amounts withheld by the Group's customers and is deducted from the Group's income tax payable. The Group has recognized as part of noncurrent assets in the consolidated statements of financial position the CWTs that are not expected to be utilized within one year based on forecast.

Measurement of Expected Credit Losses
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL (see Note 7).

Determination of Significant Increase in Credit Risk (SICR)
The Group compares the probabilities of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category; and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Group.

In response to COVID-19, the Group undertook a review of its portfolio of financial assets for trading activities and the ECL for the period. The review considered the macroeconomic outlook, client and customer credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date. While these model inputs including forward-looking information were revised, the ECL models, SICR thresholds, and definitions of default remain consistent with prior periods (see Note 7).

The Group complied with the Department of Energy (DOE) circulars on granting extensions on deferment of payments and obligation. The changes in economic activity brought about by the community quarantine measures and lowering of WESM prices have resulted in lower electricity demand and consumption. Consequently, this affected the revenue targets of the Distribution Companies, Generation Companies, and RES business units. However, projects under FIT were not affected by the movements in the WESM prices. Nevertheless, the Group has been in constant discussions, and has been working together with its customers and other key stakeholders to minimize the impact of the pandemic to the respective parties' power supply agreements.

Evaluation of Impairment of Non-financial Assets
The Group reviews investments in associates and joint venture, investment properties, property, plant and equipment, right-of-use assets, goodwill and intangible assets for impairment of value. Impairment for goodwill is assessed at least annually. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. For investments in associates and joint venture, fair value less costs to sell pertain to quoted prices (listed equities) and to fair values determined using discounted cash flows or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in associates and joint venture, investment properties, plant, property, and equipment, right-of-use assets and intangible assets (see Notes 10, 11, 13 and 14).

For goodwill, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the future cash flows for the cash generating unit and to choose a suitable discount rate in order to calculate the present value of cash flows.

The Group has evaluated the conditions and the assets subject to impairment to assess whether any impairment triggers that may lead to impairment have been identified. In doing this, the Group has reviewed the key assumptions in its previous annual impairment assessment to assess whether any changes to the assumptions within that impairment assessment would result in an impairment loss as at September 30, 2020. After performing its impairment assessment to reflect management's estimates of the possible impacts of COVID-19 on these key assumptions, the Group concluded that there are no impairment indicators as at September 30, 2020 (see Note 13).

Realization of Deferred Income Tax Assets
During the nine-month period ended September 30, 2020, the Group reviewed its business and operations to take into consideration the estimated impacts of COVID-19, including its estimated impact on macroeconomic environment, the market outlook and the Group's operations. As such, the Group assessed its ability to generate sufficient taxable income in the future that will allow realization of net deferred tax assets. As a result, the carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. The Group assessed that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized (see Note 27).

Contingencies and Tax Assessments
The Group is currently involved in various legal proceedings and assessments for local and national taxes (see Note 35). The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The final settlement of these may result in material adverse impact on the Group's consolidated financial statements.

4. Business Combinations

Step acquisition of SACASOL
On December 2, 2019, ACEN signed a share purchase agreement with PINAI Investors, collectively made up of Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System, for the acquisition of PINAI's ownership interest in SACASOL.

On February 13, 2020, the PCC ruled that ACEN's acquisition of the PINAI Investors' ownership interest in SACASOL "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the proposed Transaction..."

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in SACASOL and payment of the purchase price in the amount of ₱2,981.86 million by Giga Ace 2, Inc were completed. Subsequently, the purchase price was adjusted to ₱3,088.11 million based on the provisions of the share purchase agreement. ACEN acquired 100% of equity interest in SACASOL. Giga Ace 2 is ACEN's wholly owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in SACASOL.

The transaction was accounted for using the acquisition method under PFRS 3. The fair values of the identifiable FIT contract as intangible asset and property, plant and equipment were determined using the income approach. The fair value measurements are classified as level 3 for both with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

Provisional fair values reported in previous interim condensed consolidated financial statements were adjusted to reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

ACEN remeasured its previously held interest in SACASOL based on its acquisition date fair value which resulted to a remeasurement loss of ₱69.71 million (see Note 19).

SACASOL runs a 45-MW solar farm which is under the government's FIT regime. The Group's acquisition is in line with its strategy to expand its business operations in renewable energy platform.

Following are the provisional fair values of the identifiable assets and liabilities as at acquisition date:

Assets	
Cash and cash equivalents	₱232,560
Receivables [(a)]	113,812
Input value added tax	46,793
Other current assets	34,077
Property, plant and equipment [(b)]	1,207,318
Intangible assets	2,191,814
Deferred income tax assets – net	41,417
Other noncurrent assets	5,757
	3,873,548
Liabilities	
Accounts payable and other current liabilities	43,259
Current portion of lease liability	85,730
Income and withholding taxes payable	1,000
Lease liabilities - net of current portion	437,276
Other noncurrent liabilities	65,374
	632,639
Total identifiable net assets	3,240,909
Less: Cost of acquisition	3,088,109
Fair value of previously held interest	102,830
Gain on bargain purchase	₱49,970

[(a)] *Gross contractual accounts receivable*

[(b)] *Balance includes right-of-use assets*

The acquisition resulted to a gain on bargain purchase which is recognized under "Other income" account in the consolidated statement of income (see Note 26).

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱3,088,109
Less: Cash acquired with the subsidiary[(a)]	232,560
Net cash outflow	₱2,855,549

[(a)]*Cash acquired with the subsidiary is included in cash flows from investing activities.*

If the acquisition had taken place at the beginning of 2020, revenue contribution for the nine-month period ended September 30, 2020 would have been ₱697.19 million. Since this is a step acquisition, the incremental contribution to the net income attributable to ACEN for the six-month period ended September 30, 2020 amounted to ₱339.03 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱402.84 million.

Step acquisition of ISLASOL
On December 2, 2019, the following significant transactions were executed:

- ACEN and TLCTI Asia entered into Investment Agreement with the intention to own 66% and 34% voting interest, and 60% and 40% economic interest, respectively, in ISLASOL. The investment agreement details the series of undertakings, to wit:
    - acquisition of ACEN or its Designee, as the case may be, of ISLASOL, in accordance with the terms and conditions of the share purchase agreement between PINAI Investors and ACEN
    - creation by ISLASOL of a new class of shares ("Class E Redeemable Preferred Shares") by increasing its authorized capital stock from ₱6,917 million to ₱8,000 million. Class E Redeemable Preferred Shares shall have the same features as at the other redeemable preferred shares of ISLASOL (that are not Class D redeemable preferred shares) and shall have voting rights.
    - subscription by TLCTI Asia to ISLASOL's Class E Redeemable Preferred Shares for a total subscription of ₱2,780 million, which includes a premium over par value amounting to ₱1,745 million. As at December 31, 2019, ISLASOL has outstanding notes payable to TLCTI Asia amounting to ₱2,140 million.
- ACEN signed a share purchase agreement with PINAI Investors for the acquisition of PINAI's 98% ownership interest in ISLASOL.

TLCTI Asia and ISLASOL amended the original loan agreement that was entered into on September 14, 2015 under which TLCTI Asia agreed to provide ISLASOL financing of up to ₱2.140 billion. Under the amended loan agreement, the residual amount of ₱1.745 billion shall be payable by ISLASOL to TLCTI Asia only in the event that ISLASOL is able to raise additional equity funding through primary issuance of shares.

On February 26, 2020, the PCC approved ACEN's acquisition of the PINAI Investors' ownership interest in ISLASOL.

Transaction closing thereafter occurred in March 2020, with final completion in May 2020.

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in ISLASOL and payment of the purchase price in the amount of ₱1,629.97 million by Giga Ace 3, Inc. were completed. Subsequently, purchase price was adjusted to ₱1,632.32 million, based on the provisions of the share purchase agreement. Giga Ace 3 is ACEN's wholly owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in ISLASOL.

On March 30, 2020, a resolution to increase the authorized capital stock of ISLASOL was approved by its BOD and ratified by the stockholders.

On May 22, 2020, a subscription agreement was signed between TLCTI Asia and ISLASOL which finalizes the subscription of TLCTI Asia to the increase in ISLASOL's authorized capital stock. On the same date, GigaAce 3, TLCTI Asia and ISLASOL entered into a Shareholders' Agreement which sets out the provisions of their ownership interest in ISLASOL.

As discussed in Note 3, the abovementioned series of transactions provided ACEN an economic interest of 60%, on fully diluted basis post subscription of TLCTI Asia. The Parent Company assessed that although executed subsequent to the acquisition date (March 23, 2020), the subscription agreement between TLCTI Asia and ISLASOL dated May 22, 2020 was executed in contemplation of the Investment Agreement, with an overall economic objective for the Parent Company and TLCTI Asia to have 60% and 40% economic interest, respectively.

The transaction was accounted for using the acquisition method under PFRS 3. The fair value of the property, plant and equipment was determined using the income approach. The fair value measurement is classified as level 3, with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

Provisional fair values reported in previous interim condensed consolidated financial statements were adjusted to reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

ACEN remeasured its previously held interest in ISLASOL based on its acquisition date fair value which resulted in a remeasurement loss ₱26.06 million.

ISLASOL owns and operates an 80-megawatt (MW) solar farm in Negros Occidental. The Group's acquisition is in line with its strategy to expand its business operations in renewable energy platform.

Following are the provisional fair values of the identifiable assets and liabilities as at acquisition date:

Assets	
Cash and cash equivalents	₱461,012
Receivables	1,106,301
Fuel and spare parts	10,558
Input value added tax	44,339
Other current assets	33,023
Property, plant and equipment [(a)]	1,908,579
Deferred income tax assets - net	117,512
Other noncurrent assets	2,627
	3,683,951
Liabilities	
Accounts payable and other current liabilities	50,868
Income and withholding taxes payable	21
Short-term loans	395,388
Current portion of lease liability	19,325
Lease liabilities - net of current portion	348,473
Other noncurrent liabilities	121,516
	935,591

(Forward)

Total identifiable net assets	₱2,748,360
Less: Cost of acquisition	1,632,324
Fair value of previously held interest	29,145
Non-controlling interest	1,099,344
Goodwill arising on acquisition	₱12,453

[a] *Balance includes right-of-use assets*

Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under Goodwill and other intangible assets in the statements of the financial position. None of the goodwill recognized is expected to be deductible for income tax purposes.

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱1,632,324
Less - cash acquired with the subsidiary[a]	461,012
Net cash outflow	₱1,171,312

[a] *Cash acquired with the subsidiary is included in cash flows from investing activities.*

If the acquisition had taken place at the beginning of 2020, revenue contribution for the nine-month period ended September 30, 2020 would have been ₱222.73 million. Since this is a step acquisition, the decremental contribution to the net income attributable to ACEN for the six-month period ended September 30, 2020 amounted to ₱7.50 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱5.44 million.

5. Common Control Business Combination

Acquisition of AC Energy's subsidiaries through share swap

On October 9, 2019, the Parent Company and AC Energy executed a Deed of Assignment whereby AC Energy agreed to transfer and convey to the Parent Company all its rights and interest in the Onshore Companies for and in consideration for the issuance by the Parent Company of 6,185,182,288 common shares at ₱2.37 per common share or a total transfer value of ₱14,658.88 million in favor of AC Energy.

On November 13, 2019, the Parent Company and AC Energy executed an Amended and Restated Deed of Assignment amending the Deed of Assignment dated October 9, 2019, to reflect the correct number of common shares of AC Energy in SLTEC, ACTA Power Corporation (ACTA), and Manapla Sun Power Development Corp (MSPDC).

On November 22, 2019, ACEN filed with the SEC its application to increase its capital stock from ₱8.40 billion, consisting of 8.4 billion common shares, to ₱24.40 billion, consisting of 24.4 billion common shares.

On December 26, 2019, a Supplement to the Deed of Assignment was executed to incorporate specific regulatory requirements for the application for tax free exchange ruling and confirm the percentage of ownership in Monte Solar Energy Inc.

On May 14, 2020, ACEN and AC Energy have agreed to further amend and restate the Amended Agreement to update the Schedule 1, with effect from the execution of the Original Deed on October 9, 2019 following the approval of the SEC increases in the capital stocks of ACE Endevor, Inc. (formerly AC Energy Development, Inc.) and ACE Renewables Philippines, Inc. (formerly Moorland Philippines Holdings, Inc) and to further integrate the provisions of the Supplement.

On June 22, 2020, the application for the increase in the capital stock was approved by the SEC.

Effective July 1, 2019 (date when ACEN and the Onshore Companies are under common control of AC Energy), ACEN acquired the entities listed below through the share swap transaction with AC Energy, related parties under common control. Shares involve common, founders and preferred shares. As the transaction is outside the scope of PFRS 3 (see Note 3), the acquisition was accounted for using the pooling of interests method. In applying the pooling of interests method, assets and liabilities of acquired entities are taken into the merged business at their carrying values with restatement of comparative 2019 figures. Likewise, no goodwill was recognized in the business combination.

The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended ("NIRC"), for which a request for ruling was filed with the Bureau of Internal Revenue ("BIR") on November 22, 2019. On October 30, 2020, the BIR issued a ruling confirming that the share swap transaction qualifies as a tax-free exchange. The Parent Company is currently obtaining the Certificates Authorizing Registration covering the shares of the assets transferred.

	Ownership of AC Energy, Inc.		ACEN's existing interest before share swap	ACEN's interest after share swap
Name of Entities to be Transferred	Direct	Indirect		
Monte Solar Energy, Inc.	96.00	4.00	–	100.00
ACE Endevor, Inc.	94.00	6.00	–	100.00
Visayas Renewables Corp.	–	100.00	–	100.00
San Julio Land Development Corp.	–	100.00	–	100.00
LCC Bulk Water Supply, Inc.	–	100.00	–	100.00
MCV Bulk Water Supply Inc.	–	100.00	–	100.00
SCC Bulk Water Supply Inc.	–	100.00	–	100.00
HDP Bulk Water Supply Inc.	–	100.00	–	100.00
Solienda Inc.	–	100.00	–	100.00
Gigasol 2, Inc.	–	100.00	–	100.00
Gigasol 1, Inc.	–	100.00	–	100.00
Gigasol 3, Inc.	–	100.00	–	100.00
Solarace1 Energy Corp.	–	100.00	–	100.00
Solarace2 Energy Corp.	–	100.00	–	100.00
AC Subic Solar, Inc.	–	100.00	–	100.00
AC Laguna Solar, Inc.	–	100.00	–	100.00
AC La Mesa Solar, Inc.	–	100.00	–	100.00
Bataan Solar Energy, Inc.	–	100.00	–	100.00
Santa Cruz Solar Energy, Inc.	–	100.00	–	100.00
Pagudpud Wind Power Corp.	–	100.00	–	100.00
Bayog Wind Power Corp.	–	60.00	–	60.00
Negros Island Biomass Holdings, Inc.[(a)]	–	45.12	–	45.12
San Carlos Biopower, Inc.[(b)]	–	4.51	–	4.51
South Negros Biopower, Inc.[(b)]	–	4.51	–	4.51
North Negros Biopower, Inc[(b)]	–	3.95	–	3.95
Manapla Sun Development Corp.	36.37	29.63	–	66.00
AC Renewables Philippines, Inc.	100.00	–	–	100.00

(Forward)

Name of Entities to be Transferred	Ownership of AC Energy, Inc. Direct	Indirect	ACEN's existing interest before share swap	ACEN's interest after share swap
Northwind Power Development Corp.	19.52	48.27	–	67.79
Viage Corporation	100.00	–	–	100.00
Ingrid Power Holdings, Inc.	100.00	–	–	100.00
South Luzon Thermal Energy Corp.	35.00	–	65.00	100.00
ACTA Power Corporation[(c)]	50.00	–	50.00	100.00
Philippine Wind Holdings Corp.[(d)]	42.74	–	27.07	69.81
Ilocos Wind Energy Holding Co. Inc.	–	100.00	–	100.00
North Luzon Renewable Energy Corp.	–	66.70	–	66.70

[(a)] *NIBHI was accounted by AC Energy as Investment in Associate*
[(b)] *SCBP, SNBP and NNBP were accounted by NIBHI as Investments in Associates*
[(c)] *ACTA was previously accounted as Investment in Joint Venture*
[(d)] *PhilWind was accounted by AC Energy as Investment in Joint Venture*

Details of the December 31, 2019 ACEN consolidated balances and the balances of Onshore Companies' assets and liabilities as at December 31, 2019 which were consolidated to the Group are as follows:

	ACEN consolidated balances as at December 31, 2019 (Audited)	Effect of the Onshore Companies' balances as at December 31, 2019 (Unaudited)	ACEN consolidated balances as at December 31, 2019 (As restated)
Assets			
Current Assets			
Cash and cash equivalents	₱8,581,663	₱1,011,585	₱9,593,248
Short-term investments	100,000	–	100,000
Receivables	2,728,419	393,967	3,122,386
Fuel and spare parts	855,275	83,184	938,459
Current portion of:			
Input VAT	148,318	38,019	186,337
Creditable withholding taxes	123,700	55,307	179,007
Other current assets	139,915	72,904	212,819
	12,677,290	1,654,966	14,332,256
Assets held for sale	3,546	–	3,546
Total Current Assets	12,680,836	1,654,966	14,335,802
Noncurrent Assets			
Property, plant and equipment	21,564,260	3,874,669	25,438,929
Investments in associates and joint venture	723,165	1,810,937	2,534,102
Financial assets at fair value through other comprehensive income	1,251	531,886	533,137
Investment properties	13,085	–	13,085
Goodwill and other intangible assets	280,193	160,884	441,077
Right-of-use assets	524,936	426,814	951,750
Deferred income tax assets - net	612,546	41,377	653,923
Net of current portion:			
Input VAT	335,759	37,158	372,917
Creditable withholding taxes	860,026	1,182	861,208
Other noncurrent assets	2,124,748	276,865	2,401,613
Total Noncurrent Assets	27,039,969	7,161,772	34,201,741
TOTAL ASSETS	₱39,720,805	₱8,816,738	₱48,537,543

	ACEN consolidated balances as at December 31, 2019 (Audited)	Effect of the Onshore Companies' balances as at December 31, 2019 (Unaudited)	ACEN consolidated balances as at December 31, 2019 (As restated)
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	₱3,787,713	₱506,577	₱4,294,290
Short-term loans	–	3,556	3,556
Current portion of lease liability	33,542	95,254	128,796
Income and withholding taxes payable	41,208	–	41,208
Due to stockholders	16,594	–	16,594
Current portion of long-term loans	593,847	–	593,847
	4,472,904	605,387	5,078,291
Noncurrent Liabilities			
Long-term loans - net of current portion	20,192,081	2,133,518	22,325,599
Lease liability - net of current portion	526,029	326,713	852,742
Pension and other employee benefits	60,503	–	60,503
Deferred income tax liabilities - net	187,624	162,863	350,487
Other noncurrent liabilities	3,176,846	113,056	3,289,902
Total Noncurrent Liabilities	24,143,083	2,736,150	26,879,233
Total Liabilities	28,615,987	3,341,537	31,957,524
Equity			
Capital stock	7,521,775	–	7,521,775
Additional paid-in capital	83,768	–	83,768
Other equity reserves	(2,342,103)	7,903,583	5,561,480
Unrealized fair value gains (losses) on equity instruments at FVOCI	(8,129)	(88,455)	(96,584)
Unrealized fair value losses on derivative instrument designated under hedge accounting	(14,742)	–	(14,742)
Remeasurement gains (losses) on defined benefit plan	(7,034)	16,288	9,254
Accumulated share in other comprehensive loss of a joint venture and associates	(2,107)	–	(2,107)
Retained earnings	2,922,514	373,781	3,296,295
Treasury shares	(27,704)	–	(27,704)
Total equity attributable to equity holders of the Parent Company	8,126,238	8,205,197	16,331,435
Non-controlling interests	2,978,580	(2,729,996)	248,584
Total Equity	11,104,818	5,475,201	16,580,019
TOTAL LIABILITIES AND EQUITY	₱39,720,805	₱8,816,738	₱48,537,543

Below is the consolidated statement of income for the nine-month period ended September 30, 2019, after considering the retroactive impact of the share swap transaction with AC Energy.

	Nine-month Period Ended September 30, 2019	
	(Unaudited, as previously reported)	(As restated)
REVENUES		
Revenue from sale of electricity	₱11,529,369	₱11,792,651
Dividend income	7,585	25,408
Rental income	1,358	46,862
	11,538,312	11,864,921
COSTS AND EXPENSES		
Costs of sale of electricity	11,506,284	11,695,223
General and administrative expenses	391,256	434,001
	11,897,540	12,129,224
INTEREST AND OTHER FINANCE CHARGES	(352,223)	(598,288)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES	(79,100)	(5,751)
OTHER INCOME - NET	378,025	642,494
LOSS BEFORE INCOME TAX	(412,526)	(225,848)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	18,683	69,617
Deferred	(78,114)	(78,484)
	(59,431)	(8,867)
NET LOSS	(₱353,095)	(₱216,981)
Net Loss Attributable To:		
Equity holders of the Parent Company	(₱348,483)	(₱229,567)
Non-controlling interests	(4,612)	12,586
	(₱353,095)	(₱216,981)

The share swap transaction provides that ACEN shall issue its own shares equivalent to 6,185,182,288 common shares at ₱2.37 per share as consideration in exchange for AC Energy's interest in the aforementioned entities as at July 1, 2019, giving rise to additional paid-in capital presented in the equity of the Parent Company as follows:

Equity instruments issued	6,185,182,288
Par value per share	₱1
Total value of common shares issued	₱6,185,182,288
Transfer value at ₱2.37 per share	14,658,882,022
Gross additional paid-in capital	8,473,699,734
Transaction costs	(109,441,142)
Additional paid-in capital	₱8,364,258,592

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱109.44 million were charged to additional paid-in capital account.

The Deed of Assignment also gave ACEN the right to receive any dividends accruing to ACEI from the date of the assignment and are treated as price adjustment to the share swap transaction. In 2020, ACEN received cash amounting to ₱145.01 million and ₱13.46 million representing ACEI's dividend income from PhilWind and Northwind, respectively. These were accounted for as increase in additional paid-in capital of ACEN.

The Parent Company acquired SLTEC's remaining non-controlling interest as it gained control of the 35% interest from the share swap transaction with AC Energy. This transaction has the following impact on the respective accounts: decrease in equity attributable to noncontrolling interest amounting to ₱2,962.80 million as at December 31, 2019 and contributed to net loss amounting to ₱79.00 million from July 1 to December 31, 2019. As at September 30, 2020, the other equity reserves attributable to the purchase of 35% interest in SLTEC amounted to ₱2,106.61 million.

6. Cash and Cash Equivalents

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Cash on hand and in banks	**₱4,972,718**	₱2,015,564
Short-term deposits	**1,369,458**	7,577,684
	₱6,342,176	₱9,593,248

Cash in banks earn interest at the respective bank deposit rates for its peso and dollar accounts.

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Interest income earned on cash in banks and short-term deposits for the nine-month period ended September 30, 2020 and 2019 amounted to ₱52.40 million and ₱24.28 million, respectively (see Note 26).

Short-term deposits include debt service reserves account amounting to ₱341.63 million and ₱281.65 million as at September 30, 2020 and December 31, 2019, respectively, for the payment of loans by Guimaras Wind and SLTEC (see Note 17).

7. Receivables

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Trade	**₱3,978,123**	₱2,644,921
Due from related parties (see Note 28)	**176,360**	9
Receivables from:		
Third parties (see Note 15)	**1,707,874**	403,950
Consortium - service contracts and assignee of mining rights	**78,809**	78,809
Employees	**25,636**	102,628
Others	**31,675**	59,076
	5,998,477	3,289,393
Less allowance for credit losses	**166,975**	167,007
	₱5,831,502	₱3,122,386

Trade receivables mainly represent receivables from Independent Electricity Market Operator of the Philippines (IEMOP), Philippine Electricity Market Corporation (PEMC), NGCP and National Transmission Corporation (Transco) for the FIT and from the group's bilateral customers. Significant portion of outstanding balance pertain to receivables from MERALCO baseload and Mid-Merit PSAs as well as FIT system adjustments (see Notes 3 and 20).

Trade receivables consist of both noninterest-bearing and interest-bearing receivables. The term is generally thirty (30) to sixty (60) days.

Receivable from third parties mainly pertains to the current portion of noninterest-bearing long-term receivable from the sale of transmission assets and submarine cable. Also included under this account is SLTEC's receivable from NGCP for the remaining uncollected consideration for the sale of the 230KV Salong Switching Station and related assets and subscription receivable of ISLASOL from TLCTI Asia (see Note 4).

As at September 30, 2020 and December 31, 2019, the aging analysis of receivables are as follows:

	September 30, 2020 (Unaudited)						
		Neither Past Due nor Impaired	**Past Due but not Impaired**				**Past Due and Impaired**
	Total		**<30 Days**	**30–60 Days**	**61–90 Days**	**More than 90 Days**	
Trade	**₱3,978,123**	**₱2,951,422**	**₱213,069**	**₱277,391**	**₱3,775**	**₱451,475**	**₱80,991**
Due from related parties	**176,360**	**2,554**	**–**	**–**	**11,521**	**162,285**	**–**
Others	**1,843,994**	**1,124,165**	**1,951**	**16,799**	**350,557**	**264,538**	**85,984**
	₱5,998,477	**₱4,078,141**	**₱215,020**	**₱294,190**	**₱365,853**	**₱878,298**	**₱166,975**

	December 31, 2019 (As restated)						
		Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
	Total		<30 Days	30–60 Days	61–90 Days	More than 90 Days	
Trade	₱2,644,921	₱2,355,306	₱6,159	₱6,793	₱8,819	₱186,821	₱81,023
Due from related parties	9	9	–	–	–	–	–
Others	644,463	124,239	12,755	45,506	4,219	371,760	85,984
	₱3,289,393	₱2,479,554	₱18,914	₱52,299	₱13,038	₱558,581	₱167,007

8. Fuel and Spare Parts

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Fuel - at cost	**₱266,556**	₱247,570
Fuel - at net realizable value	**370,526**	66,217
Spare parts - at cost	**328,184**	299,396
Spare parts - at net realizable value	**372,023**	325,276
	₱1,337,289	₱938,459

Fuel charged to "Costs of sale of electricity" in the interim consolidated statements of income amounted to ₱2,180.28 million and ₱1,729.25 million for the nine-month period ended September 30, 2020 and 2019, respectively (see Note 21).

For the nine-month period ended September 30, 2020 and 2019, ACEN did not recognize provision for impairment of fuel inventory and spare parts.

The cost of the fuel carried at net realizable value as at September 30, 2020 and December 31, 2019 amounted to ₱376.14 million and ₱71.83 million, respectively.

The cost of spare parts carried at net realizable value amounted to ₱373.37 million and ₱326.62 million as at September 30, 2020 and December 31, 2019, respectively.

9. Other Current Assets

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Advances to contractors	**₱289,595**	₱14,593
Prepaid expenses	**209,429**	197,595
Derivative asset (Notes 16, 18, 31 and 32)	**689**	33
Others	**758**	598
	₱500,471	₱212,819

Advances to contractors pertain to advance payments for services and supply of repairs and maintenance.

Prepaid expenses pertain to insurance, subscriptions, rent, taxes and other expenses paid in advance.

10. Property, Plant and Equipment

<u>Acquisitions and disposals</u>
During the nine-month period ended September 30, 2020, the Group acquired assets with a cost of ₱4,471.86 million (December 31, 2019: ₱902.74 million), excluding property, plant and equipment acquired through a business combination.

The net book value of assets acquired through the business combination with SACASOL and ISLASOL amounted to ₱618.94 million and ₱1,500.86 million, respectively (see Note 4).

Assets (other than those classified as held for sale) with a net book value of ₱23.62 million and ₱42.16 million were disposed by the Group during the nine-month period ended September 30, 2020 and year ended December 31, 2019, respectively. This resulted in a net loss of ₱3.38 million and net gain of ₱292.74 million for the nine-month period ended September 30, 2020 and 2019, respectively (see Note 26).

Assets amounting to ₱3.55 million were reclassified to Property, Plant and Equipment from assets held for sale during the period ended September 30, 2020 as the Group changed its intention from selling to using the assets for future projects.

Significant Additions During the Period
For the nine-month period ended September 30, 2020, the Group incurred significant capital expenditures related to the following projects:

- ₱2,902.34 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary, Solarace1 Energy Corp.;
- ₱232.63 million for its 150 MW diesel-fired power facility in Pililia, Rizal through its subsidiary, Ingrid Power Holdings, Inc.
- ₱897.22 million for its 63 MW solar power project in Palauig, Zambales through its subsidiary, Gigasol 3, Inc;
- ₱4.89 million for its 5 MW Solar Plant Project in Mariveles Bataan through its subsidiaries, Bataan Solar.
- Capital expenditures for OSPGC amounting to ₱246 million which consists of crankshaft engine, air cooler, major parts for diesel engines.
- Capitalized costs for ACEN amounting to ₱72 million which consists of drydocking costs of PB101, cylinder head cover and installation costs of engine bearing.

Mortgaged Property and Equipment
Guimaras Wind's wind farm with carrying value of ₱3,956.47 million and ₱4,106.00 million as at September 30, 2020 and December 31, 2019, respectively included under "Machinery and Equipment" account is mortgaged as security for the long-term loan as at September 30, 2020 and December 31, 2019, respectively (see Note 17).

SLTEC's Contract for Design and Supply of HIP Rotor with Harbin Electric International Co., Ltd. (HEI)
On July 20, 2019, SLTEC engaged the services of HEI to design, fabricate, and supply SLTEC with the brand-new spare HIP rotor and it is expected to be completed and delivered within the next seven (7) months. SLTEC capitalized the advance payment made on September 19, 2019 amounting to ₱30.58 million under Construction-in-Progress

During the nine-month period ended September 30, 2020, SLTEC recognized additional capital expenditure relating to the HIP rotor amounting to ₱101.40 million. SLTEC received the HIP rotor on June 17, 2020.

11. Investments in Associates and Joint Venture

Details of investments in associates and interest in joint venture as at September 30, 2020 and December 31, 2019 are as follows:

	Percentage of ownership		Carrying amount	
	2020 (Unaudited)	2019 (As restated)	**2020 (Unaudited)**	2019 (As restated)
Investments in associates:				
Maibarara Geothermal, Inc. (MGI)	**25.00**	25.00	**₱738,875**	₱685,133
Negros Island Biomass Holdings, Inc. (NIBHI)	**45.12**	45.12	**186,795**	186,540
Asia Coal Corporation (Asia Coal)	**28.18**	28.18	**631**	631
			926,301	872,304
Interest in joint venture:				
Philippine Wind Holdings Corp (PhilWind)	**69.81**	42.74	**5,457,882**	1,661,798
			₱6,384,183	₱2,534,102

The details and movements of investments in associates and joint venture accounted for under the equity method are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Investment in associates and interest in joint venture		
Acquisition costs:		
Balance at beginning of period	**₱2,041,340**	₱3,911,572
Additions (Note 1)	**2,573,300**	–
Effect of business combinations under common control (Note 5)	**1,579,595**	(1,645,232)
Sale of joint venture interest	**–**	(225,000)
Balance at end of period	**6,194,235**	2,041,340
Accumulated equity in net earnings (losses):		
Effect of business combinations under common control (Note 5)	**(516,877)**	(92,273)
Balance at beginning of period	**496,428**	397,633
Equity in net earnings	**485,191**	208,041
Dividends received	**(270,512)**	(25,000)
Sale of joint venture interest	**–**	8,027
Balance at end of period	**194,230**	496,428
Accumulated share in other comprehensive income:		
Balance at beginning of period	**(2,107)**	(2,193)
Share in other comprehensive income (loss)	**(616)**	86
Balance at end of period	**(2,723)**	(2,107)
Other equity transactions:		
Balance at beginning and end of period	–	17,231
Effect of business combinations under common control (Note 5)	–	(17,231)
Balance at end of period	–	–
Accumulated impairment losses	**(1,559)**	(1,559)
Total investments	**₱6,384,183**	₱2,534,102

MGI

The Parent Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010 to implement the integrated development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. MGI's registered business address is 7th F JMT Building, ADB Avenue, Ortigas Center, Pasig City.

NIBHI

NIBHI is a domestic corporation registered in the Philippines and located at 26th floor, PSE Tower Bonifacio High St., 28th cor. 5th Ave., Bonifacio Global City, Taguig City. NIBHI is a holding firm for the BioPower Group (SCBP, SNBP and NNBP). The Group, in partnership with Thomas Lloyd CTI Asia Holdings, currently has a portfolio totaling 63.44 MW in generation capacity from biomass.

Upon effectivity of ACEN's share swap with AC Energy, the Parent Company acquired a 45.12% voting ownership in NIBHI, through ACE Endevor, Inc. (see Note 5).

PhilWind
On November 5, 2019, the Parent Company's Executive Committee approved and authorized the share purchase agreement to acquire PINAI's ownership interest in NLR and PhilWind.

On November 14, 2019, ACEN signed a First Amended and Restated Share Purchase Agreement with the investors of PINAI for acquisition of PINAI's indirect ownership interest in NLR.

PINAI effectively has a 31% preferred equity and 15% common equity ownership in NLR. NLR is a joint venture of AC Energy, UPC Philippines, Luzon Wind Energy Holdings and PINAI Investors. NLR owns and operates an 81 MW wind farm in Pagudpud, Ilocos Norte, which started operations in November 2014. PhilWind is the parent company of NLR. PhilWind directly and indirectly owns 67% of NLR, through its 38% direct interest and 28.7% indirect interest through its 100% wholly owned subsidiary, Ilocos Wind Energy Holding Co., Inc. ("Ilocos Wind").

On February 27, 2020, the Parent Company purchased all shares of PINAI Investors in PhilWind through its wholly-owned subsidiary Giga Ace 1, Inc.

The investment in PhilWind is accounted for as investments in joint venture as the relevant activities of PhilWind and NLR require the unanimous consent of the stockholders.

On June 22, 2020, upon the effectivity of ACEN's share swap transaction with AC Energy, the Parent Company increased its ownership interest in PhilWind to 69.81% (see Note 5).

The summarized financial information of PhilWind which is a material joint venture are shown below:

Summarized Statements of Financial Position

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Current assets	**₱1,166,491**	₱1,499,224
Noncurrent assets	**7,598,684**	7,153,020
Total assets	**8,765,175**	8,652,244
Current liabilities	**525,999**	772,650
Noncurrent liabilities	**5,383,587**	5,217,044
Net assets	**2,855,589**	2,662,550
Ownership interest in investee	**69.81%**	42.74%
Share in net assets of investee	**1,993,487**	1,137,974
Goodwill and other adjustments	**3,464,395**	523,824
Carrying amount of investment	**₱5,457,882**	₱1,661,798

Summarized Statement of Comprehensive Income

	For the nine-month period ended September 30, 2020 (Unaudited)
Revenue from sale of electricity	₱1,822,071
Costs of sale of electricity	512,624
Gross profit	1,309,447
Interest expense - net	(415,696)
General and administrative expenses	(24,847)
Other expenses - net	(70,185)
Income before income tax	798,719
Provision for income tax	(6,066)
Net income	792,653
Other comprehensive income	–
Total comprehensive income	₱792,653

12. **Financial assets at FVOCI**

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Golf club shares	**₱1,230**	₱1,230
Listed shares of stock	**21**	21
Unlisted shares of stock	**–**	531,886
	₱1,251	₱533,137

Unlisted shares pertain to interests in ISLASOL and SACASOL held by Visayas Renewables Corp. prior to the step acquisition which was completed on March 23, 2020. The acquisition of interests from PINAI resulted in the step acquisition of the two solar entities (see Note 4).

The movements in net unrealized loss on equity investments at FVOCI for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019 are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Balance at beginning of period	**(₱96,584)**	₱59,772
Effect of business combinations under common control (Note 5)	**88,455**	–
Unrealized loss recognized in other comprehensive income	**–**	(115,824)
Cumulative unrealized gain on disposal of equity instruments at FVOCI transferred to retained earnings	**–**	(40,532)
Balance at end of period	**(₱8,129)**	(₱96,584)

13. Goodwill and Other Intangible Assets

During the nine-month period ended September 30, 2020, additional deferred exploration costs were incurred for SC55 amounting to ₱13.57 million. The net book value of Goodwill and Other Intangible Assets as at September 30, 2020 and December 31, 2019 amounted to ₱2,577.00 million and ₱441.08 million, respectively.

Leasehold Rights and Goodwill
The leasehold rights and goodwill arose from Bulacan Power Generation Corporation's ("BPGC" or formerly PHINMA Power) acquisition of the entire outstanding shares of stocks of One Subic Power in 2014. One Subic Power and Subic Bay Metropolitan Authority ("SBMA") have an existing Facilities Lease Agreement (FLA) for a period of five (5) years up to July 19, 2020, as amended, with the option to extend subject to mutually acceptable terms and conditions.

On December 21, 2017, the SBMA Board approved and ratified the amendment of the Facilities Lease Agreement extending the lease term until July 19, 2030. As at January 1, 2019, the leasehold rights were reclassified as right-of-use assets (see Note 14).

Solienda, Inc. holds a leasehold right on its contracts of lease with San Carlos Sun Power, Inc., San Carlos Biopower Inc. and SACASOL with a carrying amount of ₱146.60 million as at September 30, 2020.

Intangible asset amounting to ₱2,191.81 million arising from identifiable FIT contract was recognized from acquisition of SACASOL (see Note 4). The carrying amount as at September 30, 2020 is ₱2,116.02 million.

Goodwill recognized during the period came from the acquisition of ISLASOL amounting to ₱12.45 million (see Note 4).

Water Supply Contract
SCC holds a contract for the supply and distribution of water to San Carlos Biopower, Inc., while HDP holds a water supply contract with San Carlos Bioenergy, Inc. SCC and HDP's carrying amount as at September 30, 2020 are ₱0.24 million and ₱7.92 million, respectively.

Impairment Testing of Goodwill
The Parent Company performs its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. In light of the impact of COVID-19 and the ECQ restricting movements and construction activities, management reassessed recoverable amounts for the Parent Company's goodwill. Forecasts and the underlying assumptions from an earlier impairment testing date (those disclosed in the annual consolidated financial statements as at December 31, 2019), have been revised to reflect the economic conditions as at September 30, 2020 and updated to reflect the potential impact of COVID-19.

Based on management's assessment, no impairment loss to be recognized on goodwill as at September 30, 2020 despite the change in reportable segments and reduction in forecasted WESM prices (see Note 3)

Deferred Exploration Costs

Details of deferred exploration costs are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Petroleum and gas:		
SC 55 (Southwest Palawan)	**₱36,634**	₱23,063
SC 6 (Northwest Palawan)		
Block A	**22,978**	22,978
Block B	**4,892**	4,892
SC 50 Northwest Palawan	**11,719**	11,719
SC 52 (Cagayan Province)	**10,994**	10,994
Geothermal - SC 8 (Mabini, Batangas)	**34,493**	34,493
	121,710	108,139
Allowance for impairment loss	**(62,098)**	(62,098)
Net book value	**₱59,612**	₱46,041

The foregoing deferred exploration costs represent the Group's share in the expenditures incurred under petroleum SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

The following summarizes the status of the foregoing projects:

a. SC 6 (Northwest Palawan)

Block A

On December 18, 2018, the Partners have approved and the Operator, Philodrill Corporation (Philodrill), submitted to the DOE the proposed 2019 SC 6A Work Program and Budget amounting to US$314,116 composed of geological and geophysical evaluation and engineering projects. The same was approved by the DOE on January 23, 2019.

The Partners submitted to the DOE the proposed 2019 work program composed of geological and geophysical evaluation and engineering study. The DOE approved the said program in January 2019.

As at September 30, 2020, farm-in negotiations are ongoing for the development of the Octon oil discovery and technical studies over the northern part of the block progressed.

No impairment was recognized for SC 6 Block A as at September 30, 2020 and December 31, 2019 as there are no indicators for impairment.

b. SC 55 (Southwest Palawan)

Seismic reprocessing of 1,000 sq. km. of 3D seismic data was completed on July 17, 2019.

Quantitative Interpretation Study aimed at identifying the gas-bearing zones in the service contract is nearing completion as at May 11, 2020.

Palawan55 is currently interpreting the reprocessed seismic data to generate additional prospects in the Greater Hawkeye Area and to refine the mapping of the CINCO Prospect. Resource Assessment is also ongoing.

Palawan55 has also commenced the first phase of drilling preparations including well design, issuance of tenders for long lead items such as wellhead, conductor pipes and casing, and a rig market survey.

On August 9, 2019, the SC 55 Consortium notified the DOE of its election to proceed directly from the Exploratory Period to the Appraisal Period, with a one deep water well drilling commitment.

On September 26, 2019, Palawan55 informed the DOE of Century Red Pte. Ltd's ("Century Red"). withdrawal from SC 55 and accordingly requested for the approval of the transfer of Century Red's entire 37.50% participating interest to Palawan55.

On February 13, 2020, Palawan55 received DOE's approval on the transfer of the 37.50% participating interest of Century Red in SC 55. After careful review and evaluation of DOE, Palawan55 is found to be technically, financially and legally qualified to assume the participating interests of Century Red.

Palawan55's participating interest in SC 55 is adjusted from 37.50% to 75.00%.

On April 15, 2020, Palawan55 received a letter from the DOE confirming the entry of SC 55 into the Appraisal Period effective April 26, 2020. In the said letter, the DOE stated that after the review and evaluation of the Hawkeye discovery report, "we hereby confirm that the 'Hawkeye-1 well' did encounter a significant volume of movable natural gas and is deemed to be a Non-Associated Gas Discovery under Section 13.02 of SC 55."

On August 28, 2020, Palawan55 received a letter from the DOE approving SC 55's Appraisal Period Work Program and Budget with the firm amount of US$1,702,020.00. Further, the DOE stated that it expects the submission of the proposed budget for the drilling of one (1) well after the drilling proposal has been approved by the DOE.

Palawan55 will submit for DOE's approval a definitive Appraisal Work Program and Budget.
No impairment was recognized for SC 55 as at September 30, 2020 and December 31, 2019 as there are no indicators for impairment.

c. SC 50 (Northwest Palawan)

As at September 30, 2020, approval of the assignment of 10% participating interest in SC 50 to ACE Enexor remains pending with the DOE.

14. **Right-of-Use Assets**

The rollforward analysis of this account follows:

	September 30, 2020 (Unaudited)						
	Right-of-Use Assets						
	Land and Easement Rights	**Land and Power plants**	**Office Space and Parking Slots**	**Land and Office Building**	**Leasehold Rights**	**Total**	**Lease Liabilities**
As at January 1, 2020	**₱376,269**	**₱522,786**	**₱31,742**	**₱12,184**	**₱8,769**	**₱951,750**	**₱981,538**
Acquired from SACASOL	**–**	**588,380**	**–**	**–**	**–**	**588,380**	**523,006**
Acquired from ISLASOL	**–**	**407,721**	**–**	**–**	**–**	**407,721**	**367,798**
New lease agreements	**261,731**	**50,320**	**–**	**–**	**–**	**312,051**	**50,320**
Amortization expense (Note 24)	**(13,778)**	**(55,646)**	**(12,524)**	**(531)**	**(8,769)**	**(91,248)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**–**	**–**	**107,894**
Payments	**–**	**–**	**–**	**–**	**–**	**–**	**(141,155)**
Other adjustments	**–**	**3,630**	**–**	**–**	**–**	**3,630**	**15,473**
Remeasurement due to lease modification	**–**	**(38,703)**	**–**	**–**	**–**	**(38,703)**	**(38,703)**
Foreign exchange adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**(19,154)**
As at September 30, 2020	**₱624,222**	**₱1,478,488**	**₱19,218**	**₱11,653**	**₱–**	**₱2,133,581**	**₱1,847,017**

	December 31, 2019 (As restated)						
	Right-of-Use Assets						
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Lease of Land and Office Building	Leasehold Rights	Total	Lease Liabilities
As at January 1, 2019	₱167,399	₱356,091	₱–	₱–	₱24,959	₱548,449	₱572,304
New lease agreements	–	–	30,075	–	–	30,075	27,323
Acquired from SLTEC	–	–	12,032	–	–	12,032	13,520
Acquired from MSEI	–	189,680	–	–	–	189,680	200,467
Acquired from Northwind	–	12,951	–	–	–	12,951	10,431
Acquired from Solarace1	215,846	–	–	–	–	215,846	215,846
Acquired from HDP	–	–	–	12,438	–	12,438	8,499
Amortization expense	(11,356)	(35,936)	(10,365)	(254)	(16,190)	(74,101)	–
Interest expense	–	–	–	–	–	–	69,284
Payments	–	–	–	–	–	–	(118,806)
Remeasurement due to termination of lease contract	–	–	–	–	–	–	(2,604)
Other adjustments	4,380	–	–	–	–	4,380	–
Foreign exchange adjustments	–	–	–	–	–	–	(14,726)
As at December 31, 2019	₱376,269	₱522,786	₱31,742	₱12,184	₱8,769	₱951,750	₱981,538

The Group's Right-of-Use Assets arise from the lease agreements of the following entities (see Notes 4 and 5):

- ACEN - rental of office space in 22nd Floor of Ayala Tower together with 8 parking slots.
- OSPGC - facilities and lease agreement with SBMA for the Land in Subic including the 116 MW Diesel Powerplant.
- Guimaras Wind - lease commitments from various land owners in Guimaras for land, easement rights and right of way use to connect to the grid.
- SLTEC - rental of office space in 8 Rockwell, Plaza Dr. Makati City.
- SACASOL - lease of land for its solar power facility and office building.
- MSEI - lease of land for its solar power facility.
- Northwind - lease of land for its wind power facility and rental of office space with parking slots.
- Solarace1 - lease of land for the construction and operation of its solar power facility.
- MCV - lease of land as site for its water supply system.
- ISLASOL - lease of land for its solar power facility.

Mobilization fee for leased equipment amounting to ₱261.73 million was paid by Ingrid during the period ending September 30 ,2020. BCHC incurred ₱50.32 million for commencement of lease of land with powerplant.

The Group recognized rent expense from short-term leases amounting to nil and ₱0.13 million for the nine-month period ended September 30, 2020 and 2019, respectively.

15. **Other Noncurrent Assets**

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Trade receivables - net of allowance for credit losses (Note 20)	**₱2,003,782**	₱1,123,511
Advances to suppliers	**917,796**	305,913
Receivables from third parties (Note 7)	**423,352**	436,269
Development costs	**299,833**	233,509
Deposits	**120,178**	109,419
Others	**15,907**	192,992
Balance at end of the period	**₱3,780,848**	₱2,401,613

Noncurrent trade receivables represent refundable amount from PEMC arising from recalculation of November and December 2013 spot prices as directed by the Energy Regulation Commission. In 2014, the Group, PEMC, and other WESM participants signed a Multilateral Agreement pending the resolution of cases filed by WESM participants in the Supreme Court. On various dates in 2014 to 2016, ACEN recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.51 million. In June 2016, the 24-month period of repayment prescribed; hence, the Group provided an allowance for doubtful accounts related to Multilateral Agreement amounting to ₱13.75 million. Collections are presented as "Trade payables" under "Other noncurrent liabilities" (see Note 18). Noncurrent trade receivables also include MERALCO baseload and Mid-Merit PSAs as well as FIT system adjustments that are expected to be realized beyond 12 months after end of reporting period (see Notes 7 and 20).

Advances to suppliers consist of advance payments for capital expenditures which will be capitalized to property, plant and equipment once fully rendered by the suppliers.

Receivables from third parties are non-interest-bearing receivables from NGCP arising from the sale of transmission assets, which are collectible annually within 3 years, discounted using the PHP BVAL Reference rates on transaction date ranging from 2.14% - 4.56%.

Development costs include expenditures related to the development phase of power plant project which are stated at cost less any accumulated impairment losses. These include direct expenses that will eventually be capitalized as part of property, plant and equipment upon start of construction of the project. These costs are not depreciated or amortized until such time as the relevant assets are completed and available for use.

Deposits includes noncurrent portion of deposits to distribution utilities and noncurrent portion of the refundable security deposit with SBMA.

16. Accounts Payable and Other Current Liabilities

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Nontrade (Note 18)	**₱3,422,108**	₱2,008,782
Trade	**1,552,847**	1,131,160
Output VAT - net	**836,948**	427,752
Accrued expenses	**537,283**	150,385
Due to related parties (Note 28)	**253,631**	190,062
Accrued interest expenses	**242,047**	159,090
Derivative liability (Notes 18, 31 and 32)	**129,494**	21,060
Retention payables	**45,963**	2,377
Accrued directors’ and annual incentives (Note 28)	**14,374**	50
Others	**5,377**	203,572
	₱7,040,072	₱4,294,290

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on thirty (30) to sixty (60)-day terms.

Nontrade payables include liabilities for various purchases such as additions to property, plant and equipment and spare parts. It also includes the payable for the purchase of additional 20% interest in SLTEC through the assignment of AC Energy to ACEN of the share purchase agreement executed by AC Energy and APHPC amounting to ₱1.89 billion. The amount is payable on September 30, 2021.

Trade payables refer to liabilities to suppliers of electricity and fuel purchased by the Group.

Accrued expenses include insurance, sick and vacation leave accruals, station use and OSPGC’s variable rent for lease with SBMA and accruals for incentive pay and operating expense such as security fee, plant repairs and maintenance.

On September 5, 2017, CIPP received a Final Decision on Disputed Assessment from the BIR demanding the payment of a total amount of ₱341.73 million for various alleged deficiency taxes for taxable year 2013. On October 4, 2017, CIPP filed its request for reconsideration with the Office of the Commissioner (the "Appeal"). On March 13, 2020, CIPP received a Letter Notice from the Chief of the Appellate Division of the BIR informing CIPP of its opportunity to avail of the Tax Amnesty on Delinquencies ("TAD") provided under Republic Act No. 11213 or the Tax Amnesty Act.

On June 11, 2020, CIPP filed its withdrawal of the Appeal as part of the requirements for the application of TAD. With the amnesty application, CIPP shall pay the tax amnesty amount equivalent to forty percent (40%) of the Basic Tax or ₱80.19 million. CIPP targets to settle the amount due before December 31, 2020, the extension allowed by BIR Revenue Regulations No. 15-2020 to avail of the privileges under the Tax Amnesty Act.

Derivative liability pertains to coal and fuel oil swaps contracts with Macquarie Bank Ltd., used to hedge the risks associated with changes in coal and fuel oil prices (see Note 31).

Retention payables pertain to amounts retained from liabilities to suppliers and contractors.

17. **Loans**

Long-term loans

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
SLTEC long-term loans	**₱10,725,000**	₱10,870,683
ACEN long-term loans	**9,944,663**	8,634,812
Northwind loan	**2,300,000**	2,133,518
Guimaras Wind term-loan facility	**1,410,268**	1,531,734
	24,379,931	23,170,747
Add premium on long-term loans (embedded derivative)	**1,028**	2,429
Less unamortized debt issue costs	**251,333**	253,730
	24,129,626	22,919,446
Less current portion of long-term loans (net of unamortized debt issue costs)	**745,474**	593,847
Noncurrent portion	**₱23,384,152**	₱22,325,599

Movements in derivatives and debt issue costs related to the long-term loans follow:

	Derivatives	Debt Issue Costs
As at December 31, 2018	₱4,247	₱40,927
Acquired from SLTEC	–	186,314
Additions	–	43,003
Amortization/accretion for the year (Note 25)	(1,818)	(16,514)
As at December 31, 2019	2,429	253,730
Additions	–	28,500
Amortization/accretion for the nine-month period* (Note 25)	(1,401)	(30,897)
As at September 30, 2020	₱1,028	₱251,333

**Included under "Interest and other financial charges" in the consolidated statements of income.*

- *ACEN's Loan Agreement with China Banking Corporation ("CBC")*

  On July 10, 2020, the Parent Company entered into a new loan agreement with CBC for a maximum principal amount of ₱7.00 billion. The ₱7.00 billion shall be released in a maximum of seven (7) advances.

  First drawdown was made on July 15, 2020 amounting to ₱500.00 million and the second drawdown was on August 24, 2020 amounting to ₱1,000.00 million. Both loans have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18^{th}) month from the initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

The loan facility contains a prepayment provision which allows the Parent Company to make an optional prepayment, wholly or partially, starting the fifth (5th) anniversary of the initial drawdown date and on every interest payment date thereafter. The amount payable to CBC shall consist of the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any increase in applicable gross receipts tax (GRT) as a result of such prepayment, and any applicable prepayment premium as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

- *Northwind's Loan Agreement with Bank of the Philippine Islands ("BPI")*
  On May 29, 2020, Northwind entered into a long-term loan facility with BPI amounted to ₱2.30 billion. The proceeds of the loan was used to fully repay the senior loans of Northwind. The payments shall be made in twenty-four (24) sculpted semi-annual amortizations set forth in the agreement. The interest rate is fixed for the initial period of ten (10) years to be repriced after the 10th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher.

  The loan facility contains a prepayment provision which allows the Northwind to make optional prepayment, wholly or partially, any time during the term of the loan. The amount payable to BPI shall be the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any additional taxes, including additional gross receipts tax (GRT) as a result of such prepayment, and prepayment penalty as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

  The loan facility is secured by Northwind's Land and Wind Turbine Generator account under "Property, plant and equipment" with a carrying amount of ₱2.24 billion and ₱2.35 billion as at September 30, 2020 and December 31, 2019, respectively

- *Loan covenants.* ACEN closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

  ACEN availed ₱5.00 billion loan agreement with BDO on November 15, 2019 payable in semi-annual installment within 10 years. In relation to this agreement, ACEN closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration. As compliance with the debt covenant, ACEN must have (I) a minimum DSCR of 1.0 times after grace period up to loan maturity and (II) maximum Debt to Equity ratio of 1.5 times.

  In 2019, ACEN was able to obtain waivers of compliance for the Debt Service Coverage Ratio and Debt-to-Equity ratio covenants on its legacy loans with BDO (₱0.50 billion), CBC (₱1.0 billion), SBC (₱1.8 billion), and DBP (₱1.8 billion) as required by the terms of each respective Lender's loan agreement. The waivers granted on the Debt Service Coverage Ratio and Debt-to-Equity ratio covenants for ACEN are valid until the next succeeding testing date. These ratios are computed based on the annual consolidated audited financial statements of ACEN, and the next testing date will be sometime during the first quarter of 2021, based on the 2020 consolidated audited financial statements. ACEN classified the loans amounting to ₱3.36 billion as noncurrent as at December 31, 2019.

Northwind closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration. As compliance with the debt covenant, Northwind should maintain a minimum DSCR of1.05 times. Guimaras Wind was in compliance with the loan covenants as at December 31, 2019. The compliance with the debt covenants is assessed annually by the lenders. Guimaras Wind will take necessary measures to ensure compliance with loan covenants.

SLTEC has complied with its contractual agreements and is compliant with the loan covenants as at reporting dates. As compliance with the debt covenants, SLTEC should maintain a minimum DSCR of 1.1 times, and a maximum Net debt to Equity ratio of 3 times.

- *Others.* The loan facility with SBC and DBP is secured by Guimaras Wind's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying value amounting to ₱3,956.47 million and ₱4,106.00 million as at September 30, 2020 and December 31, 2019, respectively (see Note 10). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, ACEN entered into a Pledge Agreement covering the subscriptions of stocks of ACEN and its nominees.

  SLTEC, as the relevant Sponsor under the New Omnibus Agreement, had assigned, conveyed and transferred unto the Security Trustee, for the benefit of the Lenders and the Security Trustee, all of its respective rights, title and interest in, to and under the following:

  (i) all monies standing in the cash flow waterfall accounts, with respect to SLTEC;
  (ii) all project receivables, with respect to SLTEC;
  (iii) the proceeds of any asset and business continuity insurance obtained by SLTEC;
  (iv) any advances or subordinated loans, if any, granted by any of AC Energy, ACEN and APHPC to SLTEC; and
  (v) the proceeds, products and fruits of those provided under items (i) to (iv) hereof.

  SLTEC, as continuing security for the timely payment and discharge of the secured obligations, has also assigned, conveyed and transferred to the Security Trustee all of its rights, title and interests in and to the Project Agreements to which it is a party. Project agreements include:

  (i) power purchase agreements;
  (ii) all fuel purchase agreements, together with corresponding performance guarantees and bonds having a total amount of at least 25.00 million per agreement;
  (iii) all operations and maintenance agreements, together with corresponding performance guarantees and bonds, for the operation and maintenance of the power plant;
  (iv) all asset and business continuity insurance obtained in relation to the power plant and its operation;
  (v) government approvals obtained by SLTEC in relation to the ownership, operation and maintenance of the power plant, except governmental approvals covered by excluded assets; and
  (vi) any and all other material contracts as may be agreed upon by SLTEC and the Lenders.

Total interest expense recognized on ACEN's, Guimaras Wind's, SLTEC's and Northwind's long-term loans amounted to ₱1,065.09 million and ₱328.99 million for the nine-month period ended September 30, 2020 and 2019, respectively (see Note 25).

For the nine-month period ended September 30, 2020 and 2019, principal payments made relative to the Group's long-term loans amounted to ₱2,619.32 million and ₱1,220.43 million, respectively. ACEN paid ₱28.50 million and ₱43.00 million debt issue costs for the relevant loans availed in for the current period 2020 and in 2019.

Short-term loans

On March 20, 2020, the Parent Company made an availment of a short-term loan from AC Renewables International Pte. Ltd. (ACRI), an entity under the common control of AC Energy, amounting to $100 million or ₱5,121.50 million. This is in accordance with the Facility Agreement signed by both parties on March 19, 2020. Under the terms of the Facility Agreement, ACEN may draw under the facility provided that a promissory note payable to the order of ACRI and dated on the actual drawing date was delivered to the latter. The principal sum shall be subject to interest while outstanding at the rate of 1.702% p.a. and shall be payable on maturity on September 16, 2020. The loan was extended from September 16, 2020 to October 16, 2020 at a rate of 0.90%, and further extended from October 16, 2020 to March 20, 2021 at a rate 1.01%.

The carrying amount of the loan as at September 30, 2020 amounted to ₱4,846.50 million.

The Parent Company has outstanding new short-term loans availed on September 18,2020 from BDO and SBC amounting to ₱1,000.00 million and ₱800.00 million, respectively.

Below are the pertinent details of the loans both from BDO and SBC.

Bank	Date of Availment	Amount	Interest	Maturity
BDO	September 18, 2020	₱1,000,000,000	4.000%	March 17, 2021
SBC	September 18, 2020	₱800,000,000	3.750%	March 17, 2021

In addition, the Parent Company also availed short-term loans from Hongkong and Shanghai Banking Corporation (HSBC) amounting to ₱750.00 million during the period but were all paid as at September 30, 2020.

Total interest expense recognized on ACEN's short-term loans amounted to ₱67.15 million and ₱9.24 million for the nine-month period ended September 30, 2020 and 2019, respectively (see Note 25).

Increase in loan through business combination.

Under a Deed of Assignment dated September 14, 2015, SACASOL assigned all its rights over its notes receivable from ISLASOL arising from the sale of Phases 2A and 2B solar power plant projects located in La Carlota City, Negros Occidental in the amount of ₱665.41 million to TLCTI Asia which was used to settle a portion of the liability of SACASOL.

On the same date, ISLASOL made various promissory notes with a total amount of ₱1,475.33 million payable to TLCTI Asia. ISLASOL may prepay the notes, in whole or in part, upon written notice to TLCTI Asia at least three (3) banking days prior to the date of payment. The promissory notes are noninterest-bearing and are payable subject to the terms of the Framework Agreement entered between PINAI and TLCTI Asia dated September 2, 2015.

On May 19, 2020, ISLASOL and TLCTI Asia signed a loan payment agreement where ISLASOL will pay its ₱2,140.73 million loan. TLCTI Asia shall use this payment to pay its subscription of ₱2,780.24 million. The excess over the amount shall be paid in full by TLCTI Asia. The application for increase in authorized capital stocks is still pending as at September 30, 2020. Notes payable to TLCTI Asia amounted to ₱395.71 million and ₱2,140.73 million, as at September 30, 2020 and December 31, 2019, respectively.

18. **Other Noncurrent Liabilities**

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Trade payable (Note 16)	**₱1,123,511**	₱1,123,511
Nontrade payable	**363,162**	1,849,625
Deposit payable	**173,750**	169,773
Asset retirement obligation	**135,587**	26,559
Deferred revenue	**124,730**	107,627
Derivative liability	**79,940**	–
Accrued expenses	**5,000**	12,807
Others	**4,197**	–
	₱2,009,877	₱3,289,902

Nontrade payable decreased due to the reclassification from noncurrent to current of the amount payable to APHPC (see Note 16).

Asset retirement obligation are from the acquisitions of ISLASOL, SACASOL and MSEI.

Deposit payables consist of security deposits from RES Customers refundable at the end of the contract.

Deferred revenue consists of the deferred connection fee related to ISLASOL and the deferred rental income from ISLASOL, SACASOL, MSPDC and Solienda, Inc.

The Group is a party to certain claims and assessments in the ordinary conduct of business. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed on the ground that it can be expected to prejudice the outcome or the Group's position with respect to these matters recorded under accrued expenses.

19. **Equity**

Capital Stock

Following are the details of the Parent Company's capital stock:

	Number of Shares	
	September 30, 2020 (Unaudited)	December 31 2019 (As restated)
Authorized capital stock - ₱1 par value	**24,400,000,000**	8,400,000,000
Issued shares:		
Balance at beginning of period	**7,521,774,922**	4,889,774,922
Issuance of new shares during the period	**6,185,182,288**	2,632,000,000
Balance at end of period	**13,706,957,210**	7,521,774,922

The issued and outstanding shares as at September 30, 2020 and December 31, 2019 are held by 3,182 and 3,192 equity holders, respectively.

The following table presents the track record of registration of capital stock:

Year Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
Prior to 2005*	1,000,000,000	**840,601,987	₱0.01/1.00	₱0.01/1.00
2005	1,000,000,000	264,454,741	1.00	1.00
2007	–	552,528,364	1.00	1.00
2008	–	4,713,558	1.00	1.00
2009	–	304,419	1.00	1.00
2010	–	2,022,535	1.00	1.00
2011	2,200,000,000	1,165,237,923	1.00	1.00
2012	4,200,000,000	2,027,395,343	1.00	1.00
2013	–	6,603,887	1.00	1.00
2014	–	1,283,332	1.00	1.00
2016	–	20,751,819	1.00	1.00
2017	–	3,877,014	1.00	1.00
2019	–	2,632,000,000	1.00	1.00
2020	16,000,000,000	6,185,182,288	1.00	1.00

**On April 7, 1997, par value was increased from ₱0.01 to ₱1.00.*
***Equivalent number of shares at ₱1.00 par.*

Retained Earnings
Retained earnings represent the Group’s accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries, joint venture and associates, which are not available for dividend declaration. Retained earnings not available for dividend declaration included in the Group’s retained earnings to the extent of (a) the cost of treasury shares amounted to ₱53.6 million and ₱27.70 million as at September 30, 2020 and December 31, 2019, respectively, and (b) undistributed earnings of subsidiaries, associates and joint ventures included in the Group’s retained earnings amounted to ₱1,847.15 million and ₱456.18 million as at September 30, 2020 and December 31, 2019, respectively.

Dividends
On August 19, 2020, the BOD approved the declaration of cash dividends of four centavos (₱0.04) per share on the 13,692,457,210 issued and outstanding shares of the Parent Company, or a total dividend amount of ₱547,698,288, paid on September 17, 2020 to the shareholders on record as at September 3, 2020. ₱546,751,517 of the amount declared was paid to the equity holders of the Parent Company.

On March 5, 2020, June 25, 2020 and September 22, 2020, the BOD of Manapla Sun Power Development Corp. approved the declaration of cash dividends amounting to ₱15 million each. These were fully paid on September 8, 2020, July 7, 2020 and October 5, 2020, respectively.

On June 9, 2020, the BOD of Northwind approved the declaration of cash dividends amounting to ₱300 million. This was paid on June 15, 2020.

Treasury Shares
On March 18, 2020, the Board of Directors of the Parent Company approved a share buy-back program to support share prices through the repurchase in the open market of up to ₱1 billion worth of common shares beginning March 24, 2020. As at September 30, 2020, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.

Other Equity Reserves

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Effect of common control business combinations (a)	**(₱5,004,120)**	₱7,903,583
Effect of purchase of SLTEC's 20% share (b)	**(2,229,587)**	(2,229,587)
Effect of purchase of ACEX shares	**(130,854)**	(130,854)
Other equity reserves from joint venture	**17,231**	17,231
Effect of distribution of property dividends - ACEX shares	**1,107**	1,107
	(₱7,346,223)	₱5,561,480

(a) This represents the impact of the share swap transaction with AC Energy to acquire the latter's ownership interest in various entities in exchange for ACEN's issuance of additional primary shares via a tax-free exchange (see Note 5).

(b) This represents the impact of step acquisition where AC Energy assigned to ACEN the purchase of the 20% interest in SLTEC thereby increasing ACEN's ownership of SLTEC to 65% which already qualifies as a controlling interest (see Note 5).

20. Revenue from Sale of Electricity

The table presents the Group's revenue from different revenue streams for the nine months period.

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Revenue from power supply contracts	**₱12,214,453**	₱10,399,544
Revenue from power generation and trading	**2,935,572**	1,393,107
	₱15,150,025	₱11,792,651

Meralco Baseload PSA

On October 22, 2019, Manila Electric Company ("MERALCO") and ACEN filed with the Energy Regulatory Commission ("ERC") a joint application for approval of its baseload Power Supply Agreement ("PSA"). Under the PSA, ACEN will supply, at a fixed rate, 200 MW baseload capacity to MERALCO for ten (10) years from the issuance by the ERC of a provisional approval. Hearings were conducted on January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the baseload PSA between MERALCO and ACEN (the "PA Order"). Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor and not subject to any escalation rate.

On February 7, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate, application of the proposed escalation rate, and retroactive application of the rates.

On May 13, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration ("Order Granting the MR"). The ERC, in its Order Granting the MR, approved a rate of ₱4.2366/kWh at 100% plant capacity factor, allowed 60% of the approved rate to escalate in accordance with ACEN's escalation schedule, and allowed a retroactive recovery of approved rate from December 26, 2019, among others. The Parties have already agreed on the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱618.27 million (see Note 7).

Meralco Mid-Merit PSA

On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of the mid-merit PSA. Under the PSA, ACEN will supply, at a fixed rate, 110 MW mid-merit capacity to MERALCO for five (5) years from the issuance by the ERC of a provisional approval. Hearings were conducted on December 3, 2019, January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the mid-merit PSA between MERALCO and ACEN. Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor.

On February 07, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate and retroactive application of the rates.

On June 1, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration. The ERC, in its Order Granting the MR, approved a rate of ₱4.8763/kWh at 60% plant capacity factor, and allowed a retroactive recovery of approved rate from January 30, 2020, among others. The Parties are finalizing the agreement for the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱158.50 million (see Note 7).

Tariff Adjustment

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020.

Renewable energy subsidiaries under the FIT system which include Guimaras Wind, Monte Solar Energy, Inc. ("MSEI"), SACASOL, and Northwind, accrued the retroactive net revenue adjustment amounting to ₱791.48 million. This will be recovered for a period of five (5) years.

NLR, a renewable energy producer and a joint venture through PhilWind, also accrued the retroactive net revenue adjustment amounting to ₱635.51 million.

Pre-termination fees

Revenues from power supply contract from the nine-month period ended September 30, 2020 include customer pre-termination fees of ₱289.08 million.

21. **Costs of Sale of Electricity**

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Costs of purchased power	**₱4,942,634**	₱8,457,732
Fuel (see Note 8)	**2,180,284**	1,729,253
Depreciation and amortization (Notes 10, 14 and 24)	**1,331,892**	565,339
Repairs and maintenance	**449,126**	268,105
Taxes and licenses	**335,839**	70,161
Salaries and directors' fees (see Note 23)	**320,558**	114,017
Stations used	**245,750**	64,934
Insurance	**236,091**	60,113
Transmission costs	**28,202**	126,396
Rent	**18,032**	13,351
Filing fees	**13,139**	1,204
Pension and other employee benefits (see Note 23)	**9,466**	14,845
Transportation and travel	**3,950**	2,378
Others	**32,580**	207,395
	₱10,147,543	₱11,695,223

22. **General and Administrative Expenses**

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries and directors' fees (see Note 23)	**₱385,420**	₱125,275
Taxes and licenses	**324,610**	93,047
Management and professional fees	**278,045**	69,442
Depreciation and amortization (see Note 24)	**56,733**	14,809
Building maintenance and repairs	**16,409**	11,586
Corporate social responsibilities	**15,718**	2,619
Rent	**8,238**	2,795
Insurance, dues and subscriptions	**8,136**	9,432
Pension and other employee benefits (see Note 23)	**7,339**	13,432
Contractor's fee	**6,019**	1,128
Transportation and travel	**3,374**	3,125
Communication	**2,648**	2,457
Office supplies	**2,571**	2,698
Meeting and conferences	**2,160**	1,178
Provision for probable losses	**432**	34,493
Bank charges	**–**	34,060
Plug and abandonment	**–**	202
Others	**159,797**	12,223
	₱1,277,649	₱434,001

23. Personnel Expenses

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries and directors' fees included under:		
Cost of sale of electricity (see Note 21)	**₱320,558**	₱114,017
General and administrative (see Note 22)	**385,420**	125,275
Pension and other employee benefits included under:		
Cost of sale of electricity (see Note 21)	**9,466**	14,845
General and administrative (see Note 22)	**7,339**	13,432
	₱722,783	₱267,569

24. Depreciation and Amortization

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Property, plant and equipment	**₱1,190,996**	₱543,204
Intangible assets (Note 13)	**106,381**	1,912
Right-of-use assets (Note 14)	**91,248**	35,032
	₱1,388,625	₱580,148
Cost of sale of electricity (Note 21)	**₱1,331,892**	₱565,339
General and administrative expenses (Note 22)	**56,733**	14,809
	₱1,388,625	₱580,148

25. Interest and Other Finance Charges

The details of interest and other finance charges are as follows:

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Interest expense on:		
Long-term loans (Note 17)	**₱1,065,087**	₱528,851
Lease obligations (Note 14)	**107,894**	42,122
Discount in accounts payable	**68,591**	–
Short-term loans (Note 17)	**67,149**	9,236
Amortization of debt issue cost (Note 17)	**30,897**	12,988
Other finance charges	**24,597**	5,091
	₱1,364,215	₱598,288

Discount in accounts payable pertains to the interest expense of ACEN's accounts payable to APHPC in relation to the 20% acquisition of SLTEC (see Notes 16 and 18).

26. **Other Income - Net**

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Foreign exchange gain - net	**₱276,081**	₱4,370
Advisory services	**121,685**	–
Interest and other financial income	**84,206**	77,854
Gain on bargain purchase (Note 4)	**49,970**	–
Gain on sale of by-product	**17,806**	14,885
Gain (loss) on sale of property and equipment	**(3,383)**	292,737
Loss on derivatives - net	**(33)**	–
Gain on sale of investment	**–**	1,375
Gain on sale of asset held for sale	**–**	14,289
Claims on discontinued operations	**–**	236,306
Others	**18,393**	7,046
	₱564,725	₱642,494

Claims on discontinued operations pertain to insurance claimed by SLTEC due to the temporary shutdown of its power plant during 2019.

Gain on sale of by-product includes the gain on sale of fly-ash which is a by-product from coal of SLTEC. It also includes the gain on sale of scrap from the Parent Company and OSPGC.

Financial Income

The details of interest and other financial income are as follows:

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Interest income on:		
Short-term deposits (see Note 6)	**₱43,123**	₱21,973
Receivables and others	**31,806**	29,439
Cash in banks (see Note 6)	**9,277**	2,305
Net gains on financial assets at FVTPL	**–**	24,137
	₱84,206	₱77,854

27. Income Taxes

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statements of income are:

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Current	**₱178,483**	₱69,617
Deferred	**308,828**	(78,484)
Provision for income tax	**₱487,311**	(₱8,867)

Net deferred income tax assets and net deferred income tax liabilities amounted to ₱436.51 million and ₱91.01 million, respectively, as at September 30, 2020 and ₱653.92 million and ₱350.49 million, respectively, as at December 31, 2019.

During the period, aside from the recognition of ₱223 million deferred tax asset (DTA) from NOLCO, DTAs on various elected deductible temporary differences and unused NOLCO have not been recognized as management believes it is not probable that sufficient future taxable income will be available against which the related deferred income tax assets can be used.

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. No provision for credit losses recognized for receivables from related parties recorded for the nine-month period ended September 30, 2020 and year ended December 31, 2019, respectively. The assessment of collectability of receivables from related parties is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply.

The composition of due to/from related parties are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Due from related parties (see Note 7)		
AC Energy	**₱121,958**	₱9
Presage	**49,897**	–
NLREC	**2,920**	–
South Negros Biopower Inc.	**1,585**	–
	₱176,360	₱9
Due to related parties (see Note 16)		
AC Energy	**₱148,263**	₱31,843
MGI	**86,798**	157,965
Ayala Land Inc.	**9,703**	–
Red Creek Properties Inc.	**4,048**	–
Crimson Field Enterprises	**4,398**	–
Asia Coal	**254**	254
Ayala Cooperative	**167**	–
	₱253,631	₱190,062
Due to stockholders (see Note 31)	**₱21,685**	₱16,594
Accrued directors' and annual incentives (see Note 16)	**₱14,374**	₱50

AC Energy
The Parent Company and its subsidiaries BPGC, CIPP and Guimaras Wind have management contracts with PHINMA, Inc. These Management Contracts were assigned to AC Energy on June 25, 2019 through the executed Deed of Assignment.

MGI
The Parent Company purchases the entire net electricity output of MGI.

Presage
The Parent Company paid income taxes on behalf of Presage. These are recorded as advances which are intended to be settled within the year.

Compensation of Key Management Personnel
Compensation of key management personnel of the Group amounted to ₱34.20 million and ₱42.53 million for the nine-month period ended September 30, 2020 and 2019, respectively.

Identification, Review and Approval of Related Party Transactions
All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group's total consolidated assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

29. Earnings (Loss) Per Share

Basic and diluted EPS are computed as follows:

	For the nine-month period ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
(a)	*(In Thousands, Except for Number of Shares and Per Share Amounts)*	
(b) Net income (loss) attributable to equity holders of Parent Company	**₱2,935,091**	(₱229,567)
Common shares outstanding at beginning of period (see Note 19)	**7,521,774,922**	4,889,774,922
Weighted average number of:		
Shares issued during the period	**2,257,365,799**	944,820,513
Shares buyback during the period	**(9,061,646)**	–
(b) Weighted average common shares outstanding	**9,770,079,075**	5,834,595,435
Basic/Diluted earnings (loss) per share (a/b)	**₱0.30**	(₱0.04)

For the nine-month periods ended September 30, 2020 and 2019, the Parent Company does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings (loss) per share is the same as basic earnings (loss) per share for the nine-month period ended September 30, 2020 and 2019.

30. Significant Laws, Commitments and Contracts

Updates to certain contracts and commitments disclosed in the annual consolidated financial statements as at December 31, 2019 and new contracts entered during the nine-month period ended September 30, 2020 are provided below:

Feed-in-Tariff (FIT)

San Lorenzo Wind
On June 10, 2015, the SLWP was issued a Certificate of Endorsement (COE) for Feed-In Tariff Eligibility by the DOE.

On December 1, 2015, Guimaras Wind received its COC from the ERC which entitles Guimaras Wind to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning December 27, 2014, for a guaranteed period of twenty (20) years until December 26, 2034. Outstanding receivable under the FIT System amounted to ₱268.37 million and ₱190.89 million as at September 30, 2020 and December 31, 2019, respectively.

MSEI
On June 13, 2016, the DOE, through its issuance of the COE, certified the MSEI's Solar Farm Project as an eligible project under the FIT system.

On December 28, 2016, MSEI received another provisional authority to operate by the ERC dated December 8, 2016 but this time, as a RE generation company, which allows MSEI to be entitled to a FIT rate of ₱8.69 for a period of twenty (20) years from March 11, 2016.

On February 6, 2017, MSEI received the COC from ERC and accordingly, measured its revenue from energy sales using FIT rate.

ISLASOL
On October 3, 2014, the Board of Investments (BOI) approved the Company's registration as a renewable energy developer of 18 Megawatt (MW) solar power plant (Phase2A) under Renewable Energy Act of 2008 (the Act).

On November 4, 2015, the BOI approved the Company's registration as a renewable energy developer of 14MW solar power plant (Phase2B) and 48MW solar power plant (Phase3) under the Act.

The plant has been completed in 2016 and started commercial operations in March 2016.

SACASOL
On January 7, 2014, the BOI approved the Company's registration as a renewable energy developer of 22 Megawatt (MW) solar power plants (Phases 1A & 1B) under the Renewable Energy Act of 2008 (the Act).

On December 20, 2014, the BOI approved the Company's registration as a renewable energy developer of 23MW solar power plants (Phases 1C & 1D) under the Act.

Pursuant to Section 7 of the Act and Section 5 of its Implementing Rules and Regulations (IRR), the ERC adopts and promulgates the FIT Rules. All renewable energy (RE) plants shall be deemed eligible upon issuance by ERC of a COC authorizing them to operate as FIT-eligible RE plants. Eligible RE plants shall be entitled to the appropriate FITs as established.

On June 4, 2014, the DOE issued the COE for FIT eligibility to endorse the 13MW Phase 1A solar power plant of SACASOL as an eligible project under the FIT system pursuant to the provisions of the Act.

On October 7, 2014, the DOE issued the COE for FIT eligibility to endorse the 9MW Phase 1B solar power plant of ISLASOL as an eligible project under the FIT system pursuant to the provisions of the Act.

On February 9, 2015, the ERC granted the COC to Phase 1A solar power plant with a capacity of 13MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from May 15, 2014 until May 14, 2034. On the same date, ERC granted the COC to Phase 1B solar power plant with a capacity of 9MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from August 16, 2014 to August 15, 2034.

On September 11, 2015, the DOE issued the COE for FIT eligibility to endorse the 23MW Phases 1C and 1D solar power plants of SACASOL as an eligible project under the FIT system pursuant to the provisions of the Act.

On May 4, 2016, ERC granted the COC to Phases 1C and 1D solar power plants with a capacity of 23MW, which entitles SACASOL to the FIT rate of ₱8.69/kWh from September 6, 2015 to September 5, 2035.

NLR
On December 11, 2014, the DOE, through its issuance of the COE, certified the NLR's Wind Farm Project as an eligible project under the FIT system. On April 13, 2015, the ERC issued a COC, which entitles NLR to the FIT rate of ₱8.53 per kWh, as approved by the ERC from November 11, 2014 to November 10, 2034.

Northwind
On July 31, 2007, Northwind and the DOE entered into a Negotiated Commercial Contract (NCC) covering the contract area located in Bangui, Ilocos Norte. As a holder of a valid and existing NCC, Northwind is deemed provisionally registered as an RE Developer under RA 9513. The provisional authority shall subsist until the issuance by the DOE of a Certificate of Registration.

On February 26, 2013, the DOE granted Northwind a Certificate of Registration under Wind Energy Service Contract No. 2012-07-058. The Certificate of Registration served as the basis for its application with the BOI for the grant of incentives under RA 9513. The approval grants an ITH incentive of seven (7) years starting September 2014.

On October 10, 2014, the DOE granted Northwind a Certificate of Endorsement for FIT Eligibility (COE-FIT No. 2014-10-001) for its Phase III expansion project. The endorsement was the basis for the ERC to issue a FIT COC on April 13, 2015.

The tariff on the generation of the original twenty (20) turbines (Phases I & II) is a FIT rate specific to the Northwind of ₱5.76/kWh, as approved by the ERC in its decision dated June 30, 2014. In an Order dated November 7, 2017, the ERC granted Northwind an increase of ₱0.20/kWh, in connection with a Motion for Partial Reconsideration of the Decision dated June 30, 2014, in ERC Case No. 2011-060RC filed by Northwind on December 5, 2014, thereby increasing the FIT rate specific to Phases I & II from ₱5.76/kWh to ₱5.96/kWh.

The FIT specific to Northwind is lower than the national FIT and is valid for twenty (20) years, less the actual years of operation as provided for under the FIT Rules.

The tariff on the six (6) turbines (Phase III) is at ₱8.53/kWh, subject to adjustments as may be approved by the ERC under the FIT rules. The FIT period on the six turbines shall be from October 10, 2014 to October 8, 2034.

<u>Renewable Energy Act of 2008 and FIT rules</u>
On January 30, 2009, Republic Act No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, otherwise known as the "Renewable Energy Act of 2008" (the Act), became effective.

As provided for in the Act, developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to the following incentives, among others:

(a) Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;

(b) Duty-free importation of RE Machinery, Equipment and Materials - Within the first ten (10) years of upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
(c) Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
(d) Net Operating Loss Carry Over (NOLCO) - the NOLCO of the RE developer incurred during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
(e) Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
(f) Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
(g) Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy shall be subject to zero percent (0%) VAT;
(h) Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kWh rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
(i) Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
(j) Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and customs duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act.

In addition, to accelerate the development of emerging renewable energy resources, a FIT system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass will be promulgated which shall include, but not limited to, the following:
(a) Priority connections to the grid for electricity generated from emerging renewable energy resources;
(b) The priority purchase and transmission of, and payment for, such electricity by the grid system operators; and

(c) Determine the fixed tariff to be paid to electricity produced from each type of emerging renewable energy and the mandated number of years for the application of these rates, which shall not be less than twelve (12) years.

The FIT to be set shall be applied to the emerging renewable energy to be used in compliance with the renewable portfolio standard as provided for in the Act and in accordance with the rules to be promulgated by ERC in consultation with the National Renewable Energy Board.

RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB upon registration.

On July 12, 2010, the ERC approved and issued the FIT Rules which provides for the rules and regulations for the determination of the FIT for emerging RE technologies such as biomass, solar, run-of-river hydropower, ocean and wind energy.

On December 16, 2013, the ERC approved Resolution No. 24 of 2013, A Resolution Adopting the Guidelines on the Collection of the Feed-In Tariff Allowance (FIT-All) and Disbursement of the FIT-All Fund.

<u>Service Contracts with the DOE</u>

Solar Energy Service Contract (SESC) (Bugallon, Pangasinan)
On May 22, 2017, the DOE awarded a SESC to the Parent Company, which grants the Parent Company the exclusive right to explore, develop and utilize the solar energy resource in a 648-hectare area in the Municipality of Bugallon, Province of Pangasinan. Pre-development activities, such as, yield assessment, environmental impact study and system impact study are underway and are expected to be completed within the year. The Parent Company hopes to construct a 45MW ground mount fixed-tilt grid tied solar PV plant in the service contract area. The term of the service contract is twenty-five (25) years, extendable for another 25 years. All costs of the Bugallon Solar project were not capitalized as these were costs incurred prior to exploration and development activities.

Solar Energy Service Contract (Lipa City and Padre Garcia, Batangas)
On July 18, 2017, the DOE awarded a SESC to the Parent Company, which grants the Parent Company the exclusive right to explore, develop and utilize the solar energy resource in a 486 hectare area in the City of Lipa and Municipality of Padre Garcia, Province of Batangas. The Parent Company hopes to construct a 45MW ground mount fixed-tilt grid connected solar plant in the service contract area. All technical studies were completed and necessary permits were secured such as the ECC as well as local government endorsement. The term of the service contract is twenty-five (25) years, extendable for another 25 years. All costs of the Lipa and Padre Garcia Solar project were not capitalized as these were costs incurred prior to exploration and development activities.

Solar Energy Service Contract of MSEI
On October 9, 2013, MSEI entered into Solar Energy Service Contract with DOE. Under the Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008 (the “RE Act”), the exclusive right to explore and develop a particular renewable energy area under the said Act shall be through a Renewable Energy Service Contract. MSEI is appointed and constituted by DOE as the party having the exclusive right to explore, develop, and utilize the solar energy resources within the contract area. MSEI may pursue any additional investment or new investment within the contract area and shall be solely responsible for providing the necessary services, technology, equipment and financing for twenty-five (25) years.

One Subic Power’s Facilities Lease Agreement with SBMA
One Subic Power has a lease contract with SBMA for a parcel of land and electric generating plant and facilities. The lease was originally entered on July 20, 2010 and was valid for five years. The agreement was amended on October 24, 2012 to extend the term of the lease to July 19, 2020 with an option to renew for another five years. On December 21, 2017, SBMA informed One Subic Power that its BOD has approved the amendments of the FLA extending the lease term until July 19, 2030. On April 3, 2018, the third amendments were signed and approved.

For the nine-month period ended September 30, 2020 and 2019, OSPGC recognized finance charges on the lease liabilities amounting to ₱26.27 million and nil, respectively. "Finance charges" are part of "Interest and Other Finance Charges" account. OSPGC also recognized rent expense amounting to ₱13.34 million and ₱6.86 million for the nine-month period ended September 30, 2020 and 2019, respectively. "Rent expense" is under "Cost of sale electricity".

Guimaras Wind's Lease Agreement with Various Land Owners
Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are retained with the land owners. These leases are classified as operating leases and have terms of twenty (20) to twenty-five (25) years.

For the nine-month period ended September 30, 2020 and 2019, Guimaras Wind recognized finance charges on the lease liabilities amounting to ₱13.32 million and ₱13.43 million, respectively, included under "Interest and Other Finance Charges" account.

Easements and Right of Way Agreements
In 2014, Guimaras Wind also entered to various easements and right of way agreements with land owners in Guimaras for the erection of transmission lines that will connect the 54 MW wind farm project located in San Lorenzo, Guimaras to the grid. One-off payments made by Guimaras Wind to various land owners to cover the 25-year easement and right of way agreements were recognized as prepaid rent in the consolidated statements of financial position and amortized over the term of the lease. The amortization of the lease during the construction period was capitalized as part of the cost of the wind farm.

Guimaras Wind recognized rent expense of nil and ₱1.76 million for the nine-month period ended September 30, 2020 and 2019 respectively, included in "Rent" account under "Cost of sale of electricity" (see Note 21).

The rent expense recognized for 2019 was from the short-term lease of Land Lot 1832-C-2 which expired on December 19, 2019.

ACEN's Agreement on Assignment of Contract of Lease
On November 20, 2019, the Parent Company, AC Energy, Ayala Land, Inc. (ALI) and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. AC Energy assigned a portion of its office unit and parking slots effective September 1, 2019. The lease is until May 31, 2022. The lease is at a fixed monthly rate of ₱0.83 million and ₱0.01 million for the office unit and parking slots, respectively with an escalation rate of 5% every year, beginning on the second year. For the nine-month period ended September 30, 2020, ACEN recognized finance charges on the lease liabilities amounting to ₱0.82 million, included under "Interest and Other Finance Charges" account.

SLTEC's Contract of Lease for Office Space
On December 19, 2019, SLTEC notified the lessor of their intent to pre-terminate their office lease contract effective June 30, 2020. SLTEC remeasured the lease liability and ROU asset as a result of the termination of the contract (see Note 14).

SACASOL's Contract of Lease for Land Phases 1A & 1B
On March 7, 2014, SACASOL entered into a lease agreement with San Julio Realty, Inc. (SJRI) for the lease of 35 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of Phase 1A and Phase 1B solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area delineated for Phase 1A for a period of 25 years. The area delineated for Phase 1B shall be held for the remaining term of the agreement upon the receipt of notice by the Company.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period, respectively. The lease modification did not result in a separate lease.

SACASOL's Contract of Lease for Land - Phases 1C and 1D
On October 21, 2014, SACASOL entered into a lease agreement with SJRI for the lease of 32.4214 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of Phases 1C and 1D solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area for a period of 25 years.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period. The lease modification did not result in a separate lease.

ISLASOL's Contract of Lease for Land - Phases 2A & 2B
Part of the acquisition of solar power plant projects from SCSEI is a lease agreement with Roberto J. Cuenca, Sr., (the Lessor) executed on June 5, 2014 for the lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental as site for the construction and operations of Phases 2A and 2B solar power plant projects of ISLASOL. Upon execution of the agreement, ISLASOL shall hold the land area delineated for a period of 25 years.

ISLASOL's Contract of Lease for Land - Phase 3
On September 1, 2015, ISLASOL entered into a lease agreement with MSPDC (the Lessor) for the lease of approximately 638,193 sq.m. of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental. The term of the lease shall be for a period of 25 years upon written notice served upon the Lessor by ISLASOL not earlier than one 1 year but not later than 3 months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties 3 months before the expiration of the original period of lease. ISLASOL has the sole option to extend the term of the lease.

MSEI's Contract of Lease for Land
On September 2, 2015, MSEI entered into a lease agreement with Montenegro Brothers Agricultural Corporation for 21.45 hectares of land located in Barrio Alanginlanan, Bais, Negros Oriental as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 25 years, with a monthly rental payment of P7.00 per square meter, exclusive of VAT, and subject to annual adjustment based on actual inflation rate covering subject period as published/ pronounced by National Economic Development Authority or equivalent agency. The period of lease may be extended, under the same terms and conditions, at the sole discretion of MSEI for up to another 25 years.

Solarace1's Contract of Lease for Land
On September 30, 2019, Solarace1 entered into a lease agreement with Ayala Land Inc., Crimson Field Enterprises Inc., and Red Creek Properties Inc., for 106.59 hectares of land located in Barangay San Andres, Alaminos, Laguna as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 21 years, with a monthly rental payment of ₱15.45 per square meter, exclusive of VAT. The rental fee shall be subject to annual adjustment of whichever is higher between 3% per annum and the rate of increase of real property tax where the property is located. The period of lease may be extended, under the same terms and conditions, at the sole discretion of Solarace1 for up to another 21 years.

Northwind's Contract of Lease for Rental of Office Space
In August 2017, Northwind's Metro Manila Administrative Office transferred to Makati. A new contract of lease was signed on September 18, 2017 with 6750 Ayala Avenue Joint Venture (AAJV) for a period of 5 years by NLR, an affiliate of Northwind.

An Agreement on the Assignment of Lease was signed between NLR and Northwind on November 20, 2017. NLR assigned half of the lease premises of 123.8 sq. meters to the Northwind, with a monthly rental of ₱0.12 million subject to 5% annual escalation rate.

In January 2020, Northwind assigned the contract of lease with 6750 AAJV to AC Energy Philippines, Inc.

31. **Financial Risk Management Objectives and Policies**

Objectives and Investment Policies
The funds of the entities are held directly by the Group and are managed by AC Energy's Risk, Corporate Finance, Investor Relations and Treasury Group (RCIT).

All cash investments of the Group are carried and governed by the following principles, stated in order of importance:

- Preservation of invested cash
- Liquidity of invested cash; and
- Yield on invested cash. Under no circumstance is yield to trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments

RCIT manages the funds of the Group and invests them in highly liquid instruments such as short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, and trust funds denominated in Philippine peso and U.S. dollar. It is responsible for the sound and prudent management of the Group's financial assets that finance the Group's operations and investments in enterprises.

RCIT focuses on the following major risks that may affect its transactions:

- Foreign exchange risk
- Credit or counterparty risk
- Liquidity risk
- Market risk
- Interest rate risk

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Group.

Risk Management Process

Foreign Exchange Risk
The Group defines foreign exchange risk as the risk of realizing reduced operating cash flows and/or increasing the volatility of future earnings from movements in foreign exchange. The risk is measured based on potential downside impact of market volatility to operating cash flows and target earnings.

Foreign exchange risk is generally managed in accordance with the Natural Hedge principle and further evaluated through:

- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange;
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts; and
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.

In the event that a Natural Hedge is not apparent, the Group endeavors to actively manage its open foreign currency exposures through:

- Trading either by spot conversions; and
- Entering into derivative forward transactions on a deliverable or non-deliverable basis to protect values

The Group's significant foreign currency-denominated financial assets and financial liabilities as at September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020 (Unaudited)			December 31, 2019 (As restated)		
	U.S. Dollar (US$)	**Euro (€)**	**Sing (S$)**	U.S. Dollar (US$)	Euro (€)	**Sing (S$)**
Financial Assets						
Cash and cash equivalents	**$20,115**	**€–**	**S$–**	$15,051	€–	S$–
Short-term investments	–	–	–	2,776	–	–
Other receivables	–	–	–	441	–	31
	$20,115	–	–	18,268	–	S$31
Financial Liabilities						
Accounts payable and other current liabilities	**(4,300)**	**(258)**	**(487)**	(1,416)	(615)	(43)
Short-term loans	**(100,000)**	–	–	–	–	–
	(104,300)	**(258)**	**(487)**	(1,416)	(615)	(43)
Net foreign currency-denominated assets (liabilities)	**($84,185)**	**(€258)**	**($487)**	$16,852	(€615)	(S$12)
Peso equivalent	**(₱4,080,447)**	**(₱14,683)**	**(₱17,250)**	₱855,070	(₱34,692)	(₱450)

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were ₱48.47 to US$1.00, ₱56.91 to €1.00 and ₱35.42 to S$1.00 as at September 30, 2020 and ₱50.74 to US$1.00, ₱56.41 to €1.00 and ₱37.49 to S$1.00 as at December 31, 2019.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's profit before tax (due to the changes in the fair value of monetary assets and liabilities) in 2020 and 2019. The possible changes are based on the survey conducted by management among its banks. There is no impact on the Group's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives.

Pertinent Period	Increase (Decrease) in Foreign Exchange Rate	US$	Euro (€)	Sing (S$)
2020	**(₱0.50)**	**₱42,093**	**₱129**	**(S$243)**
	(1.00)	**84,185**	**258**	**(487)**
	0.50	**(42,093)**	**(129)**	**243**
	1.00	**(84,185)**	**(258)**	**487**
2019	(₱0.50)	(₱8,426)	(₱725)	₱6
	(1.00)	(16,852)	(1,450)	12
	0.50	8,426	725	(6)
	1.00	16,852	1,450	(12)

Credit or Counterparty Risk
The Group defines Credit or Counterparty Risk as the risk of sustaining a loss resulting from a counterparty's default to a transaction entered with the Group.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks subject to investment limits per counterparty as approved by the Board.
- Discussions are done on every major investment by RCIT before it is executed subject to the Group's Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and RCIT Finance Managers supervise major transaction executions.
- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.
- A custodian bank for Philippine peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.

With respect to credit risk arising from the receivables of the Group, its exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	September 30, 2020 (Unaudited)					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Trade and other receivables						
Current:						
Trade receivables	**₱2,951,422**	**₱–**	**₱–**	**₱945,710**	**₱80,991**	**₱3,978,123**
Due from related parties	–	**2,554**	–	**173,806**	–	**176,360**
Others	–	**1,124,165**	–	**633,845**	**85,984**	**1,843,994**
Noncurrent						
Trade receivables	–	–	–	**2,003,782**	**13,752**	**2,017,534**
Receivables from third parties	–	**423,352**	–	–	–	**423,352**
	₱2,951,422	**₱1,550,071**	**₱–**	**₱3,757,143**	**₱180,727**	**₱8,439,363**

	December 31, 2019 (As restated)					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Trade and other receivables						
Current:						
Trade receivables	₱1,944,167	₱–	₱411,139	₱208,592	₱81,023	₱2,644,921
Due from related parties	9	–	–	–	–	9
Others	–	96,641	27,598	434,240	85,984	644,463
Noncurrent						
Trade receivables	–	–	–	1,123,511	13,751	1,137,262
Receivables from third parties	–	423,705	12,564	–	–	436,269
	₱1,944,176	₱520,346	₱451,301	₱1,766,343	₱180,758	₱4,862,924

The Group uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Customers with excellent paying habits
Class B	Customers with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, short-term investments, financial assets at FVOCI and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group's assessments of the credit quality of its financial assets are as follows:

- Cash and cash equivalents, short-term investments and derivative assets were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.
- Listed and unlisted financial assets at FVOCI were assessed as high grade since these are investments in instruments that have a recognized foreign or local third-party rating or instruments which carry guaranty or collateral.

There are no significant concentrations of credit risk within the Group.

Maximum exposure to credit risk of financial assets not subject to impairment
The gross carrying amount of financial assets not subject to impairment also represents the Group's maximum exposure to credit risk which mainly pertains to financial assets at FVOCI amounting to ₱1.25 million and ₱533.14 million as at September 30, 2020 and December 31, 2019.

Maximum exposure to credit risk of financial assets subject to impairment
The gross carrying amount of financial assets subject to impairment are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (As restated)
Financial Assets at Amortized Cost		
(Portfolio 1)		
Cash and cash equivalents	**₱6,340,468**	₱9,592,576
Short-term investments	–	100,000
Under “Receivables” account		
Trade receivables	**3,978,123**	2,644,921
Due from related parties	**176,360**	9
Others	**1,843,994**	644,463
Under “Other Noncurrent Assets” account		
Trade receivables	**2,017,534**	–
Receivables from third parties	**423,352**	436,269
Deposits and advances to suppliers	**1,037,974**	415,332
	₱15,817,805	₱13,833,570

The Group’s maximum exposure to credit risk are as follows:

	September 30, 2020 (Unaudited)				
	12-month	**Lifetime ECL**			**Total**
Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified Approach**	
High	**₱6,340,468**	**₱–**	**₱–**	**₱5,995,657**	**₱12,336,125**
Standard	**–**	**–**	**–**	**–**	**–**
Substandard	**–**	**–**	**–**	**–**	**–**
Default	**–**	**–**	**–**	**13,752**	**13,752**
Gross carrying amount	**6,340,468**	**–**	**–**	**6,009,409**	**12,349,877**
Less loss allowance	**–**	**–**	**–**	**166,975**	**166,975**
Carrying amount	**₱6,340,468**	**₱–**	**₱–**	**₱5,842,434**	**₱12,182,902**

	December 31, 2019 (As restated)				
	12-month	Lifetime ECL			Total
Grade	Stage 1	Stage 2	Stage 3	Simplified Approach	
High	₱8,219,484	₱–	₱–	₱3,094,449	₱11,313,933
Standard	–	–	–	–	–
Substandard	–	–	–	–	–
Default	–	–	–	120,262	120,262
Gross carrying amount	8,219,484	–	–	3,214,711	11,434,195
Less loss allowance	–	–	–	167,007	167,007
Carrying amount	₱8,219,484	₱–	₱–	₱3,047,704	₱11,267,188

Liquidity Risk
Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:

- Asset and Liability Management principle. Short-term assets are used to fund short-term liabilities while major investments, capital expenditures and long-term assets are funded by long-term liabilities.
- Detailed cash flow forecasting and continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Group.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Group's plans. Average duration of investments does not exceed one (1) year.
- Setting up working capital lines to address unforeseen cash requirements that may cause pressure to liquidity.

	September 30, 2020 (Unaudited)					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than 1 Year to 5 Years**	**More than 5 Years**	**Total**
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	**₱–**	**₱1,552,847**	**₱3,422,108**	**₱–**	**₱–**	**₱4,974,955**
Retention payable	**–**	**–**	**45,963**	**–**	**–**	**45,963**
Accrued expenses [a]	**–**	**277,930**	**259,353**	**–**	**–**	**537,283**
Accrued interest	**–**	**51,112**	**190,935**	**–**	**–**	**242,047**
Due to related parties	**–**	**151,501**	**102,129**	**–**	**–**	**253,630**
Derivative liability	**–**	**129,494**	**–**	**–**	**–**	**129,494**
Others	**–**	**5,377**	**–**	**–**	**–**	**5,377**
Short-term loans	**–**	**–**	**6,767,473**	**–**	**–**	**6,767,473**
Due to stockholders	**–**	**21,685**	**–**	**–**	**–**	**21,685**
Lease liabilities [b]	**–**	**41,401**	**138,855**	**785,762**	**2,664,923**	**3,630,941**
Long-term loans [c]	**–**	**770,801**	**1,363,150**	**10,752,416**	**21,823,679**	**34,710,046**
Other noncurrent liabilities	**–**	**–**	**–**	**735,464**	**1,274,411**	**2,009,875**
	₱–	**₱3,002,148**	**₱12,289,966**	**₱12,273,642**	**₱25,763,013**	**₱53,328,769**

[a] *Excluding current portion of vacation and sick leave accruals.*
[b] *Gross contractual payments.*
[c] *Including contractual interest payments.*

	December 31, 2019 (As restated)					
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	Total
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱–	₱1,131,160	₱2,008,782	₱–	₱–	₱3,139,942
Retention payable	–	2,377	–	–	–	2,377
Accrued expenses [a]	23,942	35,912	83,587	–	–	143,441
Accrued interest	–	34,405	103,213	21,472	–	159,090
Due to related parties	–	142,546	47,516	–	–	190,062
Derivative liability	–	21,060	–	–	–	21,060
Accrued directors' and annual incentives	50	–	–	–	–	50
Others [b]	13,902	10,264	170,189	–	–	194,355
Due to stockholders	16,594	–	–	–	–	16,594
Lease liabilities [c]	–	8,386	25,157	105,206	842,789	981,538
Long-term loans [d]	–	296,922	296,925	8,076,832	14,248,767	22,919,446
Other noncurrent liabilities	–	–	–	2,370,914	918,988	3,289,902
	₱54,488	₱1,683,032	₱2,735,369	₱10,574,424	₱16,010,544	₱31,057,857

[a] *Excluding current portion of vacation and sick leave accruals amounting to ₱6.94 million.*
[b] *Excluding payable to officers and employees amounting to ₱9.21 million.*
[c] *Gross contractual payments.*
[d] *Including contractual interest payments.*

As at September 30, 2020 and December 31, 2019, the profile of financial assets used to manage the Group's liquidity risk is as follows:

	September 30, 2020 (Unaudited)				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Current:					
Cash and cash equivalents	**₱6,342,176**	**₱–**	**₱–**	**₱–**	**₱6,342,176**
Receivables:					
Trade	**2,951,423**	**490,460**	**506,129**	**30,111**	**3,978,123**
Due from related parties	**2,555**	**–**	**173,805**	**–**	**176,360**
Others	**1,124,165**	**18,750**	**564,216**	**136,863**	**1,843,994**
Noncurrent:					
Trade receivables	**–**	**–**	**–**	**2,003,782**	**2,003,782**
Receivable from third parties	**–**	**–**	**–**	**423,352**	**423,352**
Deposit receivables	**–**	**–**	**–**	**120,178**	**120,178**
Derivative assets	**–**	**689**	**–**	**–**	**689**
Financial assets at FVOCI:					
Quoted	**–**	**–**	**–**	**21**	**21**
Unquoted	**–**	**–**	**–**	**1,230**	**1,230**
	₱10,420,319	**₱509,899**	**₱1,244,150**	**₱2,715,537**	**₱14,889,905**

	December 31, 2019 (As restated)				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Current:					
Cash and cash equivalents	₱9,593,248	₱–	₱–	₱–	₱9,593,248
Short-term investments	100,000	–	–	–	100,000
Receivables:					
Trade	1,944,166	289,616	411,139	–	2,644,921
Due from related parties	9	–	–	–	9
Others	96,641	520,223	27,599	–	644,463
Deposit receivables*	–	–	77,284	–	77,284
Noncurrent:					
Trade receivables	1,123,511	–	–	–	1,123,511
Receivable from third parties	–	12,564	–	423,705	436,269
Deposit receivables	–	–	–	109,419	109,419
Derivative assets	–	33	–	–	33
Financial assets at FVOCI:					
Quoted	–	–	–	21	21
Unquoted	–	–	–	533,116	533,116
	₱12,857,575	₱822,436	₱516,022	₱1,066,261	₱15,262,294

**Excluding nonrefundable deposits amounting to nil and ₱13.52 million as at December 31, 2019.*

Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rates and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2020 and December 31, 2019, the Group has fixed rate financial instruments measured at fair value.

The Group's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Group generally mitigates risk of changes in market interest rates by constantly monitoring fluctuations of interest rates and maintaining a mix of fixed and floating interest-bearing loans. Specific interest rate risk policies are as follows:

ACEN
In 2019, the Parent Company availed a ₱5.00 billion loan with BDO with a term of ten (10) years payable in semi-annual installments. The loan has a fixed interest rate for the first five (5) years and is subject to be repriced for the succeeding five (5) years.

On July 10, 2020, the Parent Company entered into a term loan agreement with CBC amounting to ₱7.00 billion. The loan has a term of ten (10) years with an option to choose the pricing structure prior to each drawdown. As at September 30, 2020, the Parent Company has drawn ₱1.50 billion and is subject to a fixed interest rate of 5% for ten (10) years with no repricing. The undrawn portion of the term loan facility amounting to ₱5.50 billion is still subject to interest rate risk depending on the pricing structure to be selected once drawdown is made.

Commodity Price Risk
The Group defines Commodity Price Risk as the risk of realizing reduced profit margins and/or increasing the volatility of future earnings that are affected by the pricing variability and uncertainty in coal supply and any associated foreign exchange risk. The risk is measured based on potential downside impact of market volatility to target earnings.

To manage Commodity Price Risk, the Group develops a Coal and Fuel Hedging Strategy aimed to:
- Manage the risk associated with unexpected increase in coal and fuel prices which affect the target Profit & Loss of the Group
- Determine the Hedge Item and appropriate Hedging Instrument to use, including but not limited to price, amount and tenor of the hedge to reduce the risk to an acceptable level
- Reduce Mark-to-Market impact of hedges by qualifying the hedging transaction for hedge accounting

Only the Group's Chief Executive Officer and Chief Finance Officer are authorized to make coal and fuel hedging decisions for the Group. All executed hedges go through a stringent approval process to justify the tenor, price and volume of the hedge to be undertaken.

Monitoring and assessment of the hedge effectiveness and Coal and Fuel Hedging Strategy are reviewed quarterly during the Group's Finance Committee (FINCOM). Continuation, addition, reduction and termination of existing hedges are decided by the FINCOM and any material change in permissible hedging instrument, counterparties and limits are elevated to the Board for approval.

As at September 30, 2020 and December 31, 2019, the Group's outstanding fuel and coal hedge volumes and resulting derivative asset and liability are as follows:

Fuel

	September 30, 2020 (Unaudited)		**Test of Effectiveness**
	In Metric Tons (MT)	**U.S. Dollar (US$)**	
Derivative Assets	**550**	**14**	**100%**
BAP closing rate		**48.49**	
Peso equivalent		**₱689**	

Coal

	September 30, 2020 (Unaudited)		Test of
	In Metric Tons (MT)	U.S. Dollar (US$)	Effectiveness
Derivative Liabilities	**404,000**	**(4,320)**	**100%**
BAP closing rate		**48.48**	
Peso equivalent		**(₱209,434)**	

	December 31, 2019		Test of
	In Metric Tons (MT)	U.S. Dollar (US$)	Effectiveness
Derivative Liabilities	135,000	(414)	100%
BAP closing rate		50.82	
Peso equivalent		(₱21,040)	

The portion of gain or loss on the hedging instrument amounting to ₱187.69 million that is determined to be effective is recognized in other comprehensive income as at September 30, 2020.

Equity Price Risk
Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVOCI.

Monitoring of Risk Management Process
Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Monthly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Weekly market reports are submitted to the Management Committee that includes an updated summary of global and domestic events of the past month and the balance of the year.
- Annual teambuilding sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.
- Periodic specialized audit is performed to ensure active risk oversight.

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

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

During 2019, the Parent Company availed a ₱5.00 billion loan with BDO. During 2020, the Parent company availed short-term loans amounting to $100 million with ACRI and ₱2.55 million from various banks. The Parent company also availed a ₱1.50 billion term loan from CBC. In relation to these loans, the Parent Company closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

32. **Fair Values**

The table below presents the carrying values and fair values of the Group's financial assets and financial liabilities, by category and by class, as at September 30, 2020 and December 31, 2019:

	September 30, 2020 (Unaudited)			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Financial assets at FVOCI	**₱1,251**	**₱21**	**₱1,230**	**₱–**
Derivative asset*	**689**	**–**	**689**	**–**
Refundable deposits**	**120,178**	**–**	**–**	**120,178**
Trade Receivables***	**1,544,487**	**–**	**–**	**1,544,487**
Receivables from third parties****	**2,131,226**	**–**	**–**	**2,131,226**
	₱3,797,831	**₱21**	**₱1,919**	**₱3,795,891**
Liabilities				
Long-term debt	**₱24,129,626**	**₱–**	**₱26,737,477**	**₱–**
Deposit payables and other liabilities*****	**178,875**	**–**	**–**	**178,875**
Derivative liability	**209,434**	**–**	**209,434**	**–**
Lease liabilities	**1,847,017**	**–**	**1,529,157**	**–**
	₱26,364,952	**₱–**	**₱28,476,068**	**₱178,875**

** Included under "Other current assets" account.*
*** Included under "Other current assets" and "Other noncurrent assets" accounts.*
**** Included under "Receivables" and "Other noncurrent assets" accounts and pertain to FIT adjustments only.*
***** Included under "Receivables" and "Other noncurrent assets" accounts.*
****** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

	December 31, 2019 (As restated)			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Financial assets at FVOCI	₱533,137	₱21	₱533,116	₱–
Derivative asset*	33	–	33	–
Refundable deposits**	109,419	–	–	109,419
Receivables from third parties***	840,219	–	–	840,219
	₱1,482,808	₱21	₱533,149	₱949,638
Liabilities				
Long-term debt	₱22,919,446	₱–	₱23,487,779	₱–
Deposit payables and other liabilities****	169,773	–	–	169,773
Derivative liability	21,060	–	21,060	–
Lease liabilities	981,538	–	742,267	–
	₱24,091,817	₱–	₱24,251,106	₱169,773

** Included under "Other current assets" account.*
*** Included under "Other current assets" and "Other noncurrent assets" accounts.*
**** Included under "Receivables" and "Other noncurrent assets" accounts.*
***** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

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

Cash and Cash Equivalents, Short-term Investment, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders
The carrying amounts of cash and cash equivalents, short-term investment, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Financial Asset at FVOCI
Quoted market prices have been used to determine the fair values of quoted financial assets at FVOCI.

Refundable Deposits, Deposits Payable and Other Liabilities
Estimated fair value is based on present value of future cash flows discounted using the prevailing PDST-R2 rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Long-Term Loans
The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows ranged from 3.42% to 6.08%.

Lease liabilities
Estimated fair value of lease liabilities is based on the present value of future cash flows, discounted using the prevailing risk-free rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period. The discount rates used range from 3.05% to 5.88% as at September 30, 2020.

Derivative asset and liability
The fair value of the derivative asset and liability is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for risks existing at the end of each reporting period.

33. Operating Segments

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

The scope of the operating segments has been modified following the changes in the organization due to various acquisitions (see Notes 1, 2, 4 and 5).

- Power segment has been renamed to "Philippines" and now includes the Commercial Operations, Renewables and Thermal and Diesel entities.
- Petroleum has been aggregated with a new segment "Parent and Others". This segment now includes ACEN parent, ACE Enexor parent and Palawan55.

2019 comparative segment information has been restated.

No operating segments have been aggregated to form the above reportable operating segments.

	For the nine-month period ended September 30, 2020 (Unaudited)			
	Parent and Others	Philippines	Intersegment Eliminations	Consolidated
Revenue				
Revenue from sale of electricity	₱–	₱19,776,998	(₱4,626,973)	₱15,150,025
Rental income	–	137,967	(66,304)	71,663
Other revenues	37,200	65,413	(76,024)	26,589
	37,200	19,980,378	(4,769,301)	15,248,277
Costs and expenses				
Cost of sale of electricity	–	14,724,731	(4,577,188)	10,147,543
General & administrative expenses	608,852	589,568	79,229	1,277,649
	608,852	15,314,299	(4,497,959)	11,425,192
Equity in net income of associates and a joint venture	–	13,667	471,524	485,191
Interest and other finance charges	(506,100)	(913,313)	55,198	(1,364,215)
Other income (expense)	407,701	36,180	120,844	564,725
Net income before income tax	(670,051)	3,802,613	376,224	3,508,786
Provision for (benefit from) income tax	46,110	675,409	(234,208)	487,311
Segment net income (loss)	(₱716,161)	₱3,127,204	₱610,432	₱3,021,475

	As at September 30, 2020 (Unaudited)			
Operating assets	₱43,593,233	₱66,460,747	(₱47,298,436)	₱62,755,544
Operating liabilities	₱20,369,019	₱36,238,861	(₱14,270,552)	₱42,337,328
Other disclosure:				
Depreciation and Amortization	₱15,877	₱1,466,987	(₱4,774)	₱1,478,089

	For the nine-month period ended September 30, 2019 (Unaudited)			
	Parent and Others	Philippines	Intersegment Eliminations	Consolidated
Revenue				
Revenue from sale of electricity	₱–	₱12,995,228	(₱1,202,577)	₱11,792,651
Rental income	1,358	45,504	–	46,862
Dividend income	7,585	17,823	–	25,408
	8,943	13,058,555	(1,202,577)	11,864,921
Costs and expenses				
Cost of sale of electricity	–	12,897,800	(1,202,577)	11,695,223
General & administrative expenses	180,948	253,053	–	434,001
	180,948	13,150,853	(1,202,577)	12,129,224
Equity in net income (loss) of associates and a joint venture	(79,100)	–	73,349	(5,751)
Interest and other finance charges	(219,682)	(378,606)	–	(598,288)
Other income (expense)	345,961	296,533	–	642,494
	47,179	(82,703)	73,349	38,455
Net income (loss) before income tax	(124,826)	(174,371)	73,349	(225,848)
Provision for (benefit from) income tax	(63,303)	54,436	–	(8,867)
Segment net income (loss)	(₱61,523)	(₱228,807)	₱73,349	(₱216,981)

	As at December 31, 2019 (As restated)			
Operating assets	₱20,924,454	₱42,213,640	(₱14,600,551)	₱48,537,543
Operating liabilities	₱13,152,089	₱ 20,156,697	(₱1,351,	₱31,957,524262)
Other disclosure:				
Depreciation and Amortization	₱10,476	₱469,239	₱102,345	₱582,060

Adjustments and Eliminations

Interest and other financial income, including fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Likewise, certain operating expenses and finance-related charges are managed on a group basis and are not allocated to operating segments.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditures consist of additions to property, plant and equipment. Investments and advances consist of investments and cash advances to the Company's associates and joint venture.

Reconciliation of profit

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Segment total profit (loss) before adjustments and eliminations	**₱2,411,044**	(₱290,330)
Dividend income	–	25,408
Rent income	**71,663**	46,862
Interest and other financial charges	**(1,364,215)**	(598,288)
Interest and other financial income	**564,725**	642,494
Other income (loss) - net	**1,338,258**	(43,127)
Income before income tax	**₱3,021,475**	(₱216,981)

Other income - net include foreign exchange gain (loss), gain (loss) on sale of property, plant and equipment and financial assets at FVOCI, provision for probable losses, gain (loss) on derivatives and other miscellaneous income (expense) which are managed on a group basis and are not allocated to operating segments.

34. Supplemental Cash Flows Information

The non-cash investing activities of the Group for the nine-month period ended September 30, 2020 and 2019 are as follow:

	September 30, 2020 (Unaudited)	September 30, 2019 (Restated)
Acquired through business combination (Note 4):		
Property, plant and equipment	**₱2,119,796**	₱19,860,741
Right-of-use assets	**996,101**	229,377
Other noncurrent assets	**8,383**	661,132
Non-cash additions to property, plant and equipment	**1,124,104**	94,228
Reclassifications to (from):		
Creditable withholding taxes	**53,069**	–
Asset held for sale	**(3,546)**	–
Property, plant and equipment	**(1,247)**	(133,883)
Right-of-use assets	**–**	118,183

Movements in the Group's liabilities from financing activities for the nine-month period ended September 30, 2020 and 2019 are as follows:

	January 1, 2020 (as Adjusted, Unaudited)	**Availments/ Proceeds**	**Payments**	**Others**	**September 30, 2020**
Current portion of:					
Short-term loans	**₱3,556**	**₱7,671,500**	**(₱753,556)**	**₱120,709**	**₱7,042,209**
Long-term loans	**593,847**	**–**	**(593,847)**	**745,474**	**745,474**
Lease liabilities	**128,796**	**–**	**(141,155)**	**270,706**	**258,347**
Interest payable	**159,090**	**–**	**(1,142,466)**	**1,225,423**	**242,047**
Dividends payable	**–**	**–**	**(658,669)**	**658,669**	**–**
Due to stockholders	**16,594**	**5,091**	**–**	**–**	**21,685**
Noncurrent portion of:					
Long-term loans	**22,325,599**	**3,800,000**	**(1,996,968)**	**(744,479)**	**23,384,152**
Lease liabilities	**852,742**	**–**	**–**	**735,928**	**1,588,670**
Other noncurrent liabilities	**1,280,027**	**153,541**	**–**	**576,309**	**2,009,877**
Total liabilities from financing activities	**₱25,360,251**	**₱11,630,132**	**(₱5,286,661)**	**₱3,588,739**	**₱35,292,461**

	January 1,2019	Payments	Others	September 30, 2019
Current portion of:				
Short-term loans	₱400,000	(₱400,000)	₱–	₱–
Long-term loans	265,460	(265,460)	532,459	532,459
Lease liabilities	35,426	(63,769)	44,810	16,467
Interest payable	79,297	(576,161)	553,525	56,661
Due from stockholders	16,651	(1,472)	32,415	47,594
Noncurrent portion of:				
Long-term loans	6,071,473	(931,405)	12,587,513	17,727,581
Lease liabilities	536,889	–	173,051	709,940
Total liabilities from financing activities	₱7,405,196	(₱2,238,267)	₱13,923,773	₱19,090,702

Short-term loans include ₱2,140.73 million assumed through the business combination of ISLASOL, with a carrying amount of ₱395.71 million as at September 30, 2020.

35. Contingencies

Tax assessments:

a. On August 20, 2014, ACEN distributed cash and property dividends in the form of shares in ACE Enexor after securing SEC's approval of the registration and receipt of Certificate Authorizing Registration (CAR) from the BIR.

On October 22, 2014, ACEN received from the BIR a Formal Letter of Demand (FLD), assessing ACEN for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

On November 21, 2014, ACEN and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

1) The dividend distribution is a distribution of profits by ACEN to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of ACEN;
2) ACEN did not realize any gain or increase its wealth as a result of the dividend distribution; and,
3) There was no donative intent on the part of ACEN.

On May 27, 2015, ACEN received from the BIR a Final Decision on Disputed Assessment (FDDA) denying the protest. On June 25, 2015, ACEPH filed with the CTA a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment.

In its decision dated September 28, 2018, the CTA granted ACEN's petition and ordered the cancellation and withdrawal of the FLD. On January 18, 2019, the CTA denied the Commissioner of Internal Revenue's (CIR's) motion for reconsideration. On February 22, 2019, the CIR filed a petition for review with the CTA en banc seeking the reversal of the CTA Third Division's decision dated September 28, 2018 and resolution dated January 18, 2019. On July 21, 2020, the CTA en banc upheld the decision of the Third Division and denied the CIR's petition. The CIR filed a motion for reconsideration dated August 26, 2020. In response, ACEN filed its Comment/ Opposition. As at November 11, 2020, the CIR's motion for reconsideration has not been resolved by the CTA en banc.

b. NLR is a party to several cases involving the assessment and collection by the Provincial Treasurer of real property tax on the wind turbine generators, civil works, equipment, machinery, and transmission lines of NLR located in the municipalities of Pagudpud, Bacarra, Burgos, Pasuquin and Bangui. NLR was assessed real property tax at a rate of 2% or an aggregate amount of ₱411.01 million for years 2015 to 2019. NLR paid under protest the real property taxes thereon and filed a protest questioning the imposition of 2% tax rate on its renewable energy (RE) facilities, and the penalty assessed for the real property taxes for the year 2015. Under Republic Act No. 1953, otherwise known as Renewable Energy Act of 2008, realty and other taxes on civil works, equipment, machinery, and other improvements of a Registered RE Developer actually and exclusively used for RE facilities shall not exceed 1.5% of their original cost less accumulated normal depreciation or net book value.

   In 2017, the Central Board Assessment Appeals (CBAA) ruled in favor of NLR stating that NLR can recover the real property tax paid in year 2015 to 2016 and the penalty pain in 2015 totaling ₱50.96 million. In a decision dated February 26, 2020, the Court of Tax Appeals upheld the CBAA ruling and ruled in favor of NLR. The decision is not yet final and executory.

   As at September 30, 2020, the 2017 to 2020 real property tax protest, with an aggregate amount of ₱58.24 million, is still pending decision with the Local Board Assessment Appeals of Ilocos Norte.

<u>Claims for tax refund</u>

a. On August 15, 2016, Guimaras Wind filed with the BIR a letter and application for tax credits or refund for the Guimaras Wind's excess and unutilized input VAT for the period July 1, 2014 to June 30, 2015 amounting to ₱335.76 million attributable to Guimaras Wind's zero-rated sales. On December 19, 2016, Guimaras Wind received a letter from the BIR denying the administrative claim for refund of excess and unutilized input VAT for the period July 1, 2014 to December 31, 2014. On January 11, 2017, Guimaras Wind filed with the CTA a Petition for Review. During 2018, Guimaras Wind and the BIR presented their evidence and arguments. On January 9, 2020, Guimaras Wind received a copy of the Decision of the CTA.

   In its Decision, the CTA partially granted Guimaras Wind's Petition for Review and ordered the BIR to refund or issue a tax credit certificate in favor of Guimaras Wind in the reduced amount of ₱16.15 million since the CTA ruled that Guimaras Wind was able to prove compliance with the essential elements for the grant of VAT zero-rating under Section 15(g), Renewable Energy Act of 2008 beginning June 1, 2015, which are as follows:

1. The seller (Guimaras Wind) is a Renewable Energy Developer of renewable energy facilities;
2. It sells fuel or power generated from renewable sources of energy, such as wind;
3. The said seller is a "generation company," i.e., a person or entity authorized by the Energy Regulatory Commission (ERC) to operate facilities used in the generation of electricity; and
4. Such authority is embodied in a COC issued by the ERC which must be secured before the actual commercial operations of the generation facility.

However, the CTA held that Guimaras Wind was not able to prove compliance with the 3rd and 4th essential elements to qualify for VAT zero-rating prior to June 1, 2015 because the CTA considered the condition fulfilled only upon the issuance of the COC by the ERC in favor of Guimaras Wind on June 1, 2015. Hence, Guimaras Wind's generated sales from its power generation activities which were considered by the CTA to be subject to zero percent (0%) VAT were only those made during the period June 1, 2015 to June 30, 2015.

On January 24, 2020, Guimaras Wind filed its motion for reconsideration where it presented that the sale of power through renewable sources of energy by VAT-registered persons shall be subject to 0% VAT per Tax Code and Renewable Energy Act of 2008 and that the COC issued by the ERC merely confirms the status of Guimaras Wind as a Generation Company.

On January 29, 2020, the BIR also filed a motion for reconsideration praying that the Court reconsider its Decision of January 3, 2020 and deny the entirety of Guimaras Wind's claim for refund.

On July 1, 2020, Guimaras Wind received the CTA Third Division's Resolution denying the Company's motion for reconsideration for lack of merit. Guimaras Wind filed its appeal on August 20, 2020 with the CTA En Banc.

On September 23, 2020, the CTA En Banc denied the Motion for Partial Reconsideration filed by the CIR and affirmed its earlier decision partially granting Guimaras Wind's claim for refund in the amount of ₱16.15 million. Guimaras Wind expects the CIR to file an appeal with the CTA En Banc which may be consolidated with the Petition for Review Guimaras Wind filed on August 20, 2020.

Meanwhile, on September 4, 2020, Guimaras Wind filed a Motion to Amend Petitioner's Name from Phinma RE to Guimaras Wind Corporation which was granted by CTA En Banc on September 18, 2020.

b. In 2018, SACASOL file a petition for review to the CTA for the disallowed claim of 2014 and 2015 input VAT amounting to ₱62.64 million. On February 3, 2020, SACASOL filed a memorandum with the CTA on the pending case. No decision was received from the CTA as at report date.

c. NLR filed a claim with the BIR for the conversion into tax credit certificates of its unutilized Input VAT amounting to ₱9.28 million in March 2018 for the taxable period from 1st quarter to 4th quarter of 2016, of which, ₱8.32 was disallowed by the BIR. Related impairment loss of the same amount was recognized in 2019 for the disallowed input VAT.

   In 2018, NLR converted into tax credit certificates the amount of ₱0.96 million out of the ₱9.28 million.

On July 25, 2020, NLR filed an appeal with the CTA questioning the denial by the BIR. A Memorandum was filed by both parties and is submitted for decision.

NLR recognized allowance for input VAT impairment amounted to ₱19.31 million as at September 30, 2020 and December 31, 2019.

d. Northwind filed for refund of excessive input VAT for the year 2016, amounting to ₱3.61 million originally filed on July 25, 2018, the Northwind later moved to withdraw its Petition for Review. Through the Resolution dated June 10, 2019, the CTA granted the Northwind's withdrawal. Accordingly, the CTA declared that the VAT Refund/Credit Notice dated May 11, 2018 as final and executory. The Commissioner of Internal Revenue's ("CIR") prayer to reconsider the dismissal of the case was denied via the Resolution dated September 13, 2019.

   On October 18, 2019, the CIR filed its Petition for Review praying for the Resolution to be reversed and a new one be entered declaring that Northwind is not entitled to the entire claim. On December 12, 2019, the Corporation filed its Comment/Opposition to Petitioner's Petition for Review praying that the Petition for Review be denied and the Resolution of the Court of Appeals First Division be upheld. The CTA issued a Resolution dated January 10, 2020 giving due course to the Petitioner's Petition for Review and submitting it for decision.

   Northwind recognized provision for impairment losses on input VAT amounting to ₱3.77 million and ₱0.14 million in September 30, 2020 and 2019, respectively.

36. Events After the Reporting Period

Additional subscription to Bataan Solar
On October 15, 2020, ACEN signed a subscription agreement with Bataan Solar for subscription of additional 7,999,190 common shares and 71,992,425 Class A Redeemable Preferred Shares ("RPS A") to be issued out of the increase in ACS of Bataan Solar, with subscription price of ₱39,995,950 and ₱359,962,125, respectively, to be paid in tranches with ₱99,989,520, payable on date of acquisition.

Amendment to subscription agreement with Ingrid
On October 22, 2020, ACEN executed a subscription agreement with deed of assignment of advances and deposits for future stock subscription with Ingrid for the subscription by ACEN of 5 Class A common shares ("Common A"), 480,000 Class A redeemable preferred shares ("RPS A"), and 5,219,995 Class B redeemable preferred shares ("RPS B") of Ingrid.

Assignment to Ingrid by ACEN in the total amount of ₱570 million, composed of ₱150 million outstanding receivables from Ingrid and ₱420 million deposits for future stock subscription, in exchange for, and as payment for, the subscribed shares to be issued out of the increase in the authorized capital stock of Ingrid, subject to necessary regulatory approvals from the SEC.
The subscription agreement with deed of assignment effectively supersedes the subscription agreement of 50,000 Class A common shares and 5,651,000 Class A RPS, dated December 18, 2019.

The subscription will be used to fund initial works for the construction of the Ingrid project.

Prepayment of the BDO legacy loan
On October 30, 2020, ACEN prepaid in full its ₱500 million corporate note with BDO in accordance with the terms of the loan agreement.

ACEN was able to get consent from BDO to allow prepayment on an interest payment date October 30, 2020 without premium or penalty.

Agreement letter on the extension of payment
On October 30, 2020, ISLASOL, VRC and TLCTI Asia entered into letter agreement on the extension of payment for the balance of subscription payable by TLCTI Asia in favor of ISLASOL in the amount of ₱405.97 million with an interest rate of 8% for any portion paid on or before February 28, 2021; and 10% for any portion paid after February 28, 2021. TLCTI Asia has until December 31, 2021 to pay the balance of the subscription price.

Events after the reporting period are treated as non-adjusting events.

ANNEX B

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial position and results of operations of AC Energy Philippines Inc. or ACEN *(formerly PHINMA Energy Corporation)* and its subsidiaries should be read in conjunction with the unaudited interim consolidated financial statements as at September 30, 2020, for the nine months ended September 30, 2020 and 2019 and the restated financial statements as at December 31, 2019. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

The Company posted consolidated net income attributable to parent amounting to **₱2,935.10 million** for the period ended September 30, 2020 compared to **₱229.57 million** restated net loss in the same period last year.

The tables below summarize the consolidated results of operations of ACEN's revenues, costs and expenses for the period ended September 30, 2020 and 2019.

Revenues

	July-Sept		**Jan-Sept**		**July-Sept**		**Jan-Sept**	
In thousand Pesos	**2020**	2019	**2020**	2019	**Inc (Dec)**	%	**Inc (Dec)**	%
Revenue from sale of electricity	**5,262,547**	3,482,281	**15,150,025**	11,792,651	**1,780,266**	51	**3,357,374**	28
Dividend income	**–**	17,823	**–**	25,408	**(17,823)**	(100)	**(25,408)**	(100)
Rental income	**8,590**	45,485	**71,663**	46,862	**(36,895)**	(81)	**24,801**	53
Other revenue	**7,134**	**–**	**26,589**	–	**7,134**	–	**26,589**	100

- The increase in **revenue from sale of electricity** was primarily due to higher energy sales from the Parent Company's power supply business as a result of the new contracts. The group also recognized additional revenues from the consolidation of newly acquired entities and FIT adjustments.
- No **dividend income** was received for the nine months period ended September 30, 2020.
- **Rental income** increased due to the contribution from entities acquired as a result of the asset swap with AC Energy, Inc.
- **Other revenue** consists of management fees earned by ACEN from its associate and bulk water sales.

Costs and Expenses

In thousand Pesos	July-Sept **2020**	July-Sept 2019	Jan-Sept **2020**	Jan-Sept 2019	July-Sept **Inc (Dec)**	July-Sept %	Jan-Sept **Inc (Dec)**	Jan-Sept %
Cost of sale of electricity	**3,741,547**	3,396,245	**10,147,543**	11,695,223	**345,302**	10	**(1,547,680)**	(13)
General and administrative	**446,628**	152,936	**1,277,649**	434,001	**293,692**	192	**843,648**	194

- With the favorable increase in energy sales, **cost of sale of electricity** for the nine-month period ending September 30, 2020 still managed to decrease due to lower WESM prices especially during the first half of the year compared to same period last year. However, cost of sale of electricity for the third quarter of 2020 increased versus 2019 corresponding to higher energy sales.
- **General and administrative expenses** increased due to personnel integration-related expenses, management fees paid to AC Energy, Inc, taxes on borrowings and provision for oil spill expenses before insurance recovery.

Other Income and Expenses

In thousand Pesos	July-Sept **2020**	July-Sept 2019	Jan-Sept **2020**	Jan-Sept 2019	July-Sept **Inc (Dec)**	July-Sept %	Jan-Sept **Inc (Dec)**	Jan-Sept %
Interest and other finance charges	**(456,420)**	(362,449)	**(1,364,215)**	(598,288)	**(93,971)**	26	**(765,927)**	128
Other Income	**228,402**	591,065	**564,725**	642,494	**(362,663)**	(61)	**(77,769)**	(12)
Equity in net income (loss) of associates and joint ventures	**146,657**	54,284	**485,191**	(5,751)	**92,373**	170	**490,942**	(8,537)

- **Interest and other finance charges** is higher due to availment of new long-term and short-term loans from November 2019 to the first quarter of 2020. This was also driven by higher interest accretion on lease liabilities with additional lease contracts consolidated in the group following the asset swap with AC Energy, Inc. as well as new contracts entered from last quarter of 2019.
- **Other income** included fees for services rendered during the first quarter of 2020 as well as gain from foreign currency transactions. However, other income in 2019 is higher than 2020 attributed to the collection of SLTEC’s business interruption insurance claims and gain from sale of assets.
- Higher **equity in net income of associates and JV** was posted in the third quarter of 2020 compared to same period last year mainly attributed to income contribution from PhilWind with the transfer of indirect interest from AC Energy, Inc. through asset swap together with acquisition of PINAI’s interest in February 2020.

Provision for income tax

In thousand Pesos	July-Sept **2020**	2019	Jan-Sept **2020**	2019	July-Sept **Inc (Dec)**	%	Jan-Sept **Inc (Dec)**	%
Current	**28,091**	54,487	**178,483**	69,617	**(26,396)**	(48)	**108,866**	156
Deferred Income tax	**27,581**	(114,651)	**308,828**	(78,484)	**142,232**	(124)	**387,312**	(493)

- The increase in **provision for income tax - current** was due to higher consolidated taxable income for the period ended September 30, 2020 which is attributable to higher revenue coupled with lower cost of sales.
- **Provision for deferred income tax** in the third quarter of 2020 was higher due to the reversal of deferred tax assets on NOLCO.

Material changes in Consolidated Statements of Financial Position accounts

In thousand pesos	September **2020**	December **2019**	Increase (Decrease) **Amount**	**%**
Current Assets				
Cash and cash equivalents	**6,342,176**	9,593,248	(3,251,072)	(34)
Short term deposits	–	100,000	(100,000)	(100)
Receivables	**5,831,502**	3,122,386	2,709,116	87
Fuel & spare parts - at cost	**1,337,289**	938,459	398,830	42
Current portion of:				
Input VAT	**479,565**	186,337	293,228	157
CWT	**205,541**	179,007	26,534	15
Other current assets	**500,471**	212,819	287,652	135
Asset held for sale	**–**	3,546	(3,546)	(100)
Noncurrent Assets				
Plant, property and equipment	**30,881,631**	25,438,929	5,442,702	21
Investments and advances	**6,384,183**	2,534,102	3,850,081	152
Financial assets at FVOCI	**1,251**	533,137	(531,886)	(100)
Goodwill & other intangible assets	**2,576,998**	441,077	2,135,921	484
Deferred income tax assets – net	**436,511**	653,923	(217,412)	(33)
Input VAT-noncurrent	**1,026,026**	372,917	653,109	175
Right of use asset	**2,133,581**	951,750	1,181,831	124
Other noncurrent assets	**3,780,848**	2,401,613	1,379,235	57

- Decrease in **cash and cash equivalents** was due to various expenditures for development projects and new investments including strategic acquisitions.
- Decrease in **short term investments** was due to redemption of time deposit of the parent company
- Increase in **receivables** mainly attributed to the approval of price adjustment for a power supply contract and accrual of additional revenues from FIT adjustment.
- **Fuel & spare parts** went up as a result of SLTEC's purchases of spare parts and other direct materials in preparation for maintenance works, coupled with ACEN's purchases of bunker fuel which are not yet consumed as of September 30, 2020.

- Increase in **current portion of input VAT** is mainly driven by input tax from purchases of various materials needed for construction and maintenance of various plants and services procured by the parent company.
- **Creditable withholding tax** went up due to improvement in collection of ACEN's receivable from retail customers and unutilized CWT.
- **Other current assets** increased primarily due to SLTEC's prepayments of taxes and insurance as well as advances to contractors. Acquisition of ISLASOL and SACASOL also contributed to the increase of the group's current assets.
- **Assets held for sale** was reclassified back to plant, property and equipment as management has no more intention of selling the assets of One Subic Oil.
- **Plant, property and equipment** rose with the consolidation of ISLASOL's and SACASOL's fixed assets.
- **Investments and advances** increased mainly due to investment in PhilWind.
- **Financial assets at FVOCI** decreased due to conversion of ISLASOL and SACASOL to subsidiary when ACEN acquired shares in March 2020.
- **Goodwill & other intangible assets** increased mainly as a result of acquisition of ISLASOL and SACASOL.
- Despite the increase of **deferred tax asset** from acquisition of ISLASOL and SACASOL, deferred tax asset of the Group went down mainly due to the application of the parent company's NOLCO in current year taxable income.
- **Input Vat non-current** increased due to reclassification of input vat of non-operating subsidiaries to non-current.
- **Right-of-use asset** increased with the consolidation of ISLASOL's and SACASOL's leased properties.
- **Other non-current assets** increased primarily due to non-current portion of receivable from FIT adjustment as well as various advances to contractors for the ongoing project developments.

In thousand pesos	September 2020	December 2019	Increase (Decrease) Amount	%
Current Liabilities				
Accounts payable and other liabilities	**7,040,072**	4,294,290	2,745,782	64
Short-term loans	**7,042,209**	3,556	7,038,653	197,937
Due to stockholders	**21,685**	16,594	5,091	31
Income and withholding taxes payable	**75,875**	41,208	34,667	84
Current portion of lease liability	**258,347**	128,796	129,551	101
Current portion of long-term loans	**745,474**	593,847	151,627	26
Noncurrent Liabilities				
Pension & other employment benefits	**79,959**	60,503	19,456	32
Long-term loans - net of current portion	**23,384,152**	22,325,599	1,058,553	5
Lease liability	**1,588,670**	852,742	735,928	86
Deferred tax income liabilities - net	**91,008**	350,487	(259,479)	(74)
Other noncurrent liabilities	**2,009,877**	3,289,902	(1,280,025)	(39)
Equity				
Capital Stock	**13,706,957**	7,521,775	6,185,182	82
Additional paid in capital	**8,606,494**	83,768	8,522,726	10,174
Other equity reserve	**(7,346,223)**	5,561,480	(12,907,703)	(232)
Unrealized FV gains on equity Instruments in FVOCI	**(8,129)**	(96,584)	88,455	(92)
Remeasurement losses on defined Benefit plan	**(7,034)**	9,254	(16,288)	(176)
Unrealized fair value losses on Derivative instruments designated Under hedge accounting	**(146,122)**	(14,742)	(131,380)	891
Accumulated comprehensive loss of JV & associates	**(2,723)**	(2,107)	(616)	29
Retained earnings	**4,348,963**	3,296,295	1,052,668	32
Treasury shares	**(56,361)**	(27,704)	(28,657)	103
Non-controlling interests	**1,322,394**	248,584	1,073,810	432

- **Accounts payable and other current liabilities** went up mainly driven by the increase in payables to contractors of Solar Ace 1, increase in deferred output tax from higher sales and derivative liabilities from hedging contracts. Consolidation of ISLASOL and SACASOL also contributed to the increase in accounts payable and other current liabilities.
- **Short term loans** went up mainly from short term loans from affiliate AC Renewables International Pte. Ltd. and HSBC and short-term loans from acquisition of ISLASOL.
- **Due to stockholders** increased from the declaration of dividend from Manapla Sun.

- Increase in **income and withholding taxes payable** was mainly due to accrual of income tax expense of several subsidiaries and higher tax withheld from purchases.
- **Current portion of lease liability** increased due to acquisition of ISLASOL and SACASOL.
- **Current portion of long-term loans** increased due to Northwind's availment of loans from BPI.
- **Pension & other employment benefits** increased due to accrual of retirement expense for the nine-month period.
- **Long-term loans - net of current portion** increased due to the new loans availed by ACEN to fund new investments.
- **Lease Liability-net of current portion** increased as a result of acquisition of ISLASOL and SACASOL.
- The decrease in the **deferred income tax liabilities** of ISLASOL and SACASOL contributed to the increase in deferred tax liability of the group.
- The asset retirement obligation from the acquisition of ISLASOL and SACASOL as well as the accrual of estimated costs in the recovery, clean up and damages to be incurred in relation to the oil spill incident contributed to the increase in **other non-current liabilities**.
- **Capital stock and additional paid in capital** increased from the issuance of common stock for the share swap agreement with AC Energy, Inc. Common shares equivalent to 6,185,182,288 at ₱ 2.37 per share were issued in exchange for AC Energy's interest in various domestic entities.
- The decrease in **other equity reserve** is also from the result of share swap transaction with AC Energy Inc.
- The decrease in **unrealized FV gains on equity instruments in FVOCI** was due to adjustments from the share swap transaction with AC Energy, Inc..
- **Unrealized fair value losses on derivative instruments designated under hedge accounting increased** with accrual of additional losses in derivative contracts.
- The increase in **accumulated comprehensive loss/income of JV and associates** was a result in the adjustment made in MGI comprehensive income.
- **Remeasurement losses on defined benefit plan** decreased as a result of elimination of the balance from Northwind Power Development Corporation related to the share swap agreement.
- **Retained earnings** increased as a result of the net income earned for the period ending September 30, 2020.
- **Treasury shares** increased due to redemption of shares for the period.
- **Non-controlling interests** increased due to the 40% investment of TLCTI Asia in ISLASOL.

Key Performance Indicators

The key performance indicators of AC Energy Philippines, Inc. and its majority owned subsidiaries, as consolidated, are the following:

Key Performance Indicator	Formula	Sep 2020 Unaudited	Dec 2019 Restated	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**0.97**	**2.82**	(1.85)	(66)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**0.80**	**2.52**	(1.72)	(68)
Solvency Ratios					
Asset-to-equity ratio	Total assets / Total equity	**3.07**	**2.93**	0.14	5
Interest Coverage Ratio	Earnings before interest & tax (EBIT) / Interest expense	**3.57**	**1.01**	2.56	253
Net bank Debt to Equity ratio	Short & long term loans - Cash & Cash Equivalents / Total Equity	**1.22**	**0.80**	0.42	53

Key Performance Indicator	Formula	Sep 2020 Unaudited	Sep 2019 Unaudited	Increase (Decrease) Amount	%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders* / Average stockholders' equity	**22.09%**	**(2.51%)**	24.60	(980)
Return on assets	Net income after taxes* / Average total assets	**7.24%**	**(0.92%)**	8.16	(887)
Asset Turnover	Revenues / Average total assets	**27.40%**	**37.54%**	(10.14)	(27)

Annualized

Current ratio & Acid test ratio

Current ratio & acid test ratio dropped due to the increase in current liabilities primarily from short-term loans and accounts payables.

Interest coverage ratio

The increase in interest coverage ratio was brought about by higher net income before interest and tax for the period ending September 30, 2020 compared to net loss reported in the same period last year.

Net bank debt to equity ratio

Net debt equity ratio increased due to additional loans in 2020.

Return on equity and assets

Return on equity and assets went up this year as the Company registered net income in the first 3 quarters of the year compared to net loss reported in the same period last year.

Asset turnover

Asset turnover decreased primarily due to significant increase in assets resulting from acquisitions of ISLASOL and SACASOL.

Material events and uncertainties

- There were no events that triggered direct or contingent financial obligation that was material to the Company. There were no contingent assets or contingent liabilities since the last annual balance sheet date.

- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

- There were no material events that had occurred subsequent to the balance sheet date except for the event after the reporting period disclosed in Note 33 of the Interim Condensed Consolidated Financial Statements.

- ACEN has material commitments to invest in capital expenditure projects mainly in Baloi Wind Project and Renewable Energy Lab Project. Refer to Annex A or Notes to the Financial Statements for the details.

- Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
  - The results of operations of the Company and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
  - The current highly competitive environment, operation of priority-dispatch variable renewable energy, and low demand brought about by the community quarantines have driven market prices of electricity downward, resulting in lower margins.
  - Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.

- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way - Material to the Company's liquidity and profitability is the negotiations to reduce supply costs. The Company is also pursuing customer contracts at higher prices from both the retail and wholesale markets. The Company has identified low-earning assets and have offered these in the market. The Company is also looking at cost optimization and reduction in operating expenses at the plant level as well as head office.

- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or results of operations. There were no operations subject to seasonality and cyclicality except for the operation of wind farms. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

ANNEX C

Reports on SEC Form 17-C
The Company submitted SEC form 17-C and Press Statements to PSE, SEC on the following matters in the third quarter ended September 30, 2020:

1. July 1, 2020 – Amendment of the disclosure on the Annual Report for the fiscal year ended December 31, 2019 to attach the parent audited financial statements of the Company (Annex B) as received by the Bureau of Internal Revenue on June 9, 2020.
2. July 1, 2020 – Announcement on the availability of the Company's 2019 Integrated Report on the Company's website through the link: https://acenergy.ph/ac-energy-philippines-ir-2019/
3. July 1, 2020 – Amendment of the disclosure with PSE reference number C06368-2019 dated October 18, 2019 (Amendments to Articles of Incorporation) to reflect the date of approval by the Securities and Exchange Commission (June 22, 2020) of the amendment of Article VII of the Company's Articles of Incorporation.
4. July 6, 2020 – Clarification of the news article in Inquirer.Net on 4 July 2020 entitled "321 residents evacuated amid power barge oil spill in Iloilo City" (https://newsinfo.inquirer.net/1301813/321-residents-evacuated-amid-power-barge-oil-spill-in-iloilo-city)
5. July 15, 2020 – Share Buy-Back Transaction of 500,000 ACEN Shares
6. July 15, 2020 – List of Top 100 Stockholders for the period ended June 30, 2020
7. July 16, 2020 – Share Buy-Back Transaction of 400,000 ACEN Shares
8. July 16, 2020 – Submission of SEC Form 23-B of AC Energy, Inc. dated June 3, 2020
9. July 16, 2020 – Public Ownership Report for the for the Quarter ended June 30, 2020
10. July 23, 2020 – Signing of a Shareholders' Agreement among AC Energy Philippines, Inc., ACE Endevor, Inc., and Axia Power Holdings Philippines Corp.
11. July 24, 2020 – Joint Venture via a Shareholders' Agreement among AC Energy Philippines, Inc., ACE Endevor, Inc., and Axia Power Holdings Philippines Corp. for the development, construction and operation of the 150MW diesel power plant project in Pililla, Rizal.
12. July 27, 2020 – Subscription by the Company of shares in Giga Ace 4, Inc.
13. July 27, 2020 – Subscription by the Company of shares in Giga Ace 5, Inc.
14. July 27, 2020 – Subscription by the Company of shares in Giga Ace 6, Inc.
15. July 27, 2020 – Subscription by the Company of shares in Giga Ace 7, Inc.
16. July 27, 2020 – Subscription by the Company of shares in Giga Ace 8, Inc.
17. July 27, 2020 – Subscription by the Company of shares in Giga Ace 9, Inc.
18. July 27, 2020 – Subscription by the Company of shares in Giga Ace 10, Inc.
19. July 28, 2020 – Executive Committee's approval of the Company's additional investment in Bataan Solar Energy, Inc. and Giga Ace 4, Inc.
20. July 29, 2020 – Resolution of the DENR-EMB dated 27 July 2020 on Notice of Violation No. 20-NOVW-0630-164 issued to Power Barge 102, owned by the Company, in relation to the oil spill incident of July 3, 2020
21. August 7, 2020 – Change of the Company's stock symbol from "ACEPH" to "ACEN" effective on 14 August 2020
22. August 12, 2020 – Quarterly Report for the period ended June 30, 2020

23. August 12, 2020 – Press release on the Company's first half net income of Php1.96 billion following the completion of its on-shore assets restructuring
24. August 19, 2020 – Matters taken up at the regular board meeting held on 18 August 2020 via video conferencing:
    a. Ratification of the following actions made by the Executive Committee:
        i. Approval of the Company's investment of up to PhP2.2 billion into its subsidiaries, namely, Bataan Solar Energy, Inc. and Giga Ace 4, Inc., to be used to further the opportunities presented by emerging clean energy technologies, and for various development activities including securing land, permitting, undertaking project studies, project planning, and procuring and installing equipment available from the new technologies;
        ii. Approval of the Company's 2019 Business Separation and Unbundling Plan for approval of the Energy Regulatory Commission; and
        iii. Approval of the Company's Quarterly Report for the quarter ending on June 30, 2020;
    b. Approval of additional hedging counterparties for the Company;
    c. Approval of the declaration of cash dividends of four centavos (Php0.04) per share on the 13,692,457,210 issued and outstanding shares of the Company, or a total dividend amount of PhP547,698,288.00 to be paid on or before September 17, 2020 to stockholders of record as of September 3, 2020;
    d. Approval of the Company's dividend policy to declare and pay dividends on an annual basis using a payout ratio of 25% to 50% of the previous year's core net income, excluding significant non-recurring gains (including value realization proceeds) or losses, to be effective on January 1, 2021;
    e. Approval of the revised land acquisition plan of ACE Endevor, Inc., the Company's subsidiary, to expand to other geographies in the Philippines for development of power generation and other types of projects, with a total budget of up to PhP5 billion;
    f. Approval of the investment of up to PhP500 Million for the construction of a 75 MWdc solar power plant project in Arayat and Mexico, Pampanga, in partnership with Citicore Renewable Energy Corp.; and
    g. Approval of the investment of up to PHP2.9 billion for the construction of a 75 MWdc solar power plant project in Palauig, Zambales, through its subsidiaries, ACE Endevor, Inc. and Giga Ace 8, Inc.
25. August 19, 2020 – Approval of the Company's Board of Directors of the declaration of cash dividends of Php0.04 per share on the 13,692,457,210 issued and outstanding shares of the Company, or a total dividend amount of PhP547,698,288.00, to be paid on September 17, 2020 to the shareholders on record as of September 3, 2020.
26. August 25, 2020 – Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated August 24, 2020
27. August 27, 2020 – Amendment of the disclosure on the Amendment of the Company's Articles of Incorporation to attach a copy of the Certificate of Approval of Increase of Authorized Capital Stock, the Certificate of Filing Amended Articles of Incorporation, and the Amended Articles of Incorporation.
28. August 27, 2020 – Submission of SEC Form 23-B of Ma. Teresa P. Posadas dated August 25, 2020
29. August 27, 2020 - Amendment of the disclosure on the Quarterly Report for the quarter ending on June 30, 2020 to clarify the Company's "Earnings Per Share".
30. August 28, 2020 – Submission of SEC Form 23-B of Alan T. Ascalon dated August 27, 2020

31. August 28, 2020 – Submission of SEC Form 23-B of Mariejo P. Bautista dated August 27, 2020
32. September 1, 2020 – Submission of SEC Form 23-B of Danilo L. Panes dated August 27, 2020
33. September 1, 2020 – Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated August 27, 2020
34. September 2, 2020 – Submission of the Company's 2019 Integrated Annual Corporate Governance Report, in compliance with SEC Memorandum Circular No.15 Series of 2017
35. September 4, 2020 – Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated September 1, 2020
36. September 4, 2020 – Submission of SEC Form 23-B of Alan T. Ascalon dated September 2, 2020
37. September 11, 2020 – Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated September 8, 2020
38. September 15, 2020 – Submission of the Company's 2020 First Amended General Information Sheet
39. September 18, 2020 – Submission of SEC Form 23-B of Solomon M. Hermosura dated September 17, 2020
40. September 18, 2020 – Submission of SEC Form 23-B of Danilo L. Panes dated September 17, 2020
41. September 24, 2020 – Subscription by the Company of shares in Buendia Christiana Holdings Corp.
42. September 25, 2020– Submission of SEC Form 23-B of Solomon M. Hermosura dated September 24, 2020
43. September 30, 2020 – Submission of SEC Form 23-B of Solomon M. Hermosura dated September 29, 2020